

Cabinet Paper material

Proactive release

Minister & portfolio	Hon Penny Simmonds, Minister for Tertiary Education and Skills
Name of package	A redesigned vocational education and training system – legislative framework
Date considered	18 December 2024
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A redesigned vocational education and training system – legislative framework

Date considered: 18 December 2024

Author: Office of the Minister for Tertiary Education and Skills

Cabinet Social Outcomes Committee Minute SOU-24-MIN-0174

Date considered: 18 December 2024

Author: Committee Secretary

Material redacted

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In Confidence

Office of the Minister for Tertiary Education and Skills

Cabinet Social Outcomes Committee

A redesigned vocational education and training system – legislative framework

Proposal

1. This paper seeks your agreement to a legislative framework for a redesigned vocational education and training system. The proposed framework will be fiscally sound and better meet the needs of learners, industry, and the economy. This legislative framework will:
 - 1.1. disestablish The New Zealand Institute of Skills and Technology (Te Pūkenga) and Workforce Development Councils;
 - 1.2. create a more agile network of institutes of technology and polytechnics focused on core delivery either as standalone entities or as members of a federation; and
 - 1.3. establish Industry Skills Boards to provide a more industry responsive and resilient model to support work-based learning.
2. This paper is not seeking final decisions on the model for work-based learning or on individual institutes of technology and polytechnics. Those decisions will be taken in the first half of 2025.

Relation to Government priorities

3. The Government made a commitment as a part of its 100-day plan to disestablish Te Pūkenga and restore local decision-making in the vocational education and training system.

Executive summary

4. I am proposing legislative changes to enable institutes of technology and polytechnics (currently business divisions of Te Pūkenga) to stand alone, be part of a federation, merge with other tertiary education institutions, or be sold. I have also sought advice on options for a new type of dual-sector entity.
5. A redesigned network of provision will enable learner and industry choice, and provide resilience, through a mix of public, private, and workplace provision. It will ensure learners across New Zealand have access to vocational education opportunities, including in hard-to-access geographic areas and areas with high unemployment, and in strategically important disciplines.
6. Institutes of technology and polytechnics will need to make significant changes to become financially viable. Changes include ceasing delivery of some programmes, closing some delivery sites, and reducing staff numbers. This process is needed to ensure continuity of provision for learners across New Zealand and will be undertaken in close collaboration with communities to reflect regional priorities and national and regional workforce development needs.
7. Decisions on the future of individual institutes of technology and polytechnics will be made in the first half of 2025, once the financial analysis currently underway has been completed. I propose to report back to Cabinet in March 2025 with options to support strategically important provision that might otherwise be cut, particularly in regions with high social need.

8. Following feedback from public consultation and engagement with industry, I am proposing to carry out additional targeted consultation with industry stakeholders on the future model for standards-setting and work-based learning.
9. Consultation will seek feedback on option B (the preferred option from the August consultation) and a new option I am calling option C. I consider that option C combines the strengths of the two options previously consulted on, enabling direct employer input into Industry Skills Boards functions, allowing learners to move seamlessly between work-based and provider-based learning, and supporting provider engagement with employers.
10. In considering the future of the vocational education and training system, I have had to manage a number of trade-offs. I am confident that the proposals represent the best balance between regional decision-making and national industry leadership, while maintaining a sustainable network of provision that delivers the high quality, relevant programmes learners and employers need, within the existing financial envelope.
11. This paper seeks agreement to the legislative amendments needed to give effect to the structural changes that will occur throughout 2025 and 2026. I also seek agreement to delegate approval of detailed policy decisions to myself and the Minister for Social Development and Employment to enable drafting instructions to be issued to Parliamentary Counsel Office.
12. I propose to return to Cabinet in April 2025, following further targeted engagement with industry, seeking agreement to the preferred option for standards-setting and work-based learning. I will also report back in June 2025 seeking final decisions on the future of specific institutes of technology and polytechnics.

Background

13. In July 2024, Cabinet approved public consultation on the redesign of the vocational education and training system. Cabinet invited me to report back to the Cabinet Social Outcomes Committee on the findings from public consultation and policy proposals for the redesigned system [CAB-24-MIN-0267].
14. Public consultation occurred over six weeks, ending 12 September 2024. An executive summary of the findings from public consultation is attached as Annex 1. Consultation feedback and further financial analysis of the institutes of technology and polytechnic sector have informed my proposals for a redesigned system.

Why change is needed

Te Pūkenga has been ineffective at driving a viable long-term solution for vocational education

15. In June 2024, I presented a paper to Cabinet Social Outcomes Committee outlining the issues with the current vocational education system and the rationale for change [CAB-24-MIN-0234]. The key points from that paper are:
 - 16.1 The establishment of Te Pūkenga has failed to address long-standing financial issues in the polytechnic sector.¹
 - 16.2 The standards-setting function delivered by Workforce Development Councils is costly, not connected to some employers, and subject to overly complex governance arrangements.

¹ In October 2022, Te Pūkenga sought \$330 million from the Government to implement its transformation programme.

- 17 The redesigned vocational education system will deliver the skilled workforce needed to meet the social and economic challenges New Zealand is facing, such as doubling our export earnings, addressing infrastructure deficits, and caring for an aging population.

Vocational learners are diverse, and a flexible system is needed to meet their needs

- 18 The vocational education and training system caters to a wide range of learners and learning needs, including secondary-tertiary programmes, pre-trades programmes, and apprenticeships. It is critical to provide these pathways, especially in geographic regions with high unemployment and high NEETs (Under 25-year-olds not in employment, education or training).
- 19 A high-performing VET system requires a mix of providers, both public and private, however, only polytechnics have a responsibility to deliver a diversity of education to their communities, including in remote areas and to vulnerable populations, where this is an expensive and unattractive prospect for private providers.

A stable and enduring vocational education system

- 20 I am proposing changes to the Education and Training Act 2020 that will:
- 20.1 disestablish Te Pūkenga and Workforce Development Councils;
 - 20.2 create an enabling framework for a more agile network of polytechnics², focused on core delivery to learners, either as standalone entities or as members of a federation; and
 - 20.3 introduce a more industry responsive and resilient model to support standards-setting and work-based learning through the establishment of new Industry Skills Boards.
- 21 The following sections outline each of these proposed changes. Additional detail on the proposed legislative changes, subject to Parliamentary Counsel Office drafting considerations, are attached as Annex 2.

Proposal 1: Creating a healthy polytechnic network that responds to regional needs

- 22 I am proposing to establish a legislative framework that allows polytechnics to be standalone, part of a federation, merged, transferred in whole or in part to other tertiary education institutions (to create a dual sector entity), or sold.
- 23 Proposed legislative changes will enable the establishment of a federation to support polytechnics that are unable to stand alone but could be viable with support. Legislation would provide for polytechnics to move in or out of the federation based on criteria.
- 24 The federation would not be financially responsible for its members but would provide access to shared services, and most importantly, programmes and a shared academic committee. This would mitigate some of the negative financial and academic impacts of small class sizes, underutilisation of teaching staff, and high class contact hours, which are the key cost drivers for tertiary education organisations.
- 25 The legislation would enable one or more polytechnics to be assigned as an anchor institution for the federation. The Open Polytechnic is the most obvious anchor institution, given it can provide access to an extensive range of online learning resources.

²References to polytechnics throughout the body of this paper should be read as Institutes of technology and polytechnics.

- 26 The extent to which the federation can contribute to the financial viability of each of its potential members needs to be modelled. Therefore, flexibility within the legislation is critical to ensure we can maximise the accessibility of vocational education, get the best quality for learners, and respond to the cost savings work being done.
- 27 The proposed legislation would also allow for any of Te Pūkenga's existing vocational provision to be transferred to a university. I will later consider other ways to enable more formal dual sector entities to exist.

Proposal 2: Establishing an industry-led system for standards-setting and work-based learning

- 28 I am proposing legislation to enable the disestablishment of Workforce Development Councils and the establishment of Industry Skills Boards. Industry Skills Boards would take over the standards-setting functions currently delivered by Workforce Development Councils.
- 29 Consultation asked stakeholders to comment on two options for the structure of work-based learning and standards-setting, option A and option B.
- 29.1 Option A would involve establishing Industry Skills Boards that both set standards and arrange work-based learning (similar to the former Industry Training Organisations).
- 29.2 Option B would separate standards-setting and delivery of work-based learning (similar to current arrangements), with the key difference being Te Pūkenga's work-based learning divisions would become standalone entities. Under this option, polytechnics, Wānanga, and private training establishments would also be able to offer work-based learning.
- 30 I also considered returning to a model where industry owned entities are formally recognised by the Minister for Tertiary Education and Skills as Industry Training Organisations. However, I discounted this option early, due to the long transition time required, the potential for capture by a subset of employers or industry sectors, and the risk of each individual industry wanting their own entity (there were over 40 Industry Training Organisations before consolidation in 2011).
- 31 Following discussions with industry representatives, and consideration of consultation feedback, I have developed a third option, 'option C'. I consider that option C combines the strengths of both options A and B and best responds to the needs of industry.
- 32 Under option C, Industry Skills Boards would be responsible for a national standards-setting function (qualification, credential and standards development, and programme endorsement) and assessment moderation for the industries they represent. This responds to industry feedback on the importance of a national approach to ensure consistency and quality of vocational education across the system.
- 33 Industry Skills Boards would provide a national training coordination and pastoral care function to work-based learners and their employers. They would also provide the Tertiary Education Commission with investment advice, a function valued by industry.
- 34 Tertiary providers, including polytechnics, private training establishments, and Wānanga, would manage the education aspects of work-based learning. This includes enrolling learners, developing training materials, managing assessment, and delivering off-job training where required.
- 35 Private training establishments currently involved in delivering work-based learning can continue under option C. However, they would need to transition the pastoral care of

work-based learners to the appropriate Industry Skills Board(s) and their delivery would continue to be moderated to ensure industry-wide consistency.

- 36 The current functions within the work-based learning divisions of Te Pūkenga would be divided between Industry Skills Boards and the new polytechnics. Separating the pastoral care and educational functions in work-based learning ensures both Industry Skills Boards and polytechnics involved in work-based learning are in regular contact with employers. Option C avoids the conflict of interest that existed for Industry Training Organisations, where they quality assured their own programmes. It also addresses the gap between polytechnics and industry which sometimes existed previously.
- 37 Most importantly, having both Industry Skills Boards and providers involved in the training agreement with employers and employees would enable work-based learners to move seamlessly between work-based and provider-based learning in response to employee and employer needs. Option C would also build resilience into the system by ensuring provider-based education is available during periods of higher unemployment, when the availability of work-based learning decreases.
- 38 I propose to carry out targeted consultation with industry stakeholders on both option C and option B (the preferred option from the August consultation). I will report back to Cabinet with the findings from consultation, and a preferred option for standards-setting and work-based learning, in April 2025.
- 39 Subject to Cabinet's agreement, I will progress legislation to give effect to the preferred option which would come into effect on 1 January 2027. These changes could either be included in the Bill at introduction or progressed via a second phase of legislation. Responsibility for work-based learning will remain within Te Pūkenga until the new work-based learning structure is in place.
- 40 Workforce Development Councils will continue to carry out their standards-setting functions until the new Industry Skills Boards are established.
- 41 To further provide opportunities for industry to be involved in the design of training, I am proposing amendments to existing levy provisions in the Education and Training Act 2020. This will make it easier for industry to request the introduction of a levy to support standards-setting.

Proposal 3: A funding system that supports stronger vocational education and training

- 42 I am considering modest and fiscally neutral funding changes to support the vocational education system, including:
- 42.1 A small increase in provider-based funding rates to bring them close to pre-2023 rates, reprioritised from a reduction in funding targeted towards underserved learners. This will benefit all public and private providers who offer vocational education. I expect that this will include changes to how funding is targeted to ensure it complies with the Needs-Based Service Provision Cabinet Circular CO (24) 5.
- 42.2 Establishing a modest amount of dedicated funding for standards-setting functions, reprioritised from a small reduction in funding rates for work-based learning (which would remain well above pre-2023 levels).
- 43 These changes would support the sustainability and success of the redesigned system and recognise the value of both work-based and provider-based education and training. I note

that under option C, funding for work-based learning will need to be split between Industry Skills Boards and providers.

- 44 The structural changes that I am seeking agreement to in this paper are not directly dependent on these funding changes, other than the need to reprioritise some funding towards a standards-setting function.
- 45 Funding for Workforce Development Councils was removed in Budget 2024 and ceases after 30 June 2025, leaving a six-month gap until 2026 funding changes come into effect. Workforce Development Councils will need to draw on reserves to resource critical system functions through this period. If necessary, I will seek approval to reprioritise current year underspends to support these functions.
- 46 I propose to report back to Cabinet in March next year to seek agreement to funding system changes for 2026. This will allow these changes to be explored in more detail with further analysis of impacts.

Trade-offs are required when designing the new system

A key trade-off is between the financial viability of polytechnics and a reduction in the number of regional campuses and programmes delivered face-to-face

- 47 To achieve a financially sustainable polytechnic sector within the current financial envelope, significant cost savings are being identified across the Te Pūkenga network. Achieving the necessary savings will mean ceasing delivery of unprofitable/low profitability programmes, closing some delivery sites, and reducing staffing numbers. I am committed to reinvesting savings from any reductions in delivery back into the vocational education system.
- 48 Provision in some subjects and areas may need to move to online or blended delivery (a mixture of online and face-to face learning) to become financially viable. However, I recognise that some provision, such as foundation education, is unlikely to be suitable for online or blended delivery.
- 49 The redesigned system will focus on ensuring learners retain access to critical and strategically important learning. Strategically important learning will be identified in close consultation with communities and will likely include healthcare, trades training, primary sector training, and foundation education.
- 50 There is still, however, strategically important provision in some regions that will be at risk without additional support, for example:
 - 50.1 core vocational education and training provision in Northland and Taranaki (while the polytechnics in these regions transition to lower cost delivery models);
 - 50.2 a smaller polytechnic presence on the West Coast (likely as a satellite campus of another provider);
 - 50.3 critical agricultural and forestry provision in Otago, Bay of Plenty and Northland.
- 51 Assessment of deficits facing polytechnics in these regions suggests that approximately \$15 million per annum is required in additional support if we want to maintain this provision.
- 52 I propose to come back to Cabinet in March 2025 (alongside the broader funding changes outlined above) with options for supporting strategically important provision. 9(2)(f)

(iv)

We also need to strike a balance between a national versus a regional approach to vocational education

- 53 Feedback from consultation highlighted that there are sometimes tensions between the needs of regions and the needs of industry. With some industries preferring a national approach to training to ensure quality and consistency across the system.
- 54 Industry feedback on the best model for standards-setting and industry training varies both across and within industries – there is no one model that will please everyone. Option C prioritises the needs of learners in work-based learning while also balancing industry and regional responsiveness. It also maintains a mechanism for industry to advise the Tertiary Education Commission on investment decisions.
- 55 Option C introduces some added complexity in terms of splitting functions and funding for work-based learning between Industry Skills Boards and providers. However, there are examples of complex arrangements currently working well within the vocational system, and I consider the benefits of this option would outweigh any drawbacks.

To drive change, and meet our 1 January 2026 deadline, decision-making must be phased

- 56 Decisions on the future of specific polytechnics will be made in the first half of 2025, once further work has been undertaken on their future financial viability.
- 57 The most recent assessment by the specialist advisors working with the polytechnics indicates that up to ten of the 15 polytechnics are on a pathway to viability. There are varying levels of risk around the ability of these ten polytechnics to be financially viable by 1 January 2026, with further work underway.

58 9(2)(g)(i)

- 59 I will report back to Cabinet by mid-2025 with options for these polytechnics which prioritises retaining, as far as practicable, strategically important provision. Decisions can then be made on whether to continue to support these polytechnics or whether they will be closed, merged, or sold.

Risks and mitigations

- 60 I am proposing to move quickly in the first half of 2025 to manage the risk of prolonging a model that is not delivering, and to help to address uncertainty in the sector.
- 61 A table outlining the key risks and trade-offs associated with the proposed changes and the transition to the new system is attached as Annex 3.

Implementation

- 62 There are considerable implementation and transition risks that will need to be managed. The transition will involve 208,000 learners and 8,000 staff from Te Pūkenga's 15 polytechnic divisions, eight work based learning business divisions and six Workforce Development Councils moving to up to 20 new organisations. Key risks include:

- 62.1 retention of key staff;
- 62.2 maintaining learner and employer engagement throughout the process;

- 62.3 continuing to deliver high quality learning while undergoing major organisational change; and
 - 62.4 managing the cost of change (a contingency fund of \$157 million was established in Budget 24 to assist with transition costs).
- 63 A detailed timeline and plan for decision making will be developed to manage these risks. The ability for Te Pūkenga to continue as a residual organisation until the end of 2026 will also mitigate some implementation risks. More implementation information is attached as Annex 4.

Cost-of-living implications

- 64 The proposals in this paper have no immediate cost-of-living implications.

Financial implications

- 65 The proposals in this paper are fiscally neutral and will be delivered within the current funding envelope, including re-prioritisation of departmental baselines.

Legislative implications

- 66 This paper seeks agreement to legislative amendments needed to give effect to the structural changes. It also seeks agreement to delegate approval of detailed policy decisions to myself, the Minister for Social Development and Employment, and the Minister of Finance, to enable drafting instructions to be issued to Parliamentary Counsel Office.

Impact analysis

Regulatory Impact Statement

- 67 A Regulatory Impact Statement (RIS) has been prepared and is attached to the Cabinet paper as Annex 5.
- 68 The Ministry of Education's Quality Assurance Panel, with representation from the Tertiary Education Commission, has reviewed the Regulatory Impact Statement produced by the Ministry of Education (dated 27 November 2024). The panel considers that, because of constraints imposed on consultation and evidence, it partially meets the Quality Assurance criteria. Despite this, the analysis clearly identifies the complexity, risks and limitations of the proposed approach and timeline and foreshadows the important future decisions and analysis required.

Climate Implications of Policy Assessment

- 69 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal, as the threshold for significance is not met.

Population implications

- 70 The population implications of the proposed changes were addressed in my earlier Cabinet paper [CAB-24-MIN-0234].

Human rights

- 71 These proposals appear to be consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. A final determination of consistency will be undertaken when the Bill has been drafted.

Use of external resources

- 72 Expertise was contracted from 10 September to 10 October to support drafting of the summary of submissions report. A programme manager has also been contracted since June 2024 to lead the work programme.

Consultation

- 73 Public consultation has been carried out on options for a redesigned vocational education system. A summary of consultation feedback is attached as Annex 1.
- 74 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, 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.

Treasury comment

- 75 The Treasury does not support the proposed model for work-based learning and standard setting (Option C) as it is untested and adds significant implementation risk to a set of changes that already represent a massively complex and broad redesign of the system under short timeframes and with minimal additional resources. Treasury recommend Cabinet consider Option B for work-based learning as either a temporary state to phase changes or as the permanent model for work-based learning. In addition to the strengths of the model itself, this approach has several advantages including being the favoured option during public consultation (57% of submitters supported Option B versus only 12% supporting Option A) and being the closest to the status quo thereby significantly reducing overall implementation risk.

- 76 9(2)(g)(i)
- [Redacted text block]

Communications

- 77 Subject to Cabinet's agreement to the proposals in this paper, I will issue a press release outlining the legislative changes.

Proactive Release

- 78 I intend to release the material within this Cabinet paper within 30 days after decisions have been made by Cabinet, subject to any redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Tertiary Education and Skills recommends that the Committee:

Establishment of new polytechnics and the polytechnic federation

1. **agree** to amend the Education and Training Act 2020 ('the Act') to provide for the establishment of new polytechnics as tertiary education institutions, subject to the same

legislative settings as other tertiary education institutions, except as otherwise specified in the Act;

2. **agree** to a framework of graduated interventions for managing risk to the operation or viability of a polytechnic or a related entity based on criteria for assessing risk determined by the Secretary for Education;
3. **agree** to amend the Act to provide for the establishment of a federation and statutory board to support designated polytechnics to deliver core provision of education and training programmes, and to support the operation and long-term viability of those polytechnics;

Work-based learning arrangements and establishment of Industry Skills Boards

4. **agree** to retain the existing work-based learning model in the first instance, pending targeted consultation with key industry stakeholders on Option B vs Option C;
5. **invite** the Minister for Tertiary Education and Skills to report back to Cabinet no later than April 2025 on the preferred work-based learning model, with changes to be either included in the Bill at introduction or progressed via a second phase of legislation;
6. **agree** to amend the Act to provide for the establishment of new Industry Skills Boards by Order in Council as non-Crown statutory boards and tertiary education organisations (consistent with Annex 2);
7. **agree** to amend the training levy provisions to empower regulations for an industry levy, subject to a requirement for industry support, payable by all (employer) members of a specified industry to an Industry Skills Board for the performance of its functions;

Transitional arrangements

8. **agree** to transitional provisions for the transfer of Te Pūkenga NZIST education and training programmes and assets to a continuing organisation (tertiary education institution or Private Training Establishment) or an Industry Skills Board;
9. **agree** to transitional provisions for transferring Workforce Development Councils' functions and assets to Industry Skills Boards with specified industry coverage for those functions;
10. **agree** that Te Pūkenga NZIST is continued as a transitional entity for unallocated programmes and activities and disestablished on the earlier of a date specified by Order in Council, or 31 December 2026;
11. **agree** to a provision in the Act for disestablishing Workforce Development Councils and distributing any residual assets and liabilities by Order in Council;
12. **invite** the Minister for Tertiary Education and Skills to report back in consultation with the Minister for Social Development and Employment to Cabinet in March 2025 on options to support strategically important provision, including transitional funding reprioritised from within existing baselines;
13. **invite** the Minister for Tertiary Education and Skills and the Minister for Social Development and Employment to report back to Cabinet 9(2)(f)(iv) with interim analysis on how the proposed changes to the VET system are expected to impact learners and on:
 - 13.1. the implications for disadvantaged learners, and on the Jobseeker Government Target; and

- 13.2. the continued operation of Trades Academies and vocational learning in secondary schools 9(2)(f)(iv) [REDACTED];

Commencement of Education and Training Act 2020 amendment bill

14. **agree** to the amendments to the Act to give effect to these decisions coming into force on 1 January 2026 (except where a decision on option B vs option C for work-based learning may require a second phase of legislation);

Authority to act and issue drafting instructions

15. **authorise** Minister for Tertiary Education and Skills, and Minister for Social Development and Employment to make any detailed policy decisions as necessary to give effect to, and consistent with, the decisions under CAB-24-MIN-0514;
16. **authorise** the Minister for Tertiary Education and Skills to issue drafting instructions to the Parliamentary Counsel Office for a Bill amending the Act to implement the decisions based on the decisions under CAB-24-MIN-0514;
17. **note** that drafting recommendations are subject to Parliamentary Counsel drafting considerations on how best to express each recommendation in the legislation.

Authorised for lodgement

Hon Penny Simmonds

Minister for Tertiary Education and Skills

Annexes

Annex 1 – Executive summary of submissions from public consultation

Annex 2 – Summary of legislative proposals **Withheld under section 9(2)(f)(iv)**

Annex 3 – Risks and mitigations

Annex 4 – Legislation and implementation timeline and detail **Withheld under section 9(2)(f)(iv)**

Annex 5 – Regulatory Impact Statement

Proactively Released

Annex 1 – Executive summary of submissions from public consultation

Submitters

The Ministry received 1048 unique submissions on the proposals: 420 submissions were received via Survey Monkey; 628 submissions were received via email.

An additional 57 submissions were received that related to one of four form submissions.

Of the submissions received, 510 were received from individuals; 538 were received from organisations or groups.

The majority of submissions were received from staff (300), employers (201), industry organisations (167), and those with another relationship to the VET sector (177).

Key findings

Headline results and common themes

Slightly more submitters supported the creation of a federation model than opposed it.

Submitters' preferred industry training system was Option B: replacing Workforce Development Councils (WDCs) with industry-specific standard setting bodies.

Slightly more submitters were in favour of the proposed funding shifts for 2026 than were opposed (among those submitters that expressed a view).

Common themes that arose across submitters' responses to the three proposals included:

- balancing local autonomy and regional responsiveness with cohesion and consistency
- sustainability of funding for VET (provider-based and work-based) and ITPs
- the importance of equity of access and outcomes for priority learners
- a VET system that serves industries of all sizes and meets the training needs of niche industries.

Proposal One: Creating a healthy ITP network that responds to regional needs

Around 75 percent of submitters that expressed a view agreed or strongly agreed with the Consultation Document's statements on the importance of ITPs.

Submitters saw ITPs as being crucial to communities and regional development, and having a role in work-based learning as well as campus-based education. Some submitters strongly supported autonomy for their local ITPs, but some submitters highlighted the importance of nationally-consistent VET provision for industry and for equitable access to VET.

A key theme across submitters who disagreed with statements on the importance of ITPs was that the proposals did not adequately focus on under-served learners in the system.

When asked about the risks and benefits of reconfiguring the ITP sector, submitters had mixed views on whether the financial implications of reconfiguration were a risk or benefit. Regional control and responsiveness to regional industries were strongly supported, but

there was some concern about potential fragmentation, which was identified as a risk for industry at a national level. The impact on learners, such as through reduced access to VET, was seen as more of a risk than a benefit, but submitters saw better quality and innovative provision as potential benefits.

Overall, there was slightly more support from submitters for the creation of a federation model than there was opposition.

Most submitters who supported the federation model commented that the model would be cost effective and enable resources and programmes to be shared. However, many submitters who supported a federation expressed reservations about certain aspects, such as implementation and financial viability.

Submitters who opposed a federation model cited concerns about reduced autonomy for ITPs and local communities, and the ability of the Open Polytechnic to fulfil the anchor role successfully. Some submitters were concerned that a federation would create two-tiers of ITPs that could compromise educational quality and consistency. Others considered a federation would harm ITPs' relationships with local iwi and hapū. A few submitters were of the view that a federation would not fix the underlying issues in the VET system.

Among submitters who identified critical success factors for a federation, many emphasised strong regional representation and autonomy. Some submitters emphasised the critical importance of inclusion and equity within the federation model, including a strong commitment to honouring te Tiriti o Waitangi / the Treaty of Waitangi. Many submitters strongly supported an industry-driven federation model with shared functions across regions. Many submitters stressed the importance of funding and financial sustainability in ensuring the long-term success of the federation model. Submitters also called for a variety of delivery modes and highlighted that online delivery might not be the best option for all regions. Quality assurance was seen to be important to ensure the success and credibility of the federation model.

Of submitters who identified minimum programmes and roles that ITPs should deliver, most noted that programmes need to reflect regional and industry needs. Key programmes included foundational education, health, trades, and information technology. Submitters also identified a range of other programmes, including some region-specific requirements. Some submitters also commented that ITPs' role should include pastoral care and learning support services for students.

Proposal Two: Establishing an industry-led system for standards-setting and industry training

Overall, there was greater support from submitters for Option B: replacing WDCs with industry-specific standard setting bodies. A key priority for most submitters was a VET system that listened and responded to the needs of industry. However, submitters were divided over which option would best do this.

Most submitters who supported Option A considered that it would better support quality and consistency of outcomes. However, a higher quality system was also cited by some submitters as a reason to prefer Option B, on the basis that separating the standards-setting function from arranging training increased the focus on standards-setting and qualification development.

Other reasons for preferring Option A included greater efficiency and lower cost from removing duplication of functions, and less complexity. Those who supported ITBs and non-

ITBs arranging work-based training under Option A, saw the value in maintaining a national organisation for standards-setting, but also valued the ability for employers and learners to engage with the provider that best met their training needs.

In addition to seeing Option B as a higher quality system, its supporters also saw it as providing more choice for employers and learners and avoiding conflicts of interest.

A few submitters considered that an 'Option C' was required as neither of the options consulted on were responsive to industry. Others suggested the status quo be retained, either because it is working well, or to minimise disruption to the system.

The main features and functions submitters identified for successful ITBs were industry representation, an explicit focus on workforce planning, sufficient funding, and mechanisms to mitigate conflicts of interest.

Of those who responded to the question, most submitters wanted ITBs and non-ITBs to arrange training on the basis it could drive better quality, responsiveness, and innovation. However, quality was also raised as a risk of non-ITBs arranging training. Consistency was the key reason given for only allowing ITBs to arrange training. There were also concerns that a competitive model would disadvantage regions and niche provision.

The main features and functions submitters identified for successful industry standards-setters (Option B) included industry involvement, sufficient funding, and independence without favouring a particular mix of on- or off-job delivery.

Of those submitters who responded to the question on features of Workforce Development Councils that need to be retained in the new system, most favoured retaining some or all WDC roles in the new system. The most common features that submitters wanted to see retained from the current WDC model were standard setting, industry engagement, and skills leadership/workforce planning information. Many submissions, often from industry organisations, wanted all current features of WDCs retained. Submitters also valued WDC staff, WDCs' investment support to the Tertiary Education Commission (TEC), and their focus on priority learner groups.

Those who identified key features of the previous Industry Training Organisations (ITOs) that should be re-introduced into the system often commented on the relationships ITOs had with employers and learners. Many submitters preferred the same organisation developing qualifications and arranging training. Many submitters also wanted pastoral care and learner support, particularly for priority learners, to be retained or re-introduced. A few submitters expressed a preference for the ITO model of industry-owned organisations.

Among those submitters who commented on the possible benefits and risks of having a short moratorium on new industry training providers, many thought it would support sector stability during system changes. Some submitters saw a benefit in reducing the level of competition in sectors with a limited number of trainees, while others were concerned a moratorium would stifle innovation. Some submitters were also concerned that a lack of new regional providers would disadvantage regional learners. A few submitters noted that the disruption from past moratoriums had seen employers move away from formal training.

Proposal Three: A funding system that supports stronger vocational education

Among those who responded to the question, submitters were overall slightly in favour of the proposed funding shifts for 2026.

The most common general feedback from submitters was that more funding is needed overall. Many submitters considered that financial sustainability and regional delivery by ITPs would improve under the proposed funding shifts. Most submitters who were concerned about the impact on equity did not support the proposals. Some submitters were concerned about shifting funding away from work-based learning; others expressed concern about funding to support pastoral care. There was little support for removing the strategic component.

Many submitters commented that funding for standard setting needs to be sufficient to ensure high-quality standards, and others commented that the funding should be ring-fenced. While some submitters (mostly industry submitters) commented that funding for standard setting should be shared equally across the VET sector, submitters had a range of views on where funding for standard setting should come from.

Forms of performance-based funding were the most common suggestion for how the funding system could support industry engagement. However, not all submitters agreed that funding incentives for ITPs were the right way to support it. Some submissions identified regional development and local workforce needs as a specific priority for funding incentives, while views were mixed on the use of funding to incentivise international education. Support for priority learners and learner success was a common theme among submitters' suggestions for other things that incentive funding could focus on.

There was little support for a funding system that lacked non-volume-based funding. Non-volume based funding was seen to be important to support small-scale or regional provision, and in supporting access and achievement for priority learner groups. Innovation in education delivery, and qualification and programme development, were seen as areas that would benefit from non-volume based funding. Some submitters noted the importance of non-volume based funding for the sustainability of VET provision.

Concluding questions

Most submitters who commented on the proposals' benefits or drawbacks for different types of students tended to indicate that the proposals, particularly Proposal One and Proposal Three, could have a negative impact on different students, particularly for Māori, Pacific, disabled, and those who live rurally. This was due to the loss of targeted funding and the greater use of online provision.

A few submitters suggested that there could be potential benefits of Proposal One for rural students, and of Proposal Two for Māori and Pacific students. A regional focus may improve access to learning for rural students and enable development of locally and culturally relevant programmes. Option B of Proposal Two could enable greater flexibility and innovation in programme design, benefiting a range of priority learners.

Those submitters who commented on whether there could be any benefits or drawbacks for different types of industries under the proposals generally pointed out various drawbacks

that would impact their industries and business. This suggests a high level of concern regarding the challenges faced by industry.

Most industry and organisation submitters expressed a clear preference for a national approach rather than regionally-focused strategies that may lead to fragmentation and inconsistencies in quality. Many submitters were concerned that smaller or niche industries might not be adequately represented or might be further excluded by the proposals. Submitters wanted to see an adequately funded system that valued work-based learning. Of submitters who identified benefits for industry, many emphasised the importance of collaboration across industries and regions to create a more skilled and adaptable workforce.

Submitters shared a broad range of other ideas or models that could be considered for the future of the VET system. Some submitters described their view of an ideal future VET system and what they thought such a system should include. Others cautioned against further changes to the VET sector or expressed support for retaining the current system. Some submitters also raised concerns with the consultation process. In commenting on te Tiriti / the Treaty and the VET system, some submitters noted the importance of the VET system upholding te Tiriti / the Treaty. Others noted the Crown's obligation to provide equitable access for Māori to educational opportunities and address equity gaps for Māori learners. Some submitters commented on a lack of consultation and genuine engagement with Māori on the proposed changes.

With regard to VET and the schooling system, some submitters raised the importance of secondary-tertiary pathways, and the need for Government to consider this in its decisions about the structure and roles of ITPs. Some submitters were concerned about how the federation would support secondary-tertiary programmes, and whether access for rural learners would be affected. A few submitters suggested improving the visibility and support for vocation careers as a high-quality pathway equivalent to degree-level study.

Annex 3 – VET system redesign: key risks and mitigations

Risks/trade-offs with the proposed structure	Mitigations/rationale
The work required to establish a network of viable ITPs is not sufficiently advanced by 1 January 2026	The legislation will enable a modified New Zealand Institute of Skills and Technology (Te Pūkenga) to operate as a residual entity for up to a year to enable elements of the redesign to be finalised.
The federation is not able to deliver all the cost savings needed for members to be financially viable	Proposed legislation changes enable a range of options for the future VET system, so a viable network of provision is not reliant on stand-alone ITPs or an ITP federation.
A reduction in ITP provision leads to a reduction in learner numbers	ITPs will focus on a smaller amount of high-quality provision relevant to industry, leading to improved outcomes for learners. Private Training Establishments may choose to fill gaps in provision where there is sufficient demand.
Shift to online and blended learning increases access and equity issues	Increasing the amount of online and blended learning is a necessary trade-off if we are to achieve a financially viable VET system. The Open Polytechnic will fill the gaps in provision where possible.
If employers feel that the VET system is not meeting their needs, or key relationships are lost during the transition, those that can, may choose to exit the formal training system	Industry leadership in the VET system will be through their governance of Industry Skills Boards, which have strong standards-setting, advice, and strategic planning functions. 9(2)(f)(iv)
Option C lessens the viability and incentives to support work-based learning, given that funding needs to be split between ITPs and Industry Skills Boards	The overall level of funding for work-based learning will remain significantly higher than pre-2023. Decisions on funding rates for work-based learning and the split between these functions will be sought in March 2025.
Transitional risks	Mitigations
Short timeframe between legislation passing and commencement of new ITPs	A rapid pace of change is necessary to ensure the cost-out work is done. Retaining NZIST (Te Pūkenga) as a short-term residual entity will ensure continuity of VET provision if necessary. Use of Establishment Advisory groups, comprised of those with local community and business acumen, to do work in anticipation of the legislation passing.
The gap between funding ending for WDCs on 1 June 2025 and their replacement by Industry Skills Boards on 1 January 2026 may affect WDCs' ability to carry out their statutory functions	Some WDCs will have sufficient reserves to continue operating in the absence of new funding. There may be scope to reprioritise some underspends to support WDCs with lower reserves. A gap in funding is necessary if we are to achieve our

Risk is that key staff will leave as WDCs wind down and industry will be unsupported for 6 months until Industry Skills Boards are established	savings targets.
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Proactively Released

Regulatory Impact Statement: Vocational education and training redesign – key policy decisions

Contents

Glossary.....	3
Coversheet.....	5
Section 1: Diagnosing the policy problem	12
What is the context behind the policy problem and how is the status quo expected to develop?.....	12
What is the policy problem or opportunity?	17
The viability of the ITP sector.....	17
Reduced industry leadership in work-based learning (WBL)	18
Mixed perceptions of, and experiences with, Workforce Development Councils.....	19
What objectives are sought in relation to the policy problem?	20
Section 2: Deciding upon an option to address the policy problem	22
Decision 1: The structure of the ITP system	22
What criteria will be used to compare options to the status quo?	22
What scope will options be considered within?	23
What options are being considered?.....	23
What we heard from consultation about the ITP sector.....	27
How do the options compare to the status quo	29
What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?.....	33
Decision 2: The delivery of work-based learning (WBL) and standards-setting	35
What criteria will be used to compare options to the status quo?	36
What scope will options be considered within?	36
What options were considered?.....	36
What we heard during consultation about WBL and standard-setting	39
How do the options compare to the status quo?	41
What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?.....	45
Decision 2A: Amendments to legislation to make it easier for industry to request introduction of a levy to support standards-setting	47

What criteria will be used to compare options to the status quo?	47
What scope will options be considered within?	47
What options were considered?	47
How do the options compare to the status quo	48
What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?	48
Assessment of Overall Impacts.....	49
What are the cumulative marginal costs and benefits of the option?	49
Te Tiriti o Waitangi Analysis	53
Te Tiriti o Waitangi context	53
Te Tiriti o Waitangi Analysis.....	56
Section 3: Delivering an option	66
How will the new arrangements be implemented?	66
How will the new arrangements be monitored, evaluated, and reviewed?	68

Glossary

Term	Definition
Industry Skills Board (ISB)	Proposed industry entities with responsibility for industry standard-setting (including skills leadership and investment advice) and pastoral care of work-based learners. Similar bodies were referred to as Industry Training Boards (ITBs) in consultation.
Industry Training Organisation (ITO)	Prior to the establishment of Te Pūkenga and Workforce Development Councils, ITOs set qualifications and standards for their industries and arranged structured training for employees, both on-job and off-job. This enabled employees to gain a qualification while working and earning money.
Institute of Technology and Polytechnic (ITP)	ITPs focus on delivering foundation, technical, vocational, and professional education up to degree and postgraduate levels. They also promote applied research to support vocational learning. The previous Government's Reform of Vocational Education merged ITPs into a single national provider: Te Pūkenga
ITP business divisions	A former ITP that is now part of Te Pūkenga: Ara Institute of Canterbury; Eastern Institute of Technology (EIT); Manukau Institute of Technology (MIT); Nelson Marlborough Institute of Technology (NMIT); Northtec; Open Polytechnic; Otago Polytechnic; Southern Institute of Technology (SIT); Tai Poutini Polytechnic (TPP); Toi Ohomai; Unitec; Universal College of Learning (UCOL); Waikato Institute of Technology (Wintec); Western Institute of Technology at Taranaki (WITT); Whitireia + Weltec.
Ministry of Education (the Ministry)	The Government's lead advisor on the New Zealand education system.
Private Training Establishment (PTE)	PTEs enrol around a quarter of provider-based vocational education students. A few PTEs offer work-based learning programmes. PTEs tend to specialise in particular areas of delivery, and some offer foundation education or higher education.
Programme (of study)	A coherent arrangement of learning or training that is based on clear and consistent aims, content, outcomes, and assessment practices, and which leads to a qualification or credential on the New Zealand Qualifications and Credentials Framework.
Provider-based learning	Provider-based or off-job learning is delivered to students at a physical or online campus. Students are taught by TEO staff through a combination of classroom, online, and simulated work environments, and may or not be employed in a relevant job while they learn.
Qualification	Formal certification for a given purpose of the achievement of specified learning outcomes to a given standard.
Reform of Vocational Education (RoVE)	The previous Government's Reform of Vocational Education consolidated sixteen ITPs into a single national provider (Te Pūkenga). Te Pūkenga also took responsibility for most work-based

	vocational education arranged by ITOs, and six WDCs were established to take over ITOs' standards-setting functions.
Te Pūkenga	Te Pūkenga – New Zealand Institute of Skills and Technology provides a network of regionally accessible vocational education. Te Pūkenga brought together 16 institutes of technology and polytechnics and nine industry training organisations into one organisation. In 2023, the Government committed to disestablish Te Pūkenga and restore regional decision-making for vocational education.
Tertiary Education Commission (TEC)	The TEC leads the Government's relationship with the tertiary education sector and provides career services from education through to employment.
Tertiary Education Organisation (TEO) / tertiary providers	TEOs are any organisations that supply tertiary education and training and/or assessment services. Types of TEOs are defined in the Education and Training Act 2020, and include tertiary education institutions (TEIs), Private Training Establishments (PTEs), as well as other types
Tertiary Education Institutions (TEIs)	Tertiary education institutions (universities, Wānanga and Te Pūkenga) are public education providers mainly responsible for giving effect to the Government's tertiary education strategy and objectives. It is proposed that ITPs become a new type of TEI, and Te Pūkenga is disestablished.
Vocational education and training (VET)	Vocational education gives people the skills and knowledge they need to work in a particular job or industry. It covers traditional trades, like building and engineering, but also includes a wide range of other occupations, such as health, design, and business.
Wānanga	New Zealand has 3 legislated Wānanga: Te Wānanga o Aotearoa, Te Wānanga o Raukawa, and Te Whare Wānanga o Awanuiārangi. Wānanga are institutions of higher learning that iwi have been instrumental in establishing. They are kaitiaki of mātauranga Māori, te reo Māori, and tikanga Māori within the tertiary education sector.
Work-based learning (WBL)	Work-based learning, or on-job training, is education for people who are employed and learning in the course of their job. It is mainly taught and assessed in an employee's workplace, although there might be some learning at a TEO (e.g. block courses) or online. It includes traineeships and apprenticeships arranged by Te Pūkenga and some PTEs.
Work-based learning (WBL) divisions	Former ITOs that are now part of Te Pūkenga and offer work-based programmes: BCITO; Careerforce; Competenz; Connexis; EarnLearn; HITO; MITO; Primary ITO; Service IQ.
Workforce Development Council (WDC)	Six Workforce Development Councils are responsible for working with their industries to develop vocational education qualifications and standards, moderating assessments, providing leadership on meeting future workforce skill needs, and advising the TEC on its investment in vocational education and training.

Coversheet

Purpose of Document

Decision sought:	Final Cabinet policy decisions on vocational education and training (VET) system redesign
Advising agencies:	Ministry of Education
Proposing Ministers:	Minister for Tertiary Education and Skills
Date finalised:	27 November 2024

Problem Definition

The vocational education and training (VET) system is crucial for ensuring New Zealand has the skills needed in our economy. The VET system went through significant change under the previous Government's Reform of Vocational Education (RoVE), including the merger of the previous Institutes of Technology and Polytechnics (ITPs) as well as the arranging training function of most Industry Training Organisations (ITOs) into a single institution: Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga), and the creation of Workforce Development Councils (WDCs) for industry standards-setting and skills leadership.

Te Pūkenga was partly a response to the lack of a financially sustainable ITP system, caused by declining enrolments, high inflation, constrained government funding, and the challenge of delivering programmes that meet regional and industry needs without achieving economies of scale. However, it also aimed to create a system that better integrated work-based and provider-based delivery.

The reforms also involved VET providers (primarily Te Pūkenga) taking on responsibility for delivering Work-Based Learning (WBL), and the creation of industry-led Workforce Development Councils (WDCs). WDCs have responsibility for skills leadership, standards-setting for VET and advice to the Tertiary Education Commission (TEC) on its investment in vocational education.

These changes addressed concerns that separating WBL from provider-based learning had produced an overly complex two system model, with some concerns around:

- overlapping organisations roles between ITPs and ITOs,
- a lack of coordination between work-based and provider-based learning,
- inconsistencies in standards between the two systems,
- a lack of flexibility for learners to move between the two systems as needed, and
- evidence of poor skills matching of graduates to employer needs.

Bringing the two forms of VET delivery together also smoothed out the impact of the economic cycle on provider-based learning (where ITP enrolments increase in times of high unemployment but decline in times of low unemployment) and WBL (where apprenticeships and traineeships increase in times of low unemployment, and decline in times of high unemployment).

Our understanding of the current policy problem reflects a change in objectives and priorities under the current Government. In particular, the Government places a significantly higher priority on local and regional responsiveness and has concerns about the efficiency, cost effectiveness and complexity of the reformed system. These factors

were all considered in the design of RoVE. However, greater weight was placed on system coordination and integration.

Te Pūkenga has made several changes since late 2023 to respond to the Government's change in objectives and priorities. It has ceased its work to create an integrated operating model for a single organisation, removed Te Pūkenga branding from regional delivery sites and WBL divisions, significantly reduced its head office staffing numbers, and delegated as much decision-making as possible (within current legislation) to its regional divisions (the previous ITPs that became part of Te Pūkenga). These changes have implications for the possible options for further reform of VET.

The viability of some ITPs is likely to remain an issue irrespective of which reform options are agreed, and the ITP options in this RIS offer different approaches to this issue. A return to the VET system as it was before RoVE is not feasible, as the 16 ITPs that were merged to form part of Te Pūkenga do not all have pathways to viability as separate entities. The VET system has also moved on from the status quo set up by RoVE, in response to the Government's priorities, and there is a need for clarity soon around what its redesigned form will be and when this will happen.

Independent consultants assigned by the TEC to work with Te Pūkenga's business divisions have been tasked with establishing which former ITPs can be financially sustainable in future and actions needed to achieve this (consistent with the Government's concerns about efficiency and cost effectiveness). There appears to be a pathway to financial viability for up to ten former ITP business divisions, contingent on extensive cost cutting, staffing and programme reductions, and changes to property footprints. The level of change required is unprecedented.

This work is ongoing, and current viability assessments are subject to change. Final decisions about which former ITP business divisions could viably be established as standalone entities will depend on how successful financial improvement work is in the first half of 2025, as well as on the Government's final decisions on the funding structure for the new vocational education system. Further work in 2025 will identify additional cost-reduction initiatives that could be implemented to achieve financially viable ITPs, and identify the strategically important provision that may be lost to achieve financial viability.

We expect the current indications of how many ITPs could be stood up will develop and change over 2025. These proposals will require regulation and, therefore, further regulatory impact analysis.

Our assessment of the WBL and standards-setting model does not indicate any fundamental problems with the status quo, and consultation returned a preference for retaining many aspects of the current model – especially amongst industry stakeholders. However, changes to WBL are necessary due to the disestablishment of Te Pūkenga, as its WBL divisions will need to transition to a new entity or entities. Changes to standards-setting are needed as there is no funding currently appropriated for WDCs after the end of June 2025.

Executive Summary

Enabling legislation will provide for fundamental VET system changes

The Minister is taking proposals to Cabinet on preferred options to address her concerns and objectives for reform of VET through legislation changes to enable the establishment of:

- new ITPs and new WBL providers to replace Te Pūkenga – with some ITPs being part of a federation to provide support for the ongoing viability of the system, and

- new Industry Skills Boards (ISBs) to replace WDCs– ISBs will set standards for industry training and take on some aspects of providers' current role by providing pastoral care to work-based learners.

While these legislative changes would be enabling (i.e. they define entities which may be established by secondary legislation), they envisage large and complex changes to the VET system that would fundamentally change how provider-based VET and work-based VET (traineeships and apprenticeships) are delivered, and would impact around 250,000 learners a year.¹

The envisaged changes could establish over 20 independent entities with changes to almost every element of the system including funding, legislation, and form. The changes will require a high number of 'many to many' transfers where functions are taken from multiple existing entities and redistributed across multiple new entities in a different combination.

The new ITPs will be strongly regionally focused, and the ISBs will focus on their industries at a national level. In our view, the redesigned VET system will be more complex than the current VET system for learners and employers, and in some areas more complex than the previous system. Programmes available from ITPs will differ between regions, and so therefore will options for VET learners. A greater proportion of provider-based delivery will be online or blended (i.e. predominantly online with some campus-based elements).

While Te Pūkenga can cross subsidise between its ITP and WBL divisions (which balances income across the economic cycle as noted in the problem definition above), each new ITP will need to be viable alone, and additional funding is not expected to be available for bailouts (a contingency was established in Budget 2024 towards transition costs).

Programme availability will match what each ITP can viably offer to both campus-based and work-based learners. Any gaps in provision would rely on other providers stepping into the market, i.e. Private Training Establishments, Wānanga or Universities. Programme rationalisation has begun under the status quo as part of Te Pūkenga's financial improvement work, but further programmes may need to stop for individual ITPs to be established as viable entities.

Changes will be made soon after enactment, after further decisions in 2025

New entities are intended to begin operating two months after the indicative date on which the proposed legislation is passed, from 1 January 2026 (with Te Pūkenga disestablished by the end of 2026). This will follow the completion of establishment work and additional Cabinet decisions in 2025. As decisions to stand up new entities will require Cabinet approval of secondary legislation, they will be subject to separate regulatory analysis.

As decisions in principle are made in mid-2025 about which ITPs will be established, the TEC will appoint establishment advisory groups which will prepare for the establishment of new entities and the decisions that will need to be made on day one. These groups will help advise Te Pūkenga on which assets, liabilities and staff should transfer to the new ITPs, subject to legislation being passed.

Under the proposed legislation, Te Pūkenga will be required to have a transition plan for:

¹ [05 - Vocational education & training | Education Counts](#) – see link to spreadsheet called "Participation in Vocational Education and Training Programmes"

- identifying and allocating the education and training programmes (including work-based programmes), and associated rights, assets and liabilities, and staff and student/trainee enrolments for transfer to a continuing organisation;
- identifying and allocating the rights, assets and liabilities, and staff required for co-ordinating training and pastoral care of trainees in specified industries for transfer to the responsible ISB.

The transition plan will require approval from the TEC, and the Minister will have a temporary power to direct Te Pūkenga in relation to transitional arrangements or facilitating transfers of programmes and activities.

It is very likely that some ITP divisions will not be able to be viable even with a merger or support from a federation (or both), and will not be able to be established as ITPs on or close to 1 January 2026. Under the proposed legislation, Te Pūkenga would be continued as a transitional entity for these divisions until decisions are made on their future.

Engagement with industries and other stakeholders on proposed numbers and coverage of ISBs will begin in early 2025. Detailed design and modelling of ISBs, including viable business models, required capability, and likely costs, will be undertaken in 2025. This will inform final decisions on viable numbers and coverage, and allow for transition planning to begin. The TEC will set up an establishment group or groups to manage the design and formation of ISBs.

Over 2025, WDCs will need to identify the relevant assets, roles, and activities that can transition to ISBs to support the new standards-setting functions, and restructure and reprioritise their work in preparation for disestablishment. Under the proposed legislation, WDCs will be required to have transition plans for this purpose.

Te Pūkenga's transition plan will identify relevant WBL division rights, assets and liabilities, and staff that can move to support the establishment and operation of ISBs.

Options analysis summary– ITPs (decision 1)

The proposed federation model for ITPs is a new element in the New Zealand tertiary system. It will lower costs of delivery where blended programmes are offered, although it may also impact learner demand (e.g. if some learners do not take up an online or blended option because they prefer face to face teaching and learning). We do not have analytic evidence to judge the extent to which this will support more providers to be viable, although we expect this will become clearer through the work undertaken to support decisions in 2025. There will also be set up and transitional costs.

Most of the ITP options entail standing up new entities out of Te Pūkenga on (or as soon as possible after) 1 January 2026. The differences between options are broadly how many ITPs are stood up, and whether a federation has 'command and control' or supportive levers.

Our experience with the original transition of the former ITPs into Te Pūkenga strongly suggests that the majority of the necessary financial improvements - along with associated impacts on people and property- must be implemented before the establishment of new institutions. This allows new institutions to be rebuilt around a profitable programme offering. Under the proposed model, this will mean a significant amount of change has to be achieved in a constrained timeframe before 1 January 2026, and this speed comes with transition risks.

Our preferred ITP option is therefore to make legislative changes to provide for the establishment of ITPs, and only establish a new ITP when they have had time to

implement the majority of their financial improvement plan, and Government has confidence in their future pathway. ITPs would not be stood up all at once, but as they became ready. This would help to mitigate implementation risks arising from the pace and scope of change, and would better manage the risks associated with a swift transition and variable pathways to viability among Te Pūkenga's ITP business divisions.

Options analysis summary – WBL and standards-setting (decision 2)

If Te Pūkenga is replaced by separate ITPs and a federation, the Ministry's view is that it would be preferable that Te Pūkenga's WBL function be split off to operate as a number of independent providers, while retaining the ability of other providers to provide WBL. This would avoid recreating a hard division between work-based and provider-based learning and would retain choice for employers. It means providers can be more flexible across the economic cycle (whether campus-based or workplace-based enrolments are higher) as they develop their own capacity to support on-job WBL.

This was one of the two options consulted on for WBL and standards-setting and is paired with the retention of a smaller number of industry standards-setting and skills leadership entities (ISBs), with narrower functions than the current WDC system. Consultation feedback indicates that the ability of providers to offer WBL is valued by many submitters, particularly by the majority of industry submitters.

It is the closest option to the status quo, and would require the least amount of change in the WBL system. The benefit of keeping close to the status quo for WBL is that it does not add more novelty and complexity to VET system at the same time as the significant changes to Te Pūkenga.

This Minister's preferred WBL option is to retain the ability of providers to offer WBL and also to introduce a pastoral care function for ISBs to provide to work-based learners. While we see some merits in trying to combine the strengths of the two options consulted on, we think it creates additional complexity for learners and employers that likely outweighs any benefits that might be gained. It would greatly increase the number of connections that both employers and learners have to maintain, which comes with transition risks, and risks losing support for the system by employers and learners. Current WBL funding would need to be divided between ISBs and ITPs, each of whom will require a minimum level to deliver a viable service to learners and employers. It may take longer to mature as a system than something already operating, without sufficient evidence to be confident the anticipated benefits would play out.

We consider that it would be prudent to defer any changes to the levy provisions in the Act until after further consultation with industries and employers. We would have more information on which to base advice once the VET operational structures are finalised and ISBs' industry coverage is settled. We do not see any disadvantages in making changes to levy provisions in a later Bill.

Limitations and Constraints on Analysis

This analysis is supported by what we heard from feedback on the reform of vocational education (RoVE) prior to 2020, and the feedback from public consultation carried out for six weeks from 1 August to 12 September 2024 on the proposed VET system redesign.

It is also supported by the financial analysis of Te Pūkenga's former ITP business divisions carried out by independent consultants. These consultants are working with Te Pūkenga's former ITP business divisions to model the future viability of independent ITPs as standalone entities and identify actions needed to move towards financial sustainability. This has included developing financial improvement plans and estimating the change and establishment costs required to achieve financially sustainable institutions. This work is

ongoing, and this regulatory impact statement is based on the latest information available to the TEC. Our understanding of which ITPs can be viable will continue to develop during implementation work in 2025, after Cabinet has made decisions on the redesign of the VET system. However, not knowing how the financial improvement plans will look when finalised with respect to changes in programme delivery is a significant limitation on our analysis of the ITP options.

Modelling and analysis has begun to support the transition of Te Pūkenga's WBL divisions, and the splitting of their current functions between the new ITPs (or other providers) and ISBs. This will need to continue into 2025 and has interdependencies with decisions on the future ITP network, a new funding model for work-based learning, and the viable number and coverage of ISBs. This means we have less insight on the transition activity required in setting up the ISBs than we do into setting up ITPs.

Responses to recent consultation have enriched our understanding from previous consultation on the 2020 reforms of what stakeholders (including industry, employers, learners, their families, Māori, and staff) value in the VET system and their concerns about potential losses, and their views on the redesign proposals based on the information provided in consultation.

Our analysis is constrained by the short period for consultation, and the high-level detail of the proposals. Many respondents felt that the lack of operational and implementation detail made it difficult to assess how the proposed future state of the VET system might or might not meet their needs.

Some respondents pointed out that the consultation material did not consider impacts for Māori, Pacific peoples, or disabled learners in any detail. There was not an analysis of impacts for Te Tiriti o Waitangi in the consultation documents, but some commented that it was important for the VET system to uphold Te Tiriti. We have considered all of the feedback that was provided on Te Tiriti implications.

Our options analysis is constrained by the fact that the preferred model for standards-setting and WBL proposed to Cabinet was not directly consulted on in the recent consultation (although it does include aspects of the two options that were consulted on).

Although the other proposed changes to the VET system have been consulted on, and we have a better understanding of a variety of views about them, these proposals would introduce novel elements – the ITP federation model and the separation of pastoral care functions from education in the WBL and standards-setting model - into the New Zealand VET system. This novelty means we do not have an evidence base for how they would work in practice.

Responsible Manager(s) (completed by relevant manager)

Katrina Sutich

General Manager, Tertiary Education & Evidence

Te Pou Kaupapahere

Ministry of Education



27 November 2024

Quality Assurance (completed by QA panel)	
Reviewing Agency:	Ministry of Education with support from the Tertiary Education Commission
Panel Assessment & Comment:	The Ministry of Education's Quality Assurance Panel, with representation from the Tertiary Education Commission, has reviewed the Regulatory Impact Statement produced by the Ministry of Education (dated 27 November 2024). The panel considers that, because of constraints imposed on consultation and evidence, it partially meets the Quality Assurance criteria. Despite this, the analysis clearly identifies the complexity, risks and limitations of the proposed approach and timeline and foreshadows the important future decisions and analysis required.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Vocational education was reformed in 2020 (ROVE)

1. Vocational Education and Training (VET) is usually defined as education that is closely tied to careers and work. It includes traditional trades, but also areas such as information technology, health and community care, and service industries. Where foundation education often includes broad 'employability' skills, VET provides specific skills and knowledge for specific jobs and careers. Higher education (Bachelor degrees and above) is not generally seen as part of VET, even where there is a strong connection to particular professions (e.g. nursing).
2. The VET system is crucial for ensuring New Zealand has the skills needed in our economy, including major industries and social sectors such as health. VET can be provided in a classroom or simulated workplace environment (provider-based or 'off-job') or directly in the workplace as part of an employee's employment (work-based or 'on-job'). Apprenticeships and traineeships are the main form of on-job VET.
3. In 2023, there were 250,000 learners in VET, including 128,000 apprentices and trainees and some 67,000 provider-based learners across the former ITPs. Private Training Establishments (PTEs) and Wānanga are also important parts of the VET sector.² Public funding for this sector comprises around \$900 million per annum.³
4. Prior to 2020, New Zealand's VET system consisted of two largely separate (and often competing) systems:
 1. A provider-based system that delivered mainly off-job training to students, which consisted of a network of 16 government-owned, regionally based Institutes of Technology and Polytechnics (ITPs), alongside a large number of private providers and provision across three Wānanga.
 2. A work-based system, under which employers were supported to deliver on-job training to employees by industry-owned Industry Training Organisations (ITOs). ITOs were responsible for arranging work-based training, including purchasing any off-job training components and providing learning materials and assessing learning, but were not permitted to directly provide training themselves.⁴ ITOs also developed sub-degree qualifications and skills standards for the industries and occupations they covered. ITOs operated nationally, although the work-based system did not cover all sectors of the economy and depth of coverage within industries was variable.

ROVE was intended to respond to financial issues and other concerns about VET

5. The previous Government initiated the Reform of Vocational Education (RoVE), prompted by financial issues in the ITP sector and concerns that the VET system was

² [05 - Vocational education & training | Education Counts](#) – see link to spreadsheet called "Participation in Vocational Education and Training Programmes"

³ [Funding allocations | Tertiary Education Commission](#)

⁴ Arranging training covered the activities needed to develop and maintain work-based training delivered by employers for on-job components and providers for off-job components. It included supporting learners and employers to achieve industry standards and qualifications, but was not intended to include the actual 'delivery' of training by the ITO directly to the learner.

not fully meeting New Zealand's vocational training needs or responding to changing skill needs. Key concerns were:

1. Challenges to the financial viability of most ITPs, associated with declining enrolments (particularly in periods of strong employment) and a funding model that did not recognise high fixed costs relative to learner volumes. Under these conditions, having 16 ITPs deliver a wide range of provision was unsustainable.
 2. Unclear and overlapping organisational roles between ITPs and ITOs, with a lack of coordination between work-based and provider-based delivery. Collaboration between the two systems was discouraged by funding system incentives. Competition between the two systems was often to the detriment of learners, particularly where standards were inconsistent between the two systems.
 3. Evidence of poor skills matching, with some providers being insufficiently responsive to employer needs, and inconsistent coverage, take-up and quality of work-based training. Research suggested that some learners needed more support from employers and ITOs to complete work-based training successfully.
 4. Equity issues for some groups of learners, with Māori and Pacific learners likely to train in lower-level VET programmes (e.g., traineeships rather than apprenticeships) and a lack of support for disabled people. There was a recognition that these groups had been traditionally under-served by the education system, and that it was important for the system to deliver for these learners, particularly as Māori and Pacific peoples will form a growing part of the working-age population in the future. Additionally, there was recognition that the system did not give Māori adequate agency and voice.
6. RoVE sought to address these issues by creating a single VET system, with the following key features:
1. the merger of all ITPs, as well as the arranging training functions of most ITOs into a single institution, **Te Pūkenga**. Te Pūkenga is a tertiary education institution. It is required to give effect to its Charter while carrying out its statutory functions:
 - i. to provide or arrange, and support, a variety of education and training, including vocational, foundation, and degree-level or higher education and training.
 - ii. to conduct research, with a focus on applied and technological research.
 - iii. to be responsive to and to meet the needs of the regions of New Zealand and their learners, industries, employers, and communities by utilising Te Pūkenga's national network of tertiary education programmes and activities.
 - iv. to improve the consistency of vocational education and training by using skill standards and working in collaboration with Workforce Development Councils (WDCs).
 - v. to improve outcomes in the tertiary education system as a whole, including by making connections with schools and other organisations

involved in tertiary education and by promoting and supporting life-long learning.

- vi. to improve outcomes for Māori learners and Māori communities in collaboration with Māori and iwi partners and hapū.
2. **providers taking on responsibility for delivering all vocational education**, including supporting work-based learning (WBL), with the majority of previous ITOs' arranging training functions transitioning to Te Pūkenga.
3. the **establishment of Workforce Development Councils (WDCs)** with coverage for vocational education across all sectors. WDCs took over ITOs' standards-setting and qualification development functions, plus responsibility for skills leadership (identifying and advocating for industry skill needs), and for advising the TEC on its investment in vocational education.
4. The establishment of fifteen **Regional Skills Leadership Groups (RSLGs)**. While RSLGs did not have a statutory function, they were intended to identify future skills and workforce needs of New Zealand's regions and support decision-makers, including the TEC and Te Pūkenga, to respond to these needs.
7. Given our analysis that the previous VET system was not delivering for many Māori, and did not give Māori an adequate voice, RoVE sought to embed these considerations within the institutional settings of the VET system. This included ensuring Māori representation at a governance level, and requiring Te Pūkenga and WDCs to develop meaningful partnerships with Māori employers and communities and respond to the needs of Māori learners, whānau, hapū and iwi.
8. These changes were supported by the creation of a Unified Funding System for vocational education (UFS), which integrated and shifted the balance of funding for provider-based and work-based delivery, with dedicated funding for supporting learner success and for delivering on national and regional skills needs. Other non-legislative aspects of these reforms included the establishment of RSLGs to connect regional skills, social and economic development and two pilot Centres of Vocational Excellence.

There were several transition risks identified with RoVE

9. In regard to redefined roles for education providers and industry bodies, identified transition risks were:
 - providers would take some time to develop the relationships with employers and other capabilities needed to arrange work-based training such as apprenticeships, and existing capabilities could be lost during the reform process.
 - employers and learners could lose confidence in work-based training for a period, reducing participation and the supply of workers with much-needed skills.
 - learners and employers could experience some disruption to programmes, and participation could be affected, as a result of challenges in the transition to the proposed new arrangements.
10. Identified risks of bringing together the ITP sector as a single entity included:

- Te Pūkenga could become overly centralised and less responsive to local and regional skills needs due to a remote, centralised national leadership; or, alternatively, too 'devolved', failing to achieve greater national consistency and scale economies.
 - regions could lose confidence that Te Pūkenga is delivering to their needs and reduce their engagement with formal vocational education and training.
 - Te Pūkenga could fail to quickly establish the much closer relationship with employers that it needed to support work-based training and to strengthen provider-based delivery.
 - the desired economies of scale of a consolidated organisation could be offset by transaction costs resulting from additional layers of management and the merger of multiple legacy systems.
 - Te Pūkenga could create a dominant, 'single point of failure' in the vocational education system – if it fails, the system fails – a financial risk to the Crown and more broadly a risk to learners and skills supply.
11. There was also significant opposition from some stakeholders to RoVE from the outset of the process, as well as significant support from some parts of the sector and industries. Providers, including current ITPs, tended to support the proposal to redefine roles for education providers and industry bodies. Industry (including industry associations and employers) generally supported the overarching goals of the RoVE and the expanded skills leadership function for industry. Some ITOs agreed system changes were needed, but there was strong opposition from many ITOs (and some employers) to shifting the arranging training function to providers.
12. There was general support, including from industry and ITOs, for the consolidation of some functions, but not universal support for a centralised single entity. Generally, the ITP sector supported some level of change. Approximately half of the sector supported the proposal while the other half offered more limited support, with the main caveat of retaining a degree of autonomy in regional operations. Some had strong community support to oppose any loss of autonomy while others were more focused on the potential to improve services to their regions.

Disestablishing Te Pūkenga was a priority for the incoming Government in 2023

13. The Government's 100-day plan included a commitment to begin disestablishing Te Pūkenga, consistent with the National Party's commitments prior to and during the 2023 election. The Coalition's Action Plan for quarter two of 2024 includes taking decisions to disestablish Te Pūkenga and consult on a proposed replacement model. The Government has also disestablished RSLGs and discontinued funding for WDCs from the end of 2024/25 in Budget 2024.
14. In October 2022, Te Pūkenga submitted a business case to the then Government to move towards a financially sustainable model that integrated work-based, provider-based, and online delivery. Its preferred option totalled \$423 million in funding over five years and Te Pūkenga sought \$330 million from the Government to implement its transformation programme.⁵ Following the current Minister for Tertiary Education and Skills Letter of Expectations to the Board of Te Pūkenga in October 2023, Te Pūkenga ceased its transformation and focussed on removing costs, improving

⁵ [Unredacted document reveals mega polytechnic Te Pūkenga requested \\$330m from government | RNZ News](#)

performance, and ensuring greater regional decision making. The options analysis compares the proposed changes against Te Pūkenga's current trajectory, not the implementation of its previously proposed transformation.

15. The Minister for Tertiary Education and Skills issued a letter of expectations in December 2023 to the Council of Te Pūkenga, conveying her desire that Te Pūkenga immediately cease its centralisation programme of work and focus on achieving greater regional decision making. In response, Te Pūkenga:
- stopped all centralisation activity.
 - put in place regional leaders and delegated more decision making to the regions, within reduced resource in head office.
 - reduced the size of head office and returned staff to their regions.
 - began removing Te Pūkenga branding.

Officials carried out consultation on a VET system redesign to replace Te Pūkenga, and with new arrangements for standards-setting, industry training, and funding

16. Public consultation on three proposals for a redesigned VET system was carried out from 1 August to 12 September 2024. The consultation document (*Redesign of the vocational education and training system: Proposals for public consultation*) is available on the Ministry of Education website. The summary of submissions document (*Redesign of the vocational education and training system: Summary of submissions*) will be made available on the Ministry of Education website following Cabinet consideration of the final proposals.
17. Three proposals were consulted on:
1. Proposal one: A redesigned ITP network that retains access to ITP provision in all regions through a combination of stand-alone and federated ITPs.
 2. Proposal two: options for an industry-led system for standards-setting and industry training:
 - i. Option A: establishing a small number (up to eight) of Industry Training Boards (now called Industry Skills Boards) responsible for standards-setting and arranging industry training; or
 - ii. Option B: establishing a small number (up to eight) of industry-led, independent standards setters, with all tertiary education providers able to arrange and deliver industry training.
 3. Proposal three: Changes to funding for vocational education from 2026 to better support the reformed system (which are not subject to regulatory impact analysis, and not assessed in this RIS).
18. The Ministry received 1048 unique submissions on the proposals. Of the submissions received, 510 were received from individuals, and 538 were received from organisations or groups.
19. The majority of submissions were received from staff (300), employers (201), industry organisations (167), and those with another relationship to the VET sector (177).
20. Section two of this document includes pertinent feedback from submitters under each proposal, which inform the options analysis. At a high level:

1. Slightly more submitters supported the creation of a federation model than opposed it.
 2. Submitters' preferred industry training system was Option B: replacing WDCs with industry-specific standard setting bodies and setting up Te Pūkenga's WBL divisions as standalone, industry-led entities.
 3. Slightly more submitters were in favour of the proposed funding shifts for 2026 than were opposed (among those submitters that expressed a view).
21. Common themes that arose across submitters' responses to the three proposals included:
1. balancing local autonomy and regional responsiveness with cohesion and national consistency;
 2. sustainability of funding for VET (provider-based and work-based) and ITPs;
 3. the importance of equity of access and outcomes for priority learners; and
 4. a VET system that serves industries of all sizes and meets the training needs of niche and specialist industries.

What is the policy problem or opportunity?

22. Our assessment of the policy problem reflects the change in objectives and priorities under the current Government. In particular, the Government places a significantly higher priority on local and regional responsiveness and has concerns about the efficiency, cost effectiveness and complexity of the current system. While these factors were all considerations in the original design of the system, much of the earlier decision-making placed greater weight on system coordination and integration.
23. We have considered three related policy areas in the current VET system post-RoVE, aspects of which were identified as risks with the RoVE proposals, and addressed in responses to public consultation on RoVE and on the VET redesign proposals:
1. The viability of the ITP sector
 2. Reduced industry leadership in WBL, and
 3. Mixed perceptions of, and experiences with, WDCs.
24. Consultation feedback and recent findings from the independent consultants assigned to Te Pūkenga on potential solutions to the viability of the ITP system have informed our assessment of these policy areas.

The viability of the ITP sector

25. The key policy problem relates to the lack of a financially sustainable ITP system. This is key to the overriding objectives of a VET system, which is for learners to have access to a quality education that leads to sustainable employment and thus contributes to the human capital of New Zealand. Viability pressures have been an ongoing issue for nearly a decade as a result of declining enrolments, high inflation, constrained government funding, and the challenge of delivering programmes that meet regional and industry needs but cannot achieve economies of scale. It undermines the quality of VET delivery and certainty of access to core programmes. This was the underlying driver for the creation of Te Pūkenga, which was tasked with establishing a financially sustainable operating model that integrated work-based, provider-based, and online delivery. This required significant changes.

26. Over the first four years of its operations, Te Pūkenga was not able to resolve these financial issues, although the intended benefits were always expected to take five to ten years to realise. It is possible that the sector's underlying financial issues would have ultimately proven too entrenched for the Te Pūkenga model to resolve but that remains unclear.
27. However, Te Pūkenga has managed to improve its financial situation, and is expected to be close to break even for the 2024 year. Its access to cash remains strong. This assessment is based on current forecasts for the ITP divisions that have improved over time (although they are still losing significant amounts of money) and consistent strong performance from the work-based training divisions.
28. Since the end of 2023, in response to Government priorities, Te Pūkenga head office has devolved decision making to its former ITP business divisions to the greatest extent possible and has stopped all centralisation work. It has also worked closely with the independent consultants to develop financial improvement plans. This includes making staffing reductions, ceasing unprofitable/low profitable delivery, and making a range of property portfolio changes.
29. The work undertaken to date by the independent consultants indicates that there is a likely pathway to viability for some ITPs, but not all, provided that significant cuts are made across the former ITP business divisions before the new ITPs are stood up.
30. Based on the current financial information available (which is subject to change), up to 10 ITPs now have a pathway to viability by 1 January 2026 and could potentially be established as independent autonomous ITPs. (The ratings below are subjective and simply reflect the level of change required to lift financial performance.)
 1. Currently some of these 10 ITPs have a low-risk pathway, and will be able to operate as standalone entities on 1 January 2026.
 2. Some are on a pathway to financial viability (which we consider to be high-risk) but will not be viable by the 1 January 2026 deadline, and
 3. Some are unlikely to ever be viable as standalone entities.
31. As noted in Limitations and Constraints on Analysis section of this paper, this assessment is provisional and likely to change as further work is undertaken through the remainder of 2024 and into 2025.

Reduced industry leadership in work-based learning (WBL)

32. One of the key elements of RoVE was the greater integration of work-based and provider-based delivery of work-based training, with tertiary providers (primarily Te Pūkenga) taking over the delivery of work-based training, including entering into training agreements with learners and employers.
33. As noted above, this was intended to improve the consistency and transferability of delivery across the two modes, strengthening connections between provider-based delivery and employment and improving the pedagogical underpinnings of delivery in the workplace. Placing responsibility for the delivery of WBL with providers also removed the conflict of interest that existed for ITOs, meaning that WDCs could be given greater control over VET standards and qualifications across the system, as well as influence in funding decisions.
34. The reported experience of some industry stakeholders (primarily those who were well served by the ITO model), has been a loss of responsiveness to industry needs and a general perception that industry has less influence in delivery of training for

apprentices and other WBL. This feedback is not consistent across industry sectors, and overall volumes of work-based training have been strong in recent years, particularly in the immediate aftermath of the COVID-19 pandemic.

35. Some of these concerns likely reflect the general dissatisfaction in the performance of Te Pūkenga including the limited progress in implementing a new operating model that integrates WBL. While there is scope in the current model for other providers (such as PTEs and Wānanga) to offer work-based training in future, thereby providing competition and choice for employers, this has largely yet to occur other than for those ITO training functions that transitioned to PTEs rather than Te Pūkenga.
36. Even if a more competitive landscape does evolve over time, offering employers choice and encouraging provider responsiveness, this would not address the loss of the 'ownership' that some sectors felt they had under the previous training system – that is the sense that the training system is operated by industry, for industry, in the interest of industry priorities. While this concern is at least in part about perception, it does present risks to industry confidence in the training system, which is critical to its success.

Mixed perceptions of, and experiences with, Workforce Development Councils

37. The role of WDCs in the current VET system is critical in providing industry with a voice on the content of vocational programmes and ensuring that the VET system responds to current and future skills needs.
38. While we are less convinced that the Government's policy of replacing Te Pūkenga with ITPs requires flow on changes to the WDC model, there are a range of legitimate concerns that might prompt reconsideration of the model. In particular:
 - The WDCs require significantly higher levels of Crown funding compared to the ITO model. The ITOs received all their public funding through per-learner subsidies; the functions that WDCs now undertake were entirely cross-subsidised by income from training activity and industry contributions. The dedicated funding for WDCs also reflects their broader scope and wider legislative functions, as well as higher expectations on standards-setting and qualification development. Given the broader fiscal pressures, the Government has identified the disestablishment of WDCs as a source of funding needed to meet its broader Budget commitments, with \$35 million per annum saved from standards-setting.
 - The broader industry coverage of WDCs compared to the ITOs and their status as statutory entities established via an Order in Council (OIC), has led to complaints in some sectors about their responsiveness and a loss of a sense of industry-ownership. Some industries have argued that WDCs do not pay sufficient attention to their specific needs and are less responsive than the previous ITO system. This is not, however, a consistent or necessarily widespread view across industries and WDCs. The TEC's monitoring of WDCs highlighted that many industry stakeholders are satisfied with WDCs performance and leadership. This was reflected in responses to consultation.
 - The separation of standards-setting from the ITOs' arranging training function removed some useful feedback loops in terms of understanding the relevance of standards and qualifications on the ground. While understanding these concerns is a key priority for WDCs, doing so requires extensive industry and

provider engagement in a way that is arguably not as efficient as the natural feedback loops under the ITO model.

- There is a risk of scope creep as WDCs seek to address the priorities of their industries, for example by seeking to address issues outside of the VET system. This risk is potentially exacerbated by the WDCs each operating under bespoke OICs, which, while set by the Government, were driven by industry expectations. This would primarily be a problem if it leads to a loss of focus on WDCs' core functions and we note that we do not have any evidence of this occurring.
 - It is arguable whether some of the broader functions of WDCs offer sufficient value to justify the cost. In particular, the WDCs' role in offering investment advice to the TEC has not yet achieved a level of maturity to offer significant benefit to the TEC's decision-making. We note, however, that this function is highly valued by some industry sectors (reflected in consultation feedback). We have fewer concerns about the broader skills leadership role of WDCs, which is important in terms of building understanding of current and future skills needs at an industry level and considering how the VET system can best respond to these challenges.
39. Despite these issues, our overall assessment is that most of the WDCs have made good progress in their core role of a standards-setting body. For example, they have addressed the 6,000 unit standards and 300 qualifications that were overdue for review when ITOs handed the function over in October 2022.⁶ They have also significantly strengthened analysis on current and future industry skill needs.
40. Through the consultation and the meetings the Minister for Tertiary Education and Skills held across the country, views on the WDCs have been mixed. While WDCs appear to have maintained broad confidence from many of their represented sectors, for some parts of industry, WDC performance has not been satisfactory.
41. Our analysis below (which includes what we heard from recent consultation) in our view supports the case for more modest changes in this area.

What objectives are sought in relation to the policy problem?

42. We have identified the following objectives, based on the current Government's stated priorities, and informed by the purposes of the Education and Training Act 2020 (the Act):
- a. To strengthen regional decision-making and industry involvement, to improve responsiveness to local communities, conditions, and workplaces.
 - b. To support learner success, career pathways, and equitable access to all forms of VET.
 - c. To ensure the system structure and settings are sustainable and deliver quality, coherence, consistency, efficiency, and value for money for now and into the future.

⁶ "Estimates of overdue standards and qualifications provided by NZQA.

- d. To be implemented quickly, providing certainty for learners, staff, providers, communities and industries.
 - e. To honour Te Tiriti o Waitangi and support Māori-Crown relationships.
43. The above objectives a. to d. reflect the Minister's stated priorities for reforms to the VET system, alongside a focus on progressing any change quickly (with legislative change aimed to be completed in time for implementation from 1 January 2026).
44. Objective e. reflects the Crown's ongoing Te Tiriti o Waitangi obligations, as reflected in sections 4 and 9 of the Act. This is particularly relevant given the clear messages heard through the RoVE consultation process that the previous VET system (pre-RoVE) was persistently underserving some learner groups, resulting in inequitable outcomes, and did not give Māori an adequate voice in the system.

Section 2: Deciding upon an option to address the policy problem

45. The legislative changes being taken to Cabinet are enabling (i.e. they define new or reintroduced entities which may be established by secondary legislation when conditions for establishment are met, but do not set up any new entities), and impacts are assessed broadly in relation to the system changes that will be enabled. Orders in Council are required for the establishment of entities and these will be subject to future regulatory impact analysis.
46. We have not, therefore, sought to quantify the costs and impact of the establishment of particular ITPs, ISBs or other entities. (This is a constraint on our analysis).
47. The Ministry has identified two main design decisions that are key to any reform of the vocational education and training system:
- Decision 1: The structure of the ITP system
 - Decision 2: The delivery of WBL and standards-setting
48. In addition, a related but separate legislation design change is included in the Cabinet decisions, which was not consulted on and is, therefore, included as part of this regulatory impact analysis.
1. Decision 2A: Provision to enable industry to request introduction of a levy to support standards-setting.
49. Decision 2A is not affected by Decision 1 or Decision 2.
50. Our analysis for Decisions 2, however, assumes that a proposal for Decision 1 is progressed.
51. We have quantified the likely impacts of the proposals informed by feedback from consultation. Our Te Tiriti analysis of the redesign is informed by feedback from Māori stakeholders in consultation and all stakeholders who commented on Te Tiriti implications for the proposals.

Decision 1: The structure of the ITP system

52. This analysis considers options for the future design of the parts of Te Pūkenga that have taken on the provider-based delivery of the previous ITP system.

What criteria will be used to compare options to the status quo?

53. We have used the following criteria for analysing which options are most likely to meet the Minister's objectives:
- a. Responds to local communities and economies.
 - b. Supports system sustainability.
 - c. Delivers to the needs of learners and employers.
 - d. Minimises implementation time and costs.

- e. Gives effect to Te Tiriti and supports Māori Crown relations.⁷

What scope will options be considered within?

54. We have developed and analysed options within the context of responses to consultation on a proposal to restructure the ITP network by:
1. re-establishing regional ITPs that can show a robust pathway to financial and educational sustainability, and
 2. establishing a federation of ITPs, anchored on the Open Polytechnic, so ITPs that need academic and financial support can deliver courses and programmes to their regions with the support of the Open Polytechnic and other member ITPs.
55. We did not codesign the proposal with the sector, industry or Māori groups prior to consultation, but consultation feedback has informed the final design decisions.

What options are being considered?

56. We have discarded the option from the VET consultation RIS to re-establish a network of standalone ITPs, similar to the network that existed before Te Pūkenga. Some of the previous ITPs are unlikely to ever be viable as standalone entities and only a few have low-risk pathways to viability by 1 January 2026.

⁷ Our consideration of these criteria has focused on teaching aspects of Te Pūkenga's delivery. We recognise that Te Pūkenga also supports research activity, with a particular focus on applied research and the activities required under statute for it to deliver degree education. However, we do not consider that specific consideration of this would significantly alter our assessment.

Table 1: Options for the structure of the ITP system

Option	Description	Comment
Option 1 – Status Quo (Te Pūkenga continuing to reshape itself in line with changes introduced after 2023)	<p>Since late 2023 Te Pūkenga head office has ceased all centralisation activity, put in place regional leaders, delegated as much decision-making as possible to the regions, and removed Te Pūkenga branding.</p> <p>The head office is significantly reduced in size and no longer has the capacity to operate as a strong centralised entity</p> <p>This option assumes Te Pūkenga would continue to align itself with Government's policies on regional decision-making and reduced central bureaucracy but does not include changes to allow for the establishment of ITPs. The option would:</p> <ul style="list-style-type: none"> • leave decision making already devolved to the regions in place and reshape a smaller head office. • continue to right-size Te Pūkenga's former ITP business divisions, rationalise programmes and the property portfolio, and increase use of online and blended delivery across the network. • continue cross-subsidisation across the network, including the WBL divisions, to be a financially viable entity (made possible through the financial improvement exercise underway). 	<p>In our view, Te Pūkenga has shifted as far as possible under the current legislation to reflect the Government's policies of regionalisation, and reduction of centralised bureaucracy</p> <p>The TEC's monitoring role could be used to manage risks associated with this model and continue to align Te Pūkenga's focus with the Government's broader priorities.</p> <p>For the status quo to endure the head office will need sufficient capacity to allow Te Pūkenga to be accountable for its performance in an ongoing way. Currently Te Pūkenga expects to be disestablished.</p>
Option 2 - ITPs established from Te Pūkenga business divisions as they become ready to stand alone	<p>Legislate to give the Minister power to establish ITPs and direct Te Pūkenga on transitional matters.</p> <p>Te Pūkenga continues its cost out work and preparation for its former ITP business divisions to be established as new ITPs. It would remain as a holding entity for ITP business.</p>	<p>It is possible that Te Pūkenga could remain part of the ITP system as a holding entity for some time (similar in effect to the 'strong federation' model in option 4).</p> <p>ITPs and WBL providers would be established as Te Pūkenga business divisions were able to find pathways to viability – so they would not all be set up on or soon after 1 January 2026. A deadline could be set for</p>

Option	Description	Comment
	<p>Business divisions with a pathway to financial viability would be established as ITPs, and Te Pūkenga would remain until all of its business divisions are either established as ITPs (which may include mergers) or disestablished.</p> <p>The WBL divisions would also remain part of Te Pūkenga until they are established as separate entities or their activities transferred to others (see Decision Two).</p>	<p>business divisions to be established as ITPs or disestablished.</p>
<p>Option 3 – Split Te Pūkenga into a small number of regional ITPs</p>	<p>Te Pūkenga would be split up into a small number of regional institutions. For example, based on Te Pūkenga's four existing regions:</p> <ol style="list-style-type: none"> 1. Northland and Auckland 2. Waikato, Bay of Plenty, Te Tai Rawhiti and Hawke's Bay 3. Taranaki, Manawatū-Whanganui, Wellington, Marlborough and Nelson Tasman 4. West Coast, Canterbury, Otago and Southland <p>Te Pūkenga would be disestablished.</p> <p>The regional ITPs could have a simpler governance model focused on responsiveness to key regional stakeholders. Each ITP would operate separately, but clear regional boundaries should promote collaboration, given reduced competition.</p> <p>Some functions could remain centralised where they supported greater efficiency and effectiveness, but they would service the ITPs rather than direct any operations.</p>	<p>Would occur at a single point in time for all Te Pūkenga's ITP and WBL divisions, on or close to 1 January 2026 (as opposed to Te Pūkenga continuing as a transitional entity in option 2).</p> <p>Further consideration needs to be given to the role of provision that would not necessarily operate on regional lines (such as whether the institutions should offer competing online delivery, and the place of the Open Polytechnic). Work-based delivery may not lend itself to regional divisions (although it would be possible) and consideration would need to be given to splitting out Te Pūkenga's WBL divisions (see the discussion on Decision 2 below).</p>
<p>Option 4 - Re-establish standalone ITPs where viable, with other ITPs operating in a federation supported by the Open Polytechnic (federation with stronger levers to control members)</p>	<p>ITP business units in Te Pūkenga with a pathway to financial viability are established as ITPs, as are those that could be viable with the support offered by a federation (i.e. with the Open Polytechnic providing online programmes for member ITPs to offer through blended (online and on campus) delivery at a lower cost than full face to face delivery).</p>	<p>As many ITPs as possible would be established on or close to 1 January 2026.</p> <p>Federation ITPs will have less autonomy than standalone ITPs.</p>

Option	Description	Comment
	<p>Some business units might be merged to be stood up as ITPs; others might become PTEs or become part of another Tertiary Education Institution.</p> <p>Te Pūkenga becomes a transitional entity, possibly under a new name with new functions, and supports any remaining business units without a pathway to viability until decisions are made on their future.</p> <p>The federation can direct members through a 'command and control' set of levers:</p> <ul style="list-style-type: none"> • shared governance and management (e.g. verifying local decisions, with the ITP operating an advisory board rather than a Council, in effect). • significant prescription over programmes and services. • funding and budget decisions. • bailing out members or allowing them to fail within the federation 	<p>The federation would be the decision-making entity, requiring resourcing for that purpose.</p> <p>Although technically able to bail out members, a strong federation might decide not to, or not have available reserves to do so.</p>
<p>Option 5 — Re-establish standalone ITPs where viable, with other ITPs operating in a federation supported by the Open Polytechnic (a service-oriented federation)</p>	<p>ITPs are stood up as in option 4.</p> <p>The federation offers ITPs similar levels of autonomy as ITPs outside the federation, but with less security than option 4. Any member ITPs that began to fail would not be able to be bailed out by the federation</p> <p>The federation has levers consistent with autonomous member ITPs: shared services; programme support; filling gaps in provision; and governance support and organisational capital.</p>	<p>As many ITPs as possible would be established on or close to 1 January 2026.</p> <p>Federation ITPs will have the similar autonomy as standalone ITPs.</p> <p>Each federation ITP would be financially responsible for itself, which may promote more competitive behaviour.</p>

What we heard from consultation about the ITP sector

57. The ITP proposal for consultation was a redesigned ITP network that retains access to ITP provision in all regions through a combination of stand-alone and federated ITPs. Submitters were invited to comment on:
1. the importance of ITPs;
 2. the benefits and risks of reconfiguring the ITP sector;
 3. the federation model; and
 4. minimum programmes and roles the ITP sector should deliver.
58. We heard that ITPs are crucial to communities for local skills and regional development, with some strong support for autonomous local ITPs and concerns about loss of local decision-making powers under a federation. ITP provision of both work-based and campus-based learning was valued, as was the contribution of PTEs to provision across the VET system. Industry respondents valued national consistency of provision, and we heard some concerns from industry that a more regional focus would reduce national consistency.
59. Returning control to the regions was the most commented on benefit of reconfiguring the ITP sector, but risks of fragmentation were noted. The impact on learners of reconfiguration was seen as more of a risk than a benefit, particularly for Māori, Pacific and disabled learners. Loss of provision, loss of ITP staff, and disconnection of ITP provision from industry needs were raised as concerns. Rural providers (ITPs and PTEs) were seen by some submitters as being exposed to additional risks under the proposed federation model due to the scale of their programmes not being cost effective, and re-introduced competition with other providers.
60. Most submitters who supported the federation model commented that the model would be cost effective and enable resources and programmes to be shared. Some submitters supported a federation model but did so with the expectation that their local ITP would be an autonomous institution standing apart from the federation.
61. Submitters who opposed a federation model cited concerns about reduced autonomy for ITPs and local communities, and reservations about the ability of the Open Polytechnic to fulfil the anchor role successfully. Some submitters were concerned that a federation would create two tiers of ITPs that could compromise educational quality and consistency. Others considered a federation would harm ITPs' relationships with local iwi and hapū. A few submitters were of the view that a federation would not fix the underlying issues in the VET system, which were considered to be inadequate funding and historical competition between ITPs.
62. Many submitters from niche and specialised industries felt that the importance of campus-based and distance learning had been over-emphasised in comparison to the benefits of WBL. Submitters noted the benefits of learners being able to earn a living while learning, and the difficulty campus-based programmes had in meeting niche and specialised industry needs.
63. Submitters called for meaningful engagement and collaboration with Māori communities suggesting embedding partnerships with Māori advisory groups at all levels of ITP governance. The connection with mana whenua and integration of their perspectives was specifically identified by some submitters.
64. We heard concerns about risks to learners as a result of the proposals, that Māori, Pacific and disabled learners (these groups were identified in the consultation

document as groups who had been underserved by the VET system in the past) could be overlooked if the need for ITPs to achieve financial viability was overly prioritised.

Proactively Released

How do the options compare to the status quo

	Status Quo	Option Two –Te Pūkenga continues, new ITPs established as they become viable	Option Three – small number of regional ITPs (e.g. based on current Te Pūkenga divisions)	Option Four– Standalone ITPs + ITP Federation with strong centralised control levers	Option Five - Standalone ITPs + ITP Federation with shared services levers
Responds to local communities and economies	0	<p>+</p> <p>Would become more regionally responsive as ITPs are established but could remain very centralised for some time. Some business units may remain in Te Pūkenga (similar to option four).</p>	<p>+</p> <p>Would centre authority decision making and accountability with standalone ITPs. Regions would be quite large and not necessarily connected to local needs.</p>	<p>+</p> <p>Would centre authority decision making and accountability with standalone ITPs. ITPs in a centralised federation may bring regional view but may not have much local decision-making power in cases where they have significant viability issues.</p>	<p>++</p> <p>Federation ITPs will have the same local decision-making powers as stand-alone ITPs.</p>
Supports system sustainability	0	<p>0</p> <p>Te Pūkenga retains economies of scale and the ability to cross-subsidise and ensure sufficient liquidity across the network for longer, until business units ready to be established. New ITPs will lose economies of scale, but may be less risk of failure with more time to prepare.</p>	<p>--</p> <p>Information from the specialist consultancies indicates that not all regions will be able to retain some economies of scale. Although operating a system with a smaller number of entities may increase their capacity to manage risk, achieve scale and savings, cross subsidise etc.</p>	<p>-</p> <p>No ability to cross-subsidise across the whole network. A strong federation would be financially responsible for ITPs, but may not generate sufficient profitability to support weaker members. Stronger decision-making through command and control levers, but risk of a single point of failure.</p>	<p>-</p> <p>No ability to cross-subsidise across the whole network. Federation would not be financially responsible for ITPs – ITPs could fail and not risk Federation. There may be more competition from a service-oriented model, as all ITPs make decisions in their own interests.</p>
Delivers to the needs of	0	<p>0</p> <p>Te Pūkenga can cross subsidise internally for</p>	<p>-</p> <p>Sufficiently large regions may allow regional ITPs to</p>	<p>-</p> <p>Te Pūkenga regional divisions will be significantly rationalised</p>	<p>-</p> <p>Te Pūkenga regional divisions will be significantly rationalised</p>

learners and employers		<p>longer, but this will reduce as new entities are established. More time to establish ITPs reduces transition risks for learners and employers</p> <p>New ITPs will be significantly rationalised, and breadth of provision will vary depending on the size of ITP regions.</p> <p>Learners will have a stable provider and will not transition unless to a viable new entity.</p>	<p>provide access to a greater breadth of training within each region with less reduction to in-person learning, although significant rationalisation would still be required, reducing what is currently offered to learners.</p> <p>Expect more reductions in in-person learning (which will disproportionately impact under-served learners) in regions with less economies of scale.</p> <p>Some rationalised ITP delivery may be offered by other providers, but we don't know how this will look, and how learners and employers will respond.</p>	<p>before new ITPs are established. Reductions in in-person learning (which will disproportionately impact under-served learners). Impact is likely to differ depending on what is a viable mix of provision in each region while maintaining educational quality The federation may allow for some programmes of marginal viability to be offered where otherwise they would be lost.</p> <p>Some rationalised ITP delivery may be offered by other providers, but we don't know how this will look, and how learners and employers will respond.</p>	<p>before new ITPs are established. Reductions in in-person learning (which will disproportionately impact under-served learners). Impact is likely to differ depending on what is a viable mix of provision in each region while maintaining educational quality. The federation may allow for some programmes of marginal viability to be offered where otherwise they would be lost.</p> <p>Some rationalised ITP delivery may be offered by other providers, but we don't know how this will look, and how learners and employers will respond.</p>
Minimises implementation time and costs	0	<p>-</p> <p>Would require legislative change to set up new ITPs. Transition, including recapitalising new entities, would be spread out over time. Fewer new entities would need to be established, reducing implementation costs.</p>	<p>-</p> <p>Would require legislative change with significant transition costs, including recapitalising new entities. Transitional operational requirements will be complex and resource intensive, although may not be as complex as with a larger number of entities.</p>	<p>-</p> <p>Legislative change would be significant and there would be large transition costs, including recapitalising new entities. Transfer mechanisms may not be overly complex (except any transfers of employment provisions to PTEs), but the operational requirements to give</p>	<p>-</p> <p>Legislative change would be significant and there would be large transition costs, including recapitalising new entities. Transfer mechanisms may not be overly complex (except any transfers of employment provisions to PTEs), but the operational requirements to give effect to the transition</p>

				<p>effect to the transition may be quite complex and slow.</p> <p>Role and governance of a strong federation may be complex, and establishment of the federation itself more resource intensive.</p>	<p>may be quite complex and slow.</p>
<p>Gives effect to Te Tiriti and supports Māori Crown relations</p>	0	<p>-</p> <p>Some existing Tiriti provisions for Te Pūkenga are intended to be carried over, in addition to high level Tiriti expectations for the VET system as a whole.</p> <p>Programme rationalisation and decrease in face-to-face provision may disproportionately affect Māori learners especially those in isolated communities.</p> <p>Could retain current Te Tiriti-related requirements as for the status quo until new ITPs are stood up.</p> <p>Would allow more time to hear iwi and hapū views on the outcomes sought, and how Te Tiriti is engaged with those outcomes.</p> <p>Demands on iwi and hapū for ITP relationships may be</p>	<p>-</p> <p>Some existing Tiriti provisions for Te Pūkenga are intended to be carried over, in addition to high level Tiriti expectations for the VET system as a whole.</p> <p>Programme rationalisation and decrease in face-to-face provision may lead to regional variation in the system's responsiveness to the needs and interests of Māori.</p> <p>Demands on iwi and hapū for ITP relationships may be greater if ITPs straddle iwi boundaries.</p>	<p>-</p> <p>Some existing Tiriti provisions for Te Pūkenga are intended to be carried over, in addition to high level Tiriti expectations for the VET system as a whole.</p> <p>Programme rationalisation and decrease in face-to-face provision may lead to regional variation in the system's responsiveness to the needs and interests of Māori.</p> <p>Demands on iwi and hapū for ITP relationships may be greater if ITPs straddle iwi boundaries.</p>	<p>-</p> <p>Some existing Tiriti provisions for Te Pūkenga are intended to be carried over, in addition to high level Tiriti expectations for the VET system as a whole.</p> <p>Programme rationalisation and decrease in face-to-face provision may lead to regional variation in the system's responsiveness to the needs and interests of Māori.</p> <p>Demands on iwi and hapū for ITP relationships may be greater if ITPs straddle iwi boundaries.</p>

		greater if ITPs straddle iwi boundaries.			
Overall assessment	0	<p>0</p> <p>Would achieve more regional autonomy over time, and significantly reduce transition risks to sector. Retaining Te Pūkenga as a holding entity provides similar support as a strong federation, and keeps ability to cross-subsidize, though this will become less effective as ITPs are stood up.</p>	<p>--</p> <p>Would shift decision-making to larger regions, which will have the ability to gain some economies of scale, but we are not confident that all the regions would be strong enough to also offer benefits of centralisation.</p>	<p>-</p> <p>Strong federation may mitigate some financial risks of unviable ITPs but unable to cross-subsidize, and regional autonomy is not realised for Federation ITPs.</p>	<p>-</p> <p>Shared services federation achieves regional autonomy and provides opportunities to deliver at lower cost through blended programmes, but is not designed to address risk of individual ITP failure, as it does not have strong levers or ability to cross-subsidize.</p>

Key:	++	much better than the status quo
	+	better than the status quo
	0	about the same the status quo
	-	worse than the status quo
	--	much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

65. Responding to the policy problem entails a trade-off between increased regional autonomy and the ITP system viability. Within a constrained fiscal environment, there is not an option to fund the ITP sector at the level needed for ITPs to viably deliver all provision with some demand in their regions - including some provision that is of value to learners, industries and employers.
66. The establishment of Te Pūkenga was an attempt to resolve this trade-off by favouring centralisation to maintain a viable ITP system through cross-subsidization and rationalisation across the nationwide ITP network, and through bringing work-based and provider-based learning into one system to decrease competition between these parts of the VET system and increase resilience through the employment cycle.
67. We acknowledge that Te Pūkenga has not yet achieved its mission (which was always expected to take 5 to 10 years) and is likely to have requested additional support from the Crown during this period to carry out its centralising work, as its 2022 business case illustrated. However, since 2023 Te Pūkenga has shifted its focus to removing costs and improving performance, and has remained reasonably resilient through its WBL divisions being able to cross-subsidize the former ITP business divisions.
68. We consider that Te Pūkenga could become a viable entity though carrying out the cost cutting work it has started, rationalising its property portfolio, achieving back-office savings, and integrating work-based and provider-based delivery. Under this approach, the cost-cutting may be less extensive than would be needed for setting up individual ITPs due to its ability to cross-subsidize across its network.
69. Considering only the viability of the ITP sector and the importance of its delivery for learners, employers, industry, we would err on the side of retaining the status quo. Te Pūkenga's ability to achieve economies of scale and cross subsidize across its national network, including from its WBL divisions, is a significant stabilising aspect.
70. However, retaining Te Pūkenga in its devolved current form is not a feasible way forward. Continuing with a devolved Te Pūkenga would still require building up its head office again (although likely not to previous levels), to make funding decisions across the network, including carrying out reductions in provision and capital footprint, and it would need to remain accountable for the performance of the network. The status quo could not provide any more regional autonomy than Te Pūkenga has been able to devolve to date, which is less than the Government is seeking, and less than many consultation respondents would prefer.
71. While a more fiscally conservative option, the status quo would still have come with risks and costs and there are no guarantees that it would eventually achieve a financially sustainable model.
72. Our preferred option in the Consultation RIS was Option 3 in this paper: establishing a small number of large regional ITPs. Our view at that time was that this option would take into account both the Government's objectives and the lessons learned from RoVE, and would provide a balance between local responsiveness and innovation on the one hand, and the benefits of consistency and economies of scale on the other.

73. We have reassessed Option 3 in light of the regional business units' pathways to viability, as reported by the independent consultants. We are no longer confident that this option could produce equally viable regions, for example if a number of unviable regional business units were in close geographical proximity. While having a greater number of ITPs over time also risks financial failure issues along with a significant likelihood that they will present at some stage, a larger entity consisting of largely stressed business divisions presents a more significant point of failure to manage, combined with a still significant likelihood that issues will emerge.
74. The Minister's preference is a light lever federation model (Option 5). Of the two federation models, Option 5 is stronger due to its stronger assessment against local responsiveness (despite options 4 and 5 scoring the same overall). It aligns to what we heard from consultation about strong support for ITPs, regional autonomy, and resource sharing. The light lever federation model offers a response to the trade-off that retains regional autonomy to the greatest extent possible while still being able to establish ITPs where shared services would make the difference to viability.
75. However, we consider there is a risk that either type of federation may lack sufficient levers to manage the financial vulnerability of federation ITPs, and the extent to which either back-office savings or efficiencies through blended delivery will result in more viable entities and access to programmes remains unanalysed in detail.
76. Taking into account consultation feedback on the reestablishment of ITPs and the proposed federation model, and the information on financial viability from the independent advisors working with Te Pūkenga (while recognising the limits of the available information at this time), on balance we would recommend Option 2: **Te Pūkenga continues as an entity, and new ITPs are established when they have strong pathways to viability.**
77. Although it does not score better than the status quo overall, Option 2 would achieve the Government's objectives for the VET in way that manages the transition risks. It would allow for a slower system transition that works towards establishing viable regional ITPs by supporting business units within Te Pūkenga until they were ready to be established as ITPs. It would allow unviable business units to remain in Te Pūkenga as a holding entity (either to wind them up, or possibly as a continuing part of the ITP system, if sustainable as a group). This option would also allow further options to be considered, including further merging of entities or provision being taken on from other entities. WBL is analysed in Decision two, but we note that this option would also allow the WBL divisions more time to be reestablished as new entities if needed.
78. All options, including the status quo, would cut costs (staff and provision) from ITPs or Te Pūkenga regional divisions and fill gaps in core provision with more online programmes and blended learning. This will be a major change to ITP delivery and that will affect all ITP stakeholders, especially learners. (It is possible that cuts might be less severe under the status quo due to Te Pūkenga's ability to cross-subsidise across its network of regional and WBL business units).

Decision 2: The delivery of work-based learning (WBL) and standards-setting

79. This analysis considers options for the delivery of WBL and the location of industry-led standards-setting functions.
80. WBL is vocational training delivered on-the-job, primarily delivered in the workplace although sometimes supplemented with off-the-job training. This is also referred to as 'industry training'. Apprenticeships are the most common form of WBL, although it also encompasses other sorts of trainee arrangements.
81. WBL is distinct from work-integrated learning – that is provider-based training that may incorporate some forms of on-the job experience, but which is not delivered as part of an employment relationship.
82. Standards-setting refers to the process of developing industry-relevant and quality-assured skills standards, qualifications, and credentials that are used to create courses and programmes of learning. It also involves ensuring consistency and quality use of those products. Standards-setting applies to both work-based and provider-based programmes.
83. Skills leadership is currently considered part of this activity. It encompasses the core functions needed to carry out standards-setting – such as labour market and skills needs analysis and industry engagement – but can potentially involve more strategic work around industry development, pipeline, and skills utilisation issues.
84. When presented for consultation, all options would have involved the removal of the investment advice function possessed by WDCs. Following consideration of feedback, the Minister has decided that the investment advice function possessed by WDCs would be retained by ISBs. However, the current statutory obligation on the TEC to give effect to this advice would be relaxed. As discussed below, this function would not be able to continue under Option 3.
85. Different ways of structuring the new standards-setting entities that will replace the current WDCs are inherent in each of the options for WBL. Standards-setting options were presented as a separate decision in the consultation RIS, but as we consulted on combined options for WBL and standards-setting, they are presented together in this RIS.
86. All three options considered here include the intent to review the current industry coverage currently held by WDCs, and move standards-setting responsibilities for some sectors (where there are currently no WBL programmes) to NZQA. In our consultation RIS assessment of options for standards-setting, we also considered the transfer of all current WDC responsibilities to NZQA as an option. We have not considered that here, as our assessment at the time showed that this option would be significantly worse than the status quo, the option was not presented for public consultation, and the option has not been under active consideration as a future option.
87. This analysis is limited to sub-degree delivery, and does not consider any change to policy settings applying for degree and above delivery. There is no proposal to expand the remit of standards-setting bodies to cover that part of the tertiary education system.

What criteria will be used to compare options to the status quo?

88. We have used the following criteria for analysing which options are most likely to meet the objectives; these represent a combination of the separate criteria used to evaluate standards-setting and WBL options in the consultation RIS:
- a. Responds to industry needs and encourages employer buy-in
 - b. Supports learners to succeed
 - c. Aligns the training system to industry skill needs
 - d. Supports system sustainability
 - e. Role clarity and system coordination, including minimising conflicts of interest
 - f. Minimises ongoing costs to the Crown of standards-setting function
 - g. Minimises implementation time and costs
 - h. Gives effect to Te Tiriti and supports Māori Crown relations.

What scope will options be considered within?

89. The future of WBL involves key interdependencies with other elements of the VET system, in particular the future of the former ITPs currently within Te Pūkenga (Decision 1).
90. The previous industry training organisations (ITOs) are also part of Te Pūkenga, forming its WBL divisions. The programmes they offer – and the learners enrolled in them – will need to transition to new entities; if they do not then these programmes will end. Learners would need to transition to another programme if available or exit the vocational education system.
91. As noted above, for the options other than the status quo (which we have retained for comparison purposes), the analysis considered presumes that the Minister's proposed option for Decision 1 is adopted.

What options were considered?

Option 1 – Status quo

Work-based learning (WBL)

92. Under the status quo, Te Pūkenga has inherited responsibility for the majority of WBL from the ITOs. Approximately 20 percent of WBL is currently delivered by PTEs; this largely consists of former ITO programmes and learners that did not transition into Te Pūkenga (or only did so temporarily).
93. Te Pūkenga (and other providers of WBL) enters into training agreements with both the employer and employee which set out how the apprenticeship will proceed. It is responsible for both arranging the workplace-based on-the job training and any training that occurs in provider-based off-the-job settings.
94. At present Te Pūkenga's WBL programmes operate as separate business divisions, alongside the 15 former ITP business divisions.⁸ While plans are in place to separate functions within WBL between programme development and learner/employer

⁸ Two of the previous 16 ITPs, WelTec and Whitieria, are treated as a single business division.

support, Te Pūkenga has stopped work on developing a plan to integrate work-based training with provider-based and online delivery (in response to Government policy).

95. While the ability for additional providers to enter into this market has been limited during the transition to Te Pūkenga, the intention was that additional providers would be able to enter the market and compete with Te Pūkenga and the existing PTEs, offering choice for employers and learners. For example, Māori-owned or operated businesses may seek out WBL options from 'by Māori, for Māori' providers such as Wānanga.
96. The status quo for the WBL divisions of Te Pūkenga cannot be maintained under either option for Decision one. It is included here as a counterfactual.

Standards-setting

97. There are six WDCs, each responsible for specific industry groupings:
1. *Hanga-Aro-Rau:* manufacturing, engineering, and logistics
 2. *Muka Tangata:* food and fibre industries
 3. *Ringa Hora:* service industries
 4. *Toi Mai:* creative, cultural, recreation and technology
 5. *Toitū te Waiora:* community, health, education, and social service
 6. *Waihangā Ara Rau:* construction and infrastructure.
98. WDCs have four key functions for industries in their coverage:
1. developing skills standards, capstone assessments, and qualifications
 2. industry skills leadership, including labour market analysis and strategic leadership in addressing future skills related challenges
 3. externally moderating assessments and endorsing programmes
 4. advice and representation, including advice to TEC on its investment in VET for their industries.
99. WDCs are independent, industry-led bodies, governed by their own bespoke OICs, which set out core operational and governance requirements, and the industries for which they have coverage. All industries are in principle covered by one of the WDCs, so that there are no gaps in standards-setting coverage.
100. The status quo for standards-setting could be maintained if Te Pūkenga is disestablished, provided that funding was made available to continue WDC operations. This would involve retaining WDCs as standards-setters with no substantive changes to coverage, functions, governance, and establishing OICs, including no shift of responsibilities to NZQA.

Option 2 – Independent standards-setters with all providers enabled to offer WBL and Te Pūkenga WBL divisions made independent (Option B explored through consultation)

101. Under this option, Te Pūkenga's existing WBL divisions would be split off into independent entities specialised in WBL (effectively becoming TEOs in their own right), with a significant industry role in their governance. Other providers (including individual ITPs) would be enabled to offer WBL that they consider might be attractive

to employers and learners, with the TEC making decisions about how best to prioritise the funding of this delivery.

102. A small number of industry-led ISBs would act as dedicated standards-setting and skills leadership entities. These would be established under a standardised set of OICs, as opposed to the current bespoke OICs that WDCs possess, and have reformed governance compared to WDCs – primarily smaller Councils with ministerial appointments. Their industry skills leadership functions would be replaced with a more focused Strategic Workforce Analysis and Planning function.

Option 3 – WBL and standards-setting both arranged by Industry Skills Boards (Option A explored through consultation)

103. Under this option, WBL would be arranged (but not delivered) by ISBs who also held the standards-setting skills leadership functions, under a similar model to the previous ITO system. These bodies would enter into a training agreement with an employer and employee and be responsible for supporting the employer to deliver the WBL and supporting the learner to succeed in their training.
104. Standards-setting functions would be revised in the same way as for Option 2, as would ISBs' OICs and governance arrangements. There would be a direct conflict of interest in ISBs retaining an investment advice function under this option, and so that function would need to be either removed or significantly weakened under this option.
105. Providers such as ITPs would not be able to offer WBL, although where a programme requires specialist off-the-job delivery, the ISB would be required to contract providers such as ITPs to deliver it. An ISB would continue to carry out its quality assurance functions (e.g. endorsement, moderation, consent to assess) for a TEO who used that ISB's qualifications and standards in their provider-based programmes.
106. The establishment process, governance, funding rules and operational settings for ISBs would need to be used to mitigate the risk of the unhealthy competition issues that existed between ITOs and providers reemerging and to provide for ISBs to collaborate with ITPs, PTEs, and Wānanga as part of a single VET system.

Option 4 – All providers enabled to offer WBL; ISBs provide pastoral care; existing Te Pūkenga WBL business divisions transition to ISBs and providers (option developed after consultation, combines aspects of consultation options A and B)

107. Under this option, standards-setting, including quality assurance (programme endorsement and external moderation), a streamlined skills leadership function (strategic workforce analysis and planning), and investment advice, would be undertaken by a small number of ISBs. These ISBs would also work directly with apprentices and trainees, supporting them to complete their programmes. As they would not directly enrol learners, the conflict of interest in advising the TEC on funding decisions is sufficiently reduced that a weaker version of that function – in which the TEC is not required to give effect to this advice but just have regard to it – can be retained.
108. Option 4 would split responsibility for the 'education' and 'pastoral care' components of WBL between a regionally-based provider and a national ISB. The provider (such as an ITP) would have responsibility for the education-related elements of that programme: designing learning resources, providing academic support, undertaking on- and off-job assessment, credit reporting, and awarding qualifications and credentials. An ISB would monitor a learner's progress against their training plan, and provide pastoral care to the learner as needed. The provider and the ISB would be

expected to work with each other, the learner, and the learner's employer to ensure that the apprentice or trainee succeeded.

109. Under this option, all providers would be enabled to offer WBL programmes (as for Option 2). Any provider that offered a WBL programme could also provide any off-job elements of the programme, such as block courses. However, they would not be expected or funded to provide pastoral care, and an ISB would need to be involved with each of their WBL learners.
110. The learners, programmes, and assets within each WBL division of Te Pūkenga would be divided up between the new ITPs (for education elements) and the ISB with coverage for the relevant programme (for coordination and pastoral care elements). This could involve some ITPs managing work-based programmes in areas outside of their local region. If no ITP could sustainably maintain a particular programme in a given region, a PTE or Wānanga may in some cases receive the relevant learners and programme instead. Where none of these options was possible, alternative arrangements would need to be developed.

What we heard during consultation about WBL and standard-setting

111. Two proposals for WBL and standard-setting were consulted on.
 1. Option A: establishing a small number (up to eight) of ISBs⁹ responsible for standards-setting and arranging industry training; or
 2. Option B: establishing a small number (up to eight) of ISBs to be industry-led, independent standards setters, with all tertiary education providers able to arrange and deliver industry training.
112. ISB functions would be narrower than WDCs, and focused on standard, micro-credential and qualification development, and moderation. Consultation materials stated that they would not be required to provide investment advice to the TEC – though as noted earlier this decision has been revisited – and their skills leadership function would be narrowed to a strategic workforce analysis and planning function. Under all options, the industries collectively covered by the ISBs would be revised and standards-setting coverage for some sectors would move to the New Zealand Qualifications Authority.
113. Consultation included testing the idea of a short moratorium on new industry training providers while the new system is set up.
114. A key priority for most submitters was a VET system that listened and responded to the needs of industry. Overall, there was greater support from submitters for Option B: replacing WDCs with industry-specific standard-setting bodies, with all tertiary education providers able to arrange and deliver industry training. This preference was especially strong amongst industry submitters.
115. In total, 28% of all respondents supported Option A, 54% supported Option B, and 18% did not support either option (e.g. they wanted to retain a revised version of the status quo) or proposed their own alternative model. Analysis of industry submissions on this question showed that 11.5 % of industry respondents supported Option A and 59.9% of industry submitters supported Option B.

⁹ These were referred to by the provisional name 'Industry Training Boards' (for Option A) or independent standards setters (for Option B) during consultation.

116. Submitters who preferred Option A considered it would improve training quality through national consistency, reduce duplication of functions and associated costs, and make it easier for employers to engage with a single industry skills body. They felt that going back to a familiar system would make the transition process easier.
117. Submitters who supported Option B considered that it would provide more choice for employers and learners, help avoid conflicts of interest arising from the same organisation setting standards and arranging training, and provide higher quality training and increased innovation.
118. Many submitters who commented on the proposed temporary moratorium on new WBL providers (that would only be applicable under Option B) saw benefits in giving the new system time to bed in, and some commented that a moratorium could reduce competition and support quality training. However, many submitters were concerned that a moratorium would stifle innovative training responses, and some thought it would disadvantage learners and employers in regions though limiting their access to training.
119. Having a range of options for WBL was generally perceived as a positive. For example, of submitters who expressed a preference, 69% felt that under Option A it would be important for organisations other than ISBs to have the ability to offer WBL programmes.
120. Many submitters who reflected on key features of past ITOs valued the relationship they had had with their organisation, including more face-to-face contact with ITO staff for learners and employers. ITOs' provision of pastoral care and learner support was valued. We also heard that ways to avoid past tensions between ITOs and providers would be needed.
121. Most submitters, particularly industry bodies, favoured retaining the functions that currently sit with WDCs, especially core standards-setting (development and quality assurance), industry engagement, and skills leadership. There was strong support from industry submitters to retain the WDC role of providing investment advice to the TEC. Many submitters also raised concern about losing representation that industries value, leaving some vulnerable during transition to a new system.
122. Sufficient funding for WBL and for standards-setting was cited as a key success factor for both options. Significant concerns were expressed by industry submitters at the potential effects of shifting funding away from WBL and toward provider-based programmes.
123. A few submitters considered that neither of the options consulted on were responsive to industry. Some of these submitters did not feel their industry had been well served by either the previous ITO model, or the current WDC/Te Pūkenga Work-based Learning Divisions and advocated for a completely industry-owned model of industry training.

How do the options compare to the status quo?

Criteria	Option One – Status Quo	Option Two – All providers enabled to offer WBL, with existing Te Pūkenga WBL business divisions made independent	Option Three – WBL arranged by Industry Skills Boards who contract providers if needed (e.g. for block courses)	Option 4- All providers enabled to offer WBL; ISBs provide pastoral care; existing Te Pūkenga WBL business divisions transition to ISBs and providers
Responds to industry needs and encourages employer buy-in	0	<p>+</p> <p>Provides employers with choice and competition, the WBL model favoured by more industry submitters.</p> <p>Potential for multiple WBL providers for some programmes in some regions, and a possible loss of national training coordination at an industry level.</p> <p>High continuity for industry-specific WBL national providers (as standalone TEOs).</p>	<p>+</p> <p>Does not provide for choice of training providers on the part of individual employers, but offers one point of contact for training (ISBs), which could improve national consistency.</p> <p>Would support industry buy-in as sectors would have control of the arranging of WBL.</p> <p>High continuity for industry-specific dedicated WBL national providers (as ISBs).</p>	<p>-</p> <p>Provides employers with choice of providers.</p> <p>Breakup of national WBL divisions and shift of education functions and assets to regional ITPs reduces ability to nationally organise most programmes, and may create confusion for industry.</p> <p>Smaller and specialised industry programmes are less likely to have a provider with national scale for viability, reducing possible responsiveness.</p> <p>Providers may have incentives to focus on provider-based over work-based programmes.</p>
Supports learners to succeed	0	<p>0</p> <p>Achieves an integrated model for on-job and off-job (campus based) learning by allowing all providers to offer both types of learning, thereby improving flexibility for learners.</p>	<p>-</p> <p>Delivery needs to be clearly separated between on-job and off-job WBL in a way that is not flexible and may not serve learner interests.</p> <p>Prohibition of ISBs delivering training may constrain their ability to directly support learners in on-job training. e.g.</p>	<p>0</p> <p>Dedicated pastoral care role may improve chances of success, but efficiency and effectiveness of dividing responsibility for support between separate organisations (ISBs and providers) is untested.</p> <p>Enables providers to offer both types of WBL may support greater integration</p>

			where literacy and numeracy supports are required.	between on- and off-job learning and improves flexibility for learners.
Aligns training with industry skills needs	0	<p>-</p> <p>Narrower skills leadership function may reduce ISBs' ability to look strategically at how the skills system can address broader challenges (e.g., equity etc).</p> <p>Continuation of an investment advice function may enhance industry-relevant Crown investment in VET programmes.</p>	<p>0</p> <p>Narrower skills leadership mandate may be offset by improved feedback loops with arranging training function.</p>	<p>0</p> <p>Narrower skills leadership mandate may be offset by feedback loops from pastoral care function.</p> <p>Continuation of an investment advice function may enhance industry-relevant Crown investment in VET programmes.</p>
Supports system sustainability	0	<p>0</p> <p>Former WBL divisions will compete for limited learners and funding, improving choice but creating potential viability issues for the new ITP network.</p> <p>Enabling providers to continue offering both WBL and provider-based programmes should support sustainability of the VET system by smoothing impacts of the economic cycle on providers' enrolments.</p> <p>The effect of a number of new providers on the rest of the VET system is unknown.</p>	<p>--</p> <p>Shifting enrolment patterns between WBL and provider-based learning due to economic conditions may create challenges for both ISBs and ITPs in navigating parts of the economic cycle, without the ability to cross-subsidise.</p>	<p>--</p> <p>Creates a more complex WBL system with potential duplication of effort and of costs.</p> <p>WBL programmes for smaller and more specialised industries are likely to be challenging to maintain for regional providers.</p> <p>Enabling providers to continue offering WBL should support sustainability of the VET system by smoothing impacts of the economic cycle on enrolments.</p> <p>Requires WBL funding to be divided between two entities, each of whom must receive enough to be viable.</p>
Role clarity, role conflict, and system coordination	0	<p>0</p> <p>ISB and provider roles are clear, but with less scope for coordination.</p>	<p>-</p> <p>Drawing a distinction between 'arranging' and 'delivering' training has been challenging in the past, although the establishment of new ISBs may provide</p>	<p>-</p> <p>Requires learners and firms to deal with two entities who have overlapping and interdependent responsibilities in the training process (ISBs and providers).</p>

		No role conflict as standard-settings and arranging training functions are separated.	<p>an opportunity to promote a more collaborative model from the outset.</p> <p>Risk of tension between standards-setting and arranging training roles within ISBs.</p>	<p>May create tension between ISBs and providers around overlapping support responsibilities.</p> <p>Some risk of tension between standards-setting and pastoral care roles within ISBs.</p>
Reduces costs of standards-setting	0	<p>+</p> <p>Should reduce ongoing cost to the Crown.</p>	<p>++</p> <p>Should substantially reduce the ongoing cost to the Crown, with feedback loops from arranging training reducing industry engagement costs.</p>	<p>+</p> <p>Should reduce ongoing cost to the Crown, but ability of feedback loops to reduce industry engagement costs will depend on business models.</p>
Minimises implementation time and costs	0	<p>-</p> <p>Some complexity in establishing WBL divisions as standalone entities, although limited additional costs (above those incurred in being established out of Te Pūkenga). Allows for transition to be staged more easily.</p>	<p>-</p> <p>Requires transitional arrangements to transfer training functions, staff and learners to re-established ISBs, as well as the establishment of ownership and governance arrangements for ISBs. PTEs will require a transition to shift out of WBL.</p>	<p>--</p> <p>Complex allocation of learners, programmes and assets from WBL divisions between providers (for education elements) and ISBs (for coordination and pastoral care)</p> <p>For new ITPs, adds to implementation complexity and potentially costs as receipt of WBL division elements (including any required investment) needs to be added to ITP transition planning and viability modelling.</p> <p>PTEs currently offering WBL programmes will need to adapt to removal of funding for pastoral care and will need to develop relationships with ISBs.</p>

<p>Gives effect to Te Tiriti and supports Māori Crown relations</p>	<p>0</p>	<p>-</p> <p>Would support planned moves for some Wānanga and other Māori providers to shift into WBL.</p> <p>Absence of clear guidance or expectations related to Te Tiriti in legislation (apart from intended high level expectations for the VET system as a whole) may affect ISBs' level of commitment and practical action in relation to Te Tiriti and/or lead to industry variation in the system's responsiveness to the needs and interests of Māori.</p>	<p>--</p> <p>This option would prevent Wānanga and other Māori providers from directly arranging the delivery of WBL.</p> <p>Potential that a focus on industry needs may miss opportunities to support the economic and social development of Māori.</p> <p>Absence of clear guidance or expectations related to Te Tiriti in legislation (apart from intended high level expectations for the VET system as a whole) may affect ISBs' level of commitment and practical action in relation to Te Tiriti and/or lead to industry variation in the system's responsiveness to the needs and interests of Māori.</p>	<p>-</p> <p>Would support planned moves for some Wānanga and other Māori providers to shift into WBL.</p> <p>Connection with Māori learners and employers through pastoral care role may support ISB awareness of Māori employer and learner interests and needs.</p> <p>Absence of clear guidance or expectations related to Te Tiriti in legislation (apart from intended high level expectations for the VET system as a whole) may affect ISBs' level of commitment and practical action in relation to Te Tiriti and/or lead to industry variation in the system's responsiveness to the needs and interests of Māori.</p>
<p>Overall assessment</p>	<p>0</p>	<p>0</p> <p>Does not draw a hard line between WBL and provider-based delivery and should ensure that WBL is responsive to industry needs.</p>	<p>-</p> <p>Provides for greater direct industry control of WBL at the expense of needing to draw a clear line between WBL and provider-based delivery, and complexity in distinguishing between arranging and delivery training.</p>	<p>--</p> <p>Allows more opportunities for integrating on- and off-job learning, creates an explicit role for pastoral care, and preserves competition between providers. But creates a more complicated transition and more complex system which adds another relationship for employers and learners to manage, likely involves duplication and overlapping roles, and breaks up entities with longstanding brands and relationships.</p>

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

124. Despite none of the options scoring higher than the counterfactual, the status quo is not an option if the preferred approach to Decision 1 is progressed.
125. All three of the alternative options considered have merits and will enable the ongoing provision of WBL and industry-led standards-setting, but differ in how WBL and standards-setting interact with one another. The Minister's preferred option is Option 4, where ISBs undertake standards-setting and pastoral care of work-based learners, and all providers can offer WBL programmes.
126. Our analysis does not support re-establishing industry-led training organisations (Option 3). This approach would have the benefit of increasing industries' influence and power over their WBL arrangements, with a Ministerial establishment model providing greater central control over coverage and business models compared to ITOs. However, in addition to the potential disruption involved in transferring learners and staff to new composite entities, we have two key reservations with this approach:
1. Firstly, the distinction between 'arranging' and 'delivering' training has proved difficult to manage in the past given the distinctive nature of WBL (where the employer is the default delivery agent). This was historically the source of significant tensions in the VET system. It also makes integrating WBL and provider-based delivery in a single programme more complex. Establishing separate systems for provider-based and work-based VET runs counter to the trend of greater integration between these modes of delivery, creating arbitrary distinctions that may not be in learners' interests and could create barriers to innovation in educational delivery.
 2. Secondly, preventing other organisations from offering WBL reduces competition, and provides employers and employees with limited alternative options if the mandated organisation is not meeting their needs. Implementing this will also require PTEs to exit their current programmes; while they may be encouraged to transition enrolments, resources, and staff to an ISB, the Crown will have limited levers to force this to occur. This increases the risk of disruption to current learning, as well as to potential legal challenges.
127. Option 4 would allow more competition and offer greater potential for integrating on- and off-job delivery than Option 3. As the economy and labour market conditions affect the balance between work-based and provider-based enrolments, it would also smooth out the financial effects of economic cycles on ITPs by enabling them to offer both types of programmes. Compared to Option 2, having ISBs provide coordination and pastoral care would establish this as a dedicated function in the system, and provide for an employer feedback loop into standards-setting. Option 4 includes some elements of both options that were consulted on for delivery of WBL, allowing any providers that meet relevant standards to offer WBL, and drawing in the pastoral care elements of what WBL divisions currently offer (and ITOs did previously) into ISBs.
128. Although this option addresses the division of preferences for the two consultation options, in our view it does so at the expense of adding complexity to the VET system and associated duplication of roles and resources. Formally dividing responsibility for 'educating the learner' and 'supporting the learner' between two organisations in this

way is untested in the New Zealand context.¹⁰ We also note that this will involve breaking up entities (the former ITOs) that have a long history with their industries – albeit not always a positive one.

129. Splitting parts of WBL divisions' work and moving them to different types of entity (ISBs for pastoral care and ITPs for enrolment, education, and assessment) would add transition challenges for these divisions' resources and staff, and additional complexity to the process of setting up new ITPs from Te Pūkenga. It is also likely to create ongoing resource challenges for the VET system, as WBL funding will need to be divided between both ISBs and providers, while remaining at sufficient levels to make both viable. For ISBs, a large element of both their costs and their income will in practice be out of their control and determined by providers' decisions around WBL. Option 4 may also have particular issues for small and specialised industries and learners in dispersed and/or regionally isolated workplaces, where regional providers may not have the economy of scale and/or be able to invest in appropriate field staff to respond to industries' needs.
130. Option 4 was not consulted on specifically, and respondents did not have the opportunity to consider and raise any implications of combining two different approaches, or of breaking up the current WBL divisions of Te Pūkenga. However, option 4 combines aspects of the two WBL options that were consulted on, and was developed following the Minister's discussions with industry representatives and consideration of consultation feedback.
131. On balance, and having considered consultation feedback, our preferred approach remains Option 2: splitting off Te Pūkenga's existing WBL divisions into specialist industry-specific providers, allowing any providers that meet relevant standards to offer WBL, and establishing independent ISBs that have pared down functions compared to WDCs, and do not have any role in the arrangement or delivery of training. Our assessment is that this option is no worse overall than the status quo, which is no longer viable. It is also the option preferred by the majority of industry submitters in consultation.
132. The key benefits of Option 2 are that it would:
 1. restore industry governance of WBL and encourage greater responsiveness than Option 3 under a simpler model than Option 4, while providers (including ITPs) would still have the ability to enter into the WBL market and compete through innovative products. To minimise disruption for employers and learners and any risks to the Crown, Te Pūkenga's current WBL divisions could initially be moved out as a single entity and then further divided along industry-specific bodies as and if those proved to be capable, sustainable, and have industry support. This should result in a smooth transition and minimise impacts on staff and learners.
 2. provide stability for standards-setting. Feedback from consultation supports our view that there is not a fundamental problem with the current model for WDCs, and that overall they have been making good progress to a mature state.

¹⁰ The Modern Apprenticeship Coordinator scheme in the early 2000s did fund a dedicated pastoral care role, but this was additional support for specific learners on top of what an ITO already provided.

133. Option 2 also offers benefits over Options 3 and 4 in relation to the criteria of system sustainability, role clarity and system coordination, reducing implementation time and cost, and giving effect to Te Tiriti and supporting Māori-Crown relationships.

Decision 2A: Amendments to legislation to make it easier for industry to request introduction of a levy to support standards-setting

134. Levies elicit a contribution collectively from employers, and generally get applied to collective problems, either within industries (for example, commodity levies that fund industry-wide marketing and branding) or across the economy (for example, fire service levies and Accident Compensation Corporation).
135. The Education and Training Act 2020 includes provisions for the Minister to introduce a levy to fund the functions for WDCs, but this requires an industry to demonstrate its support through a ballot with high thresholds for success.
136. This analysis considers proposed amendments to existing levy provisions in the Education and Training Act 2020 to make it easier for the Minister to introduce a levy to fund ISB's standard-setting function at the request of particular industries. Any levy funding would be in addition to the base funding for standards-setting and is unlikely to be in place by the beginning of 2026.

What criteria will be used to compare options to the status quo?

137. We have used the following criteria for analysing which options are most likely to meet the objectives:
- a. Enables industries to provide additional support for standards-setting
 - b. Provides assurance of employer buy-in
 - c. Simple and transparent

What scope will options be considered within?

138. We have only considered the option of shifting from the current high thresholds to a requirement that the Minister be satisfied of industry support. Lowering the thresholds could also be considered, although the assessment would depend significantly on the proposed thresholds – a high threshold would be similar to the status quo, whereas a significantly lower threshold would be similar to the option assessed below.

What options were considered?

Option 1 – Status Quo

139. Under the status quo, the current industry levy provisions in the Act would be amended to apply to ISBs, but would not be substantively altered. To introduce a levy, an ISB would be required to receive 60% industry support in total and 60% support when weighted by size of voting members (employee numbers or production level), and turnout in the levy ballot must be at least 60%.

Option 2 – Replace the thresholds with a requirement that the Minister is satisfied of industry support

140. Under Option 2, the balloting requirement would be removed altogether and replaced with a requirement that the Minister must be satisfied that there is adequate industry support for a levy to be paid by all members of the specified industry before introducing a levy.

What we heard on funding standards-setting from consultation

141. Introducing a levy to support standards-setting was not part of the VET redesign proposals for consultation, although one of the consultation questions asked submitters for their views on how standards-setting should be funded. Some submitters suggested that the people who use/deliver/benefit from a standard should contribute to the cost of creating and maintaining it. Other submitters commented that standards-setting should be fully government funded.

How do the options compare to the status quo

Criteria	Option One – Status quo	Option Two – New legislative provisions remove the balloting requirement and replace with a requirement to consult
Enables industries to provide additional support for standards-setting	0	<p>+</p> <p>An ISB would need to decide to start the process for introducing a levy. Replacing the ballot requirement with a requirement to consult would make it a lot easier for an industry to introduce a levy to meet its needs.</p>
Provides assurance of employer buy-in	0	<p>--</p> <p>Provisions would stipulate that the Minister must be satisfied that there is sufficient industry support for the introduction of a levy, although without statutory thresholds this would ultimately be a matter for the Minister's assessment.</p>
Simple and transparent	0	<p>0</p> <p>A consultation process is likely to be less complex than a balloting process, but may be less transparent. Transparency will depend on how consultation is carried out, and how clearly that informs Ministerial decision-making.</p>
Overall assessment	0	<p>-</p> <p>Better enables industries to provide additional support for standards-setting, but reduces assurance of employer buy-in.</p>

Key:	++	much better than the status quo
	+	better than the status quo
	0	about the same the status quo
	-	worse than the status quo
	--	much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

142. Our preferred option at this time is the status quo. We consider that it would be prudent to defer any changes to the levy provisions in the Act until after further consultation with industries and employers. We would have more information on which to base advice once the VET operational structures are finalised and ISBs' industry coverage is settled.

Assessment of Overall Impacts

143. The following analysis of impacts is intended to supplement the above analysis, looking at the cumulative impact across the Minister's preferred options for decisions 1 and 2, i.e.:

1. replace Te Pūkenga with standalone ITPs and a federation with shared services levers (decision 1, option 5), and
2. all providers are enabled to offer WBL; ISBs provide pastoral care; existing Te Pūkenga WBL business divisions transition to ISBs and providers (decision 2, option 5).

144. We have not included the Ministry's preferred options as a comparator as they are not intended to form a package of changes (i.e. because the analysis for each decision presupposes the Minister's preferred option for any prior decisions is adopted).

What are the cumulative marginal costs and benefits of the option?

Affected groups	Comment on the cumulative impacts of decisions 1 and 2	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Learners	Learners will face disruption in transitioning to new providers for training or WBL. Learners will have more uncertainty under new ITPs that will have to rationalise delivery to be viable. There are risks of greater loss of provision in some areas, and from lack of integration between work-based and provider-based delivery. WBL learners may be confused as not all ITPs will enrol all apprentices. The time needed to work out which providers learners will move to could lead to disengagement. Consultation surfaced strong concerns about disproportionate impacts on disadvantaged learners from more use of online delivery	Medium	Medium
Employers	Employers will face disruption to WBL delivery. Delivery will be more complex where currently being delivered by a PTE, and employers will have to engage with both their ISB and provider in all training agreements. Staff employers interact with for training are likely to change. A potential loss of choice for employers who are not satisfied with their ISB. Some employers in non-traditional VET sectors may lose influence over training if they are not covered by an ISB.	Medium	Medium

	Employers may find it more confusing if their local ITP does not support their industry sector.		
Communities	Communities and regions will have more “ownership” of their ITP (including as a member of a federation with light levers), but where it is difficult to make programmes viable they may see a loss of provision, without a national provider that is explicitly required and funded to address regional needs. This will be exacerbated in rural and isolated communities. But ITPs can grow from a position of viability in the future where demand exists.	Medium	Medium
Iwi/hapū	Loss of understanding of iwi/hapū skills needs and aspirations that has been built up to-date in engagement with Te Pūkenga and WDCs. Fewer explicit Tiriti-related requirements on ITPs and ISBs may result in a loss of focus on Māori interests in VET.	Medium	Low
Te Pūkenga/ WDC staff	While staff will be transitioned to the new entities, the new structure will require significant changes for some ITPs to be financially viable, creating further disruption and difficulty for staff in the sector. Possible differences in number and coverage of ISBs vs. WBL divisions within Te Pūkenga may cause disruption to staff. Impacts on WDC staff from the narrower scope and functions proposed for ISBs in relation to standards-setting. New model likely to make direct transfer of staff from existing entities into new entities in WBL more challenging. Risk to support provided to industry over next 2 years.	Medium	Medium
Te Pūkenga	Costs to support decisions around the cost of change to achieve ITP viability, including which assets, liabilities and staff to transfer, and costs associated with any redundancies. Te Pūkenga cash reserves may be utilised for recapitalisation and costs of change. Te Pūkenga is forecasting to have \$482 million in cash at the end of 2025 (noting this is subject to change).	Approx \$190m, comprising \$110 million to exit leased properties/buy out/make good/campus closures; \$50 million redundancy costs; \$20 million teach out costs for	Low

		programme closures; \$10 million change management/ support.	
WDCs	Costs associated with disestablishment of six WDCs including redundancies, committed costs, and wind-down of Hapaitia Limited.	Approx \$15m	Low
Other tertiary education organisations	Disruption, potential loss of opportunities/ stranded investment.	Medium	Medium
TEC	Significant operational costs giving effect to the new model. Ongoing monitoring of the new ITP network.	\$6.6m upfront costs Any additional ongoing monitoring costs will depend on the design of the network – approx. \$0.5m if required	Medium
NZQA	Costs associated with giving effect to the new model (including IT, new processes, Rule sets and guidance) and for the ongoing monitoring of the new ITP and ITO networks. Costs associated with any transferred standards-setting function.	Approx \$0.5m in upfront transition costs. Ongoing additional costs dependent on ISB design decisions	Medium
Wider government	Significant upfront costs required to recapitalise individual ITPs and meet urgent IT and capex needs due to legacy systems that are no longer supported, different learner management systems for on-job and off-job training, and an extended period of deferred capex on physical assets. Te Pūkenga cash reserves may be utilised for recapitalisation and costs of change. Te Pūkenga is forecasting to have \$482 million in cash at the end of 2025 (noting this is subject to change)	Approx \$275m depending on configuration of ITP network and outcomes of cost-out exercise	Low
Total monetised costs	Estimated upfront transition costs to the Crown.	Approx \$487m	Low

Non-monetised costs	Other costs are highly uncertain overall and will depend on the detailed design of the ITP network and the success of the transition process.	Medium	Low
Additional benefits of the preferred option compared to taking no action			
Learners	Learners may benefit from greater connection to local and industry skills needs and from a more responsive VET system.	Medium	Low
Employers	Employers with well-functioning ISBs may see improved responsiveness and greater connection between WBL and skill standards-setting, from pastoral care feedback loops. ITPs will be incentivised to engage effectively with employers and industries on provider-based learning.	Medium	Low
Communities	Communities should benefit from new ITPs that are decentralised and have a regional focus.	Medium	Medium
Iwi/hapū	Iwi and hapū may benefit from new ITPs that are decentralised and have a regional focus.	Medium	Low
ITP/ISB staff	Decentralisation may better empower local staff to proactively address issues and take advantage of local opportunities.	Medium	Low
Other TEOs	Potentially greater scope for competition on provider-based delivery and easier opportunities to collaborate with individual ITPs.	Medium	Low
Wider government	Savings from the shift of standards-setting from WDCs to ISBs. Cabinet has agreed to fund standards-setting from reprioritisation of funding for WBL. Removes need to invest in national IT and system transformation projects (though investment still required in replacement and new IT systems). Concessionary loan to Te Pūkenga approved through Budget 2023 not required.	~\$35m per annum savings. \$220m concessionary loan and associated opex cost not required	Medium
Total monetised benefits	Benefits are not generally monetizable other than reduced expenditure on WDCs. Concessionary loan to Te Pūkenga approved through Budget 2023 not required.	~\$35m per annum savings on standard setting.	Medium

		\$220m concessionary loan and associated opex cost not required	
Non-monetised benefits	Overall benefits difficult to quantify and highly dependent on a judgement about whether a decentralised model is likely to be significantly more effective in meeting community and employer needs.	Medium	Low

Te Tiriti o Waitangi Analysis

Te Tiriti o Waitangi context

Māori interests in the VET system

145. There are a variety of Māori rights and interests in the education system generally, including in the VET system. Those with interests in the VET system include Māori learners (and their whānau), Māori staff and leadership, Kaupapa Māori providers (e.g. Wānanga, some PTEs), Māori employers¹¹, and whānau, hapū, and iwi.
146. In VET, Māori make up a significant and growing proportion of learners (58,480 enrolments or 23% in 2023).¹² Of these learners, approximately 43% are in WBL (25,335 tangata Māori), 24% are in provider-based learning through Te Pūkenga (14,165 tangata Māori), and the remainder are in provider-based programmes at PTEs, Wānanga, and some universities (20,095 tangata Māori).
147. There are inequitable education outcomes from vocational education for some learner groups. Māori learners have been part of a positive trend across all learner groups of increasing participation at higher levels of work-based VET (level 4 and above) and decreasing participation at lower levels (level 3 and below). However, the percentage of Māori learners studying at higher levels of both work-based and provider-based VET is still lower than the percentages for European learners and all learners. Māori are also over-represented in jobs that are likely to be impacted due to technological change and transitions to a low carbon economy.¹³
148. Tertiary education and training plays a key role in economic and social development and wellbeing within Māori whānau, hapū, iwi and businesses. Greater educational achievement can significantly improve an individuals' employment opportunities,

¹¹ Māori are significant employers, with particular social, cultural, and economic goals. They are particularly important for regional New Zealand and in the primary and export sectors. In the 2023 financial year, total assets of Māori authorities were \$29.6 billion, up 4.2% from the previous year ([Tatauranga umanga Māori – Statistics on Māori businesses: 2023 | Stats NZ](#)).

¹² [Education Awa: Education outcomes for Māori](#), August 2019, p.1; [Statistics: Vocational Education and Training](#), updated July 2024.

¹³ Future of Work Tripartite Forum Background Paper: Future of Work Māori Forum, 8 November 2021. [Māori and the Future of Work Tripartite Forum background material - 8 November 2021 \(mbie.govt.nz\)](#).

earning potential and job stability¹⁴, and at a broader level, would likely have substantial benefits for New Zealand's economic growth.¹⁵ The VET system can provide an important pathway to long-term employment and career opportunities for Māori through skills development.¹⁶ This is particularly relevant as the Māori population is growing and will make up a larger share of the working age population in the future.¹⁷

149. We've heard that Māori take an intergenerational view of the skills pipeline, particularly at regional and local levels. Māori submissions during the RoVE and the VET redesign consultation processes affirmed the view of Māori as lifelong learners and leaders, and that the VET system should be underpinned by Te Tiriti, regional and community sustainability, a life-course approach to learning, intergenerational wellbeing, and the mana of mātauranga ā iwi.
150. The VET system also plays a role in the revitalisation and protection of te reo Māori. In 2023, there were approximately 5,990 students enrolled in te reo Māori language courses at Te Pūkenga (approximately 16% of all enrolments).¹⁸

Current landscape of Tiriti responsibilities and partnerships

151. The Act includes explicit Te Tiriti o Waitangi/Treaty of Waitangi ('Te Tiriti') requirements alongside broader signals about the role of Te Tiriti in the education system as a whole. The key overarching provision is section 4(d), which provides that a purpose of the Act is to establish and regulate an education system that honours Te Tiriti and supports Māori-Crown relationships. This is a broad, high-level provision that applies across the education system.
152. Section 9 sets out the main provisions of the Act that recognise and respect the Crown's responsibility to give effect to Te Tiriti.¹⁹ In relation to Te Pūkenga and WDCs these provisions are:
1. clause 4(b) and (d) of Schedule 13 – Te Pūkenga must operate in a way that allows it to develop meaningful partnerships with Māori employers and communities and to reflect Māori-Crown partnerships to ensure that its governance, management, and operations give effect to Te Tiriti and to respond to the needs of, and improve outcomes for, Māori learners, whānau, hapū, and iwi;

¹⁴ OECD, 2024, [Equity in education and on the labour market](#).

¹⁵ Jason Timmins, 2022, [The benefits of reducing persistent disadvantage](#), New Zealand Productivity Commission Research Note.

¹⁶ Te Maihāroa, K., Kapa, J. and Tarena, E., 2022. Unleashing Potential – Legitimising Māori Talent Through Capable Māori. In *Reshaping Vocational Education and Training in Aotearoa New Zealand* (pp. 97-112). Cham: Springer International Publishing, p.106.

¹⁷ [Te Ōhanga Māori – The Māori Economy 2018 \(rbnz.govt.nz\)](#), p.22.

¹⁸ [Statistics: Tertiary enrolments in Te Reo Māori language courses, and other languages](#), updated May 2024.

¹⁹ 9(2)(h)

2. section 315(f) – one of the functions of Te Pūkenga is to improve outcomes for Māori learners and Māori communities in collaboration with Māori and iwi partners and interested persons or bodies;
 3. sections 325 and 326 – Te Pūkenga must establish a Māori advisory committee, and when appointing members to this committee, Te Pūkenga must determine the size and composition of the committee in consultation with its Māori and iwi partners;
 4. section 320 – Te Pūkenga’s council must have one member who is a member of, and elected by, its Māori advisory committee; and
 5. section 363(3)(b) – provides for the representation of Māori employers on WDCs.
153. While each WDC has its own Order in Council (OIC), each OIC provides for iwi-Māori influence on WDCs’ performance through consultation on the statements of strategic direction. Some establish co-chair arrangements, and some outline relevant skills and knowledge requirements for their council. Each OIC also includes their own equivalent to section 4(d) of the Act in the provision setting out the performance of their council’s functions and duties, giving each WDC their own direct commitment to Te Tiriti and Māori-Crown relationships as well as the overarching effect of the primary legislation.
154. There are also established groups that provide Māori expertise and involvement in decision-making processes in the VET system, including:
1. Te Kāhui Ahumahi – a self-formed governance group made up of Māori members of the WDCs. While not specifically provided for in legislation, the group provides specific Māori expertise across multiple industry perspectives and supports the WDCs to honour Te Tiriti and support Māori-Crown relationships; and
 2. Komiti Māori – an advisory committee of Te Pūkenga that represents Māori learners, their whānau, hapū and iwi, Māori employers, and Māori communities. Members of Komiti Māori were appointed by Te Pūkenga Council on the joint advice of the Chief Executive of Te Pūkenga and the Chair of Mātauranga Iwi Leaders Group. The group of experts provides Council with advice, quality assurance and critical thought leadership.
155. Alongside structural representation, there are partnerships with Māori across the VET system. In its 2023 annual report, Te Pūkenga reported that across its network there were 160 Te Tiriti Partnerships with iwi, hapū, hau kāinga, Māori employers, Māori enterprises and Māori collectives.²⁰ At a national level, Te Pūkenga has a partnership and joint work plan with the Mātauranga Iwi Leaders Group of the National Iwi Chairs Forum.²¹

²⁰ [Te Pūkenga 2023 Annual Report](#), p.20.

²¹ [Tiriti Partnerships | Te Pūkenga – New Zealand Institute of Skills and Technology](#).

156. In line with its responsibilities as set out in clause 4(b) and (d) of Schedule 13, Te Pūkenga worked towards ensuring that its governance, management, and operations gave effect to Te Tiriti by:²²

1. implementing *Te Pae Tawhiti: Te Tiriti o Waitangi Excellence Framework*, which provided internal guidance on planning, activities and reporting;
2. supporting the cultural capabilities of all staff through the Māori Cultural Capability Framework;
3. appointing four Tiriti Regional Executive Directors to lead Te Tiriti partnering regionally as part of their responsibilities;
4. establishing a Te Tiriti Partnerships Steering Committee to oversee partner projects and direct and monitor an integrated national partnerships approach; and
5. developing an inventory of taonga and mātauranga Māori across the network and determining the most appropriate kaitiaki with mana whenua, iwi, hapū and key kaimahi.

Te Tiriti o Waitangi Analysis

157. As a partner to Te Tiriti, the Crown has a duty to actively promote and protect Tiriti rights and interests and to develop education settings in a way that supports Māori-Crown relationships. This duty is recognised in section 4(d) of the Act which records one of the education system's purposes as being 'to establish and regulate an education system that... honours Te Tiriti o Waitangi and supports Māori-Crown relationships'. Te Tiriti analysis supports the Crown to uphold our obligations to Māori by actively considering how the proposed reforms might impact Māori.

Summary of relevant Tiriti principles and jurisprudence

158. Though the Waitangi Tribunal's findings are not legally binding, they articulate an expert view on the Crown's obligations under Te Tiriti and provide guidance on this matter.

Article 1: Kāwanatanga

159. The Waitangi Tribunal has articulated its view of some of the Crown's kāwanatanga rights and responsibilities in the education system over numerous reports, including:

1. the responsibility to 'facilitate education that supports all ākonga Māori';²³

²² [Tiriti Excellence | Te Pūkenga – New Zealand Institute of Skills and Technology; Te Pūkenga 2023 Annual Report](#), p.33.

²³ Waitangi Tribunal, 2024, *Kei Ahotea: Te Aho Matua (WAI 1718)*, p.216.

2. the 'right to determine tertiary education policy in accordance with the principles of good government and for the benefit of all New Zealanders';²⁴
 3. in the context of Kura Kaupapa Māori, but broadly relevant to the tertiary context, obligations to:
 - i. 'ensure its policy decisions relating to Kura Kaupapa Māori are transparently communicated';
 - ii. 'engage directly and specifically with the impacts its policy could have on Kura Kaupapa Māori when making those decisions'; and
 - iii. 'work to create targeted and effective policy responsive to the specific needs of Kura Kaupapa Māori'.²⁵
160. Based on this guidance, we consider that the Crown's Article 1 kāwanatanga responsibilities in the VET system includes specific consideration of, and engagement with, Māori interests (such as Māori employers and Māori learners and their whānau, hapū and iwi) and ensuring these interests are protected in the redesigned VET system. For example, working to retain and build on existing relationships between providers and Māori representatives, iwi and hapū, especially where they are working well.

Article 2: Rangatiratanga

161. In *Ngā Mātāpono*, the Tribunal considered that 'the Crown's guarantee of tino rangatiratanga in exchange for the granting of an authority to exercise kāwanatanga created two spheres of authority', and the relationship between these spheres (kāwanatanga and rangatiratanga) 'require[s] negotiation and compromise on both sides and [is] governed by the Treaty principles of partnership and reciprocity'.²⁶
162. The Tribunal has found that where there are 'persistent and marked' disparities in outcomes, the 'requirement for the Crown to partner with Māori is heightened'.²⁷ The Tribunal sees partnership as involving 'enabling the Māori voice to be heard and Māori perspectives to influence the type of health services delivered to Māori people and the way in which they are delivered', and in a modern Treaty partnership, empowering Māori 'to be actively involved in policy decision-making in matters affecting Māori communities'.²⁸

²⁴ Waitangi Tribunal, 2005, *The Report on the Aotearoa Institute Claim Concerning Te Wānanga o Aotearoa* (WAI 1298), p.35; also expressed in relation to early childhood education policy in *Matua Rautia: The Report on the Kōhanga Reo Claim* (WAI 2336), p.65, and Kura Kaupapa Māori in *Kei Ahotea* p.216.

²⁵ Waitangi Tribunal, 2024, *Kei Ahotea: Te Aho Matua* (WAI 1718), p.216.

²⁶ Waitangi Tribunal, 2024, *Ngā Mātāpono: The Principles – The Interim Report of the Tomokia Ngā Tatau o Matangireia – the Constitutional Kaupapa Inquiry Panel on the Crown's Treaty Principles Bill and Treaty Clause Review Policies* (WAI 3300), pre-publication version, pp.70-71; Waitangi Tribunal, 2008, *He Maunga Rongo: Report on Central North Island Claims, Stage One*, volume 1, p.173.

²⁷ Waitangi Tribunal, 2001, *The Napier Hospital and Health Services Report* (WAI 692), p.54; Waitangi Tribunal, 2023, *Hauora: Report on Stage One of the Health Services and Outcomes Kaupapa Inquiry* (WAI 2575), p.29.

²⁸ Waitangi Tribunal, *The Napier Hospital and Health Services Report*, p.59; Waitangi Tribunal, *Hauora*, p.29.

163. The disparities in participation and outcomes for Māori in VET (as compared to non-Māori), and the importance of higher levels of education in longer-term financial wellbeing,²⁹ mean that Māori interests in the VET system are compelling and the Crown should partner with Māori in the policy decision-making process. Above paragraph 171 sets out the structural representation requirements in the current legislation that are intended to give effect to these obligations.

Article 3: Ōritetanga

164. The Tribunal has interpreted Article 3 as encompassing ‘the requirement to address disparities’ that specifically requires the Crown ‘to remove the many longstanding barriers (especially barriers of the Crown’s own creation) that prevent Māori from having a genuinely level playing field with non-Māori’.³⁰ The Tribunal has found that where there are ‘persistent and marked’ disparities in outcomes, ‘the Crown is obliged to take appropriate measures on the basis of need so as to minimise them over the long run’.³¹
165. Article 3 also involves the Crown ensuring equitable provision, articulated by the Tribunal as ‘providing everyone with the services that best meet their needs’.³² In *Kei Ahotea: Te Aho Matua*, the Tribunal considered that in the education context, this means ‘education for Māori must meet the needs of hapū and iwi, rather than just New Zealanders in general’, and that this is particularly important where Māori are facing disparities.³³
166. In the context of the VET system, we understand this to involve:
1. activities to continue increasing education participation and improving employment outcomes for Māori, in particular increasing the number of Māori learners training in higher levels of study and as apprentices (who generally have better employment outcomes than trainees); and
 2. ensuring that the VET system provides equitable access to education and training that best meets the needs of Māori learners and their hapū and iwi, including responsiveness to the needs of Māori working in industries most impacted by technological change and low carbon transitions.

Key messages we heard from iwi and Māori groups during consultation

²⁹ Recent research has shown that learners with higher VET qualification levels tend to earn more, have greater wage progression, rely less on benefits, and have better wellbeing outcomes (New Zealand Policy Research Institute – Te Kāhui Rangahau Mana Taurite, 2024, [Learner Pathways by Workforce Development Council](#) / [Wellbeing Outcomes for Learner Cohorts by Workforce Development Councils](#)).

³⁰ Waitangi Tribunal, *Matua Rautia*, p.67; Waitangi Tribunal, *Ngā Mātāpono*, p.78.

³¹ Waitangi Tribunal, 2001, *The Napier Hospital and Health Services Report* (WAI 692), p.54; Waitangi Tribunal, 2023, *Hauora: Report on Stage One of the Health Services and Outcomes Kaupapa Inquiry* (WAI 2575), p.29.

³² Waitangi Tribunal, *Kei Ahotea*, p.224.

³³ *ibid.*

167. Iwi and Māori groups were engaged through the public consultation process (see paragraphs 15-18) and directly by the Minister through the National Iwi Chairs Forum.
168. During the public consultation process, we consistently heard from iwi and Māori groups that the meaningful involvement of Māori in governance and decision-making is critical for consistently achieving equitable systems and outcomes for Māori, addressing the unique needs of Māori learners, and increasing the relevancy and credibility of VET provision for Māori. We also heard that to consistently achieve equitable systems and outcomes for Māori, what is needed is a balance between local flexibility and system-level oversight and accountability mechanisms (including clear reporting to iwi on the achievement of their members) –
- “Local autonomy allows regions to tailor programs, partnerships, and initiatives to their unique contexts, particularly in relation to local mana whenua aspirations. At the same time, central support ensures consistency in upholding Tiriti obligations, providing a framework for accountability, and offering resources to strengthen regional initiatives” (Ngāti Korokī Kahukura as part of Ngā Manu Taupunga, Wintec’s Māori Governance Advisory group).
169. Some iwi submissions supported regional ITPs, seeing the potential for greater regionally connected leadership to lead to delivery that is more responsive to the diverse needs and aspirations of local hapū, iwi, employers and learners. However, we also often heard from Māori that the proposals do not:
1. acknowledge the multi-faceted interests and needs of Māori learners and other underserved learner groups, or seek to address the inequities experienced by these learners in the VET system; or
 2. include mechanisms for the Crown to uphold its obligations under the Act to establish an education system that honours Te Tiriti and supports Māori-Crown relationships.

Approach to analysis

170. Our approach to Tiriti analysis builds on guidance produced by Te Arawhiti in conjunction with the Cabinet Office Circular CO(19)5. While the courts and previous Government guidance has developed and focussed on the principles of Te Tiriti, this analysis takes the texts of Te Tiriti as its focus.

Summary of analysis

Time constraints mean that best practice for engaging with Māori has not been followed

171. We consider that the best practice approach to redesigning the VET system from a Tiriti perspective would be to, in close collaboration with Māori:
1. evaluate the effectiveness of the existing Tiriti-related provisions, and the extent to which Te Tiriti is engaged with the outcomes the Minister is seeking to achieve through the redesign; then
 2. carry over, strengthen and/or develop new provisions that make sense in the context of the new system (i.e., some of the provisions were designed with a single, national provider in mind, and may not be appropriate for smaller, regionally-based ITPs).


172. Time restraints have severely constrained our ability to meaningfully engage with Māori throughout the policy process. We have not been able to follow best practice or thoroughly consider the unique needs and interests of Māori, or how Te Tiriti can best be given expression in the VET system.
173. In this context – where structural representation requirements may not be the best way for the Crown to meet its Tiriti obligations, but there has not been sufficient analysis or engagement for us to know how these *could* best be met – we consider that the decision to remove these requirements for ITPs and ISBs creates a potential risk of the Crown breaching its Article 1 obligations to protect Māori interests and ensure equitable Māori engagement and leadership in VET governance and decision-making processes.

The subsequent risks are mitigated in part by some Tiriti-related provisions...

174. This risk is mitigated in part by some Tiriti-related provisions proposed to be carried over (if not exactly) to the new legislative framework, namely:
1. ITPs must operate in a way that allows an ITP to develop meaningful relationships with Māori employers and communities (reflecting section 4(b) of Schedule 13);
 2. one of the characteristics of ITPs is to improve outcomes for Māori learners and Māori communities in collaboration with Māori and iwi partners and interested persons or bodies (reflecting section 315(f)).

...but the provisions are not consistent across the system

175. However, as the proposals currently stand, there will be no specific Tiriti-related requirements on ISBs (i.e., they will be in scope of the high-level statement of expectations referenced above, but there will be no requirements in the purpose and functions of ISBs).

176. 9(2)(h)
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177. Without legislative provisions to provide the mechanisms for Tiriti interests to be engaged in the governance and operation of ISBs, there is a risk that the needs of Māori learners, employers, whānau, hapū and iwi are not identified and advocated for at a national/systemic level, leading to adverse consequences for Māori with an interest in the VET system and for the Māori-Crown relationship.

178. Further, in terms of Tiriti responsibilities, having specific provisions that set clearer expectations for ITPs than ISBs could potentially lead to inequitable outcomes for Māori learners depending on whether they are in provider-based or WBL (where approximately 43% of Māori learners in VET are). The scale of this risk is currently unclear, as much depends on the nature of the accountability arrangements in the ISB establishment orders, which decisions will be made on next year.

Conclusion

179. Overall, we consider that:

1. the time restraints have compromised our ability to engage meaningfully with Māori on the redesign process, which is not aligned with the Crown's Article 1 responsibilities;
2. consequently, there has not been sufficient analysis or engagement to confidently say that Māori interests will be met across the redesigned VET system, and while this risk is mitigated in part by some Tiriti-related provisions in the legislative framework, these are piecemeal and give some parts of the system less responsibility than others; and
3. inadequate attention has been given to the needs of learners, leading to specific risks around the Crown's Article 3 ōritetanga responsibilities.

180. A fulsome Tiriti analysis of the proposed suite of options is provided for in the table below.

Key: We have assessed each option based on the following criteria.	Poor	Limited	Fair	Excellent
	Little or no alignment with considerations relevant to the article.	Limited (or mixed) alignment with considerations relevant to the article.	A fair amount of alignment with considerations relevant to the article.	In depth alignment with considerations relevant to the article.
Article 1: Kāwanatanga The Crown has the right to govern (kāwanatanga). Good governance must protect Māori interests and ensure equitable Māori engagement and/or leadership in priorities and decisions.	Limited <p>Part of the Crown's Article 1 kāwanatanga responsibilities in the VET system includes specific consideration of, and engagement with, Māori interests (such as Māori employers and Māori learners and their whānau, hapū and iwi) and ensuring these interests are protected in the redesigned VET system. In the current legislative framework, these needs are protected through various Tiriti-related provisions (as cross-referenced in section 9 of the Act), including structural representation requirements.</p> <p>The proposed approach involves carrying over some of the Tiriti-related provisions for Te Pūkenga in the Act to the new legislation for ITPs.. All statutory representation requirements, including the requirements for Māori employer representation in standards-setting bodies, will be repealed. While the accountability arrangements and other matters for inclusion in the ISB establishment orders have not yet been determined, the current co-Chair arrangements in WDC OICs are highly unlikely to be a feature of the new ISBs.</p> <p>Te Arawhiti guidance notes that legislative provisions may not be the best way to recognise Te Tiriti and/or specific Māori rights and interests, but this can only be determined through a process of 'identify[ing] the outcomes you are seeking to achieve and how the Treaty is engaged with those outcomes, so you can achieve them in the most meaningful way'.³⁴ However, due to the time constraints and a primary focus on structural changes to ITPs driven by financial considerations, such a process has not been undertaken. Without this process, it is difficult to assess whether Māori interests will be sufficiently protected in the redesigned VET system, and the proposal therefore has limited alignment with the Government's kāwanatanga responsibilities regarding good governance and the protection of Māori interests.</p>			

³⁴ Te Arawhiti, [Providing for the Treaty of Waitangi in Legislation and Supporting Policy Design](#), p.3.

Article 2: Rangatiratanga	Limited
Provides Māori with rangatiratanga or absolute sovereignty over all their whenua, kāinga and taonga.	<p>There is the potential that regional ITPs might be better positioned to integrate with local communities and industries and respond to the diverse needs and aspirations of local hapū, iwi, employers and learners. Māori engagement in the design and delivery of VET may be enhanced as regional ITPs may be easier to navigate and communicate with than in a centralised system. This reflects the views of the Mātauranga Iwi Leaders Group, who in a letter to the Minister recorded their support for devolution of tertiary learning opportunities to local providers as, in their view, ‘centralised education systems often do not deliver an experience conducive to localised success; that is especially true for Māori’. During consultation on RoVE, Māori stakeholders frequently raised the need for regional representation to engage with mana whenua, local iwi and hapū, and Urban Māori Authorities. This message was emphasised in the recent consultation process, with Māori submissions highlighting the importance of genuine partnerships, including with regional iwi mandated authorities, for the social and economic advancement of Māori.</p> <p>On the other hand, there is a risk that removing these explicit representation requirements may be read as a lessening of obligation and affect the new entities’ level of commitment and practical action in relation to Te Tiriti, particularly for ISBs where there will be no specific Tiriti provisions in place for the sector. This could lead to a reduction in Māori voice and perspective in the system, particularly in decision-making processes, with subsequent impacts on the ability of the system to be effectively responsive to the needs of Māori with an interest in the VET system including Māori businesses and Māori learners and their whānau, hapū and iwi. This is a concern raised through Māori submissions. For instance, we’ve heard that Māori representation on WDCs is an essential mechanism for ensuring careers align with both the needs of employers and aspirations of Māori, and there is a concern that the proposals significantly jeopardise this link. We heard from consultation that Māori must be deliberately and directly involved in the governance of ITPs and ISBs to ensure that the needs and aspirations of Māori, now and in the future, are reflected in the development and delivery of vocational education and training and appropriately considered in decision-making.</p> <p>We’ve heard that WDCs have been providing a platform for Māori employers to be heard and involved in the design of provision for their staff, and Māori partners are concerned this would be lost in the new system. We also heard this from the Auckland Māori and Pasifika Trades Training Initiative Consortia, who submitted that ‘the removal of these roles and representation [Te Kahui Ahumahi and Māori membership on WDCs] threatens to sever the essential link between industry and employment pathways, potentially undermining our ability to meet the needs of employers and the aspirations of our communities’. Māori submissions have noted their concern that failing to retain or ensure these functions significantly jeopardises an essential mechanism for ensuring careers align with both the needs of employers and the aspirations of Māori.</p> <p>For ITPs, this risk may be mitigated in part by the Tiriti-related provisions that will be in place (see paragraphs 191-192) and funding conditions set by the TEC which require engagement with Māori as part of the investment plan process that all providers must complete to receive government funding. Risk mitigation for ISBs is currently unclear, as accountability arrangements and other matters for inclusion in ISB establishment orders have not yet been determined.</p>

	<p>While there will be statutory provision to enable existing iwi partnerships with Te Pūkenga and WDCs to transfer to the new ITPs or ISBs, it will be important to ensure that there is a clear pathway for such transfers to ensure continuity of existing partnership arrangements. This will need to be considered as part of the implementation of the redesigned system.</p> <p>Under Decision 2 options 2 and 4, Wānanga and PTEs would be able to arrange industry training alongside ITPs and standards-setting bodies. If either of these options are progressed, it would mean that organisations such as Wānanga and Māori PTEs would have the ability to integrate their kaupapa and mātauranga Māori into their programmes, while ISBs alone (Decision 2, option 3) are unlikely to have this capability.</p>
<p>Article 3: Ōritetanga</p> <p>Promises to Māori the benefits of royal protection and full citizenship. This article emphasises equality and equity.</p>	<p style="text-align: center;">Limited</p> <p>Students in regions where ITPs are facing serious financial issues will likely have less choice of programmes and fewer opportunities for face-to-face provision, as fewer programmes are offered and there is more use of blended and online delivery. Some ITPs will need to bring programme material in from TOPNZ or another provider or not be able to offer them, which suggests that the opportunities to tailor programmes to the needs of local Māori (e.g. those in rural areas) will be limited. During consultation, we heard concerns that the federation model could lead to a one-size-fits-all approach that overlooks the unique needs of diverse learner groups.</p> <p>Greater use of blended and online delivery may result in differential access to VET provision depending on location. During consultation on RoVE, we heard from Māori that choice is important – Māori should not have to leave their rohe to access opportunities for tertiary education. Greater use of blended and online delivery is likely to disproportionately disadvantage access to education for Māori learners, as Māori (among other groups) have relatively lower access to the internet, primarily because of unaffordable internet and devices.³⁵ We expect that this will be a particular issue for Māori in rural communities, where low population densities and longer travel distances may already mean extra effort and resources are required for education.³⁶ 2018 data showed that Māori have a higher proportion of the population living in rural areas (18%) compared with the total population (16.3%).³⁷ In addition to access issues, we heard from consultation that in general, face-to-face delivery creates a stronger foundation for success for Māori as there can be more hands-on, interactive, and personally tailored educational experiences.</p>

³⁵ Grimes, A. and White, D., 2019. *Digital Inclusion and Wellbeing in New Zealand: Motu Working Paper 19-17 – A report to Department of Internal Affairs*. Motu Economic and Public Policy Research, p.6; [Report: Digital Inclusion User Insights – Māori](#).

³⁶ Ministry for Primary Industries, [Rural Proofing Guide](#).

³⁷ Environmental Health Intelligence New Zealand, [Urban-rural profile](#).

Online delivery can have low qualification completion rates (in 2023 the completion rate for Māori learners at TOPNZ was 22%) and risks hindering progress and negatively impacting the achievement of Māori learners.

There are no specific settings in the proposed package to encourage increased education participation (particularly at higher levels) and improved employment outcomes for Māori learners. While ITPs would be required to respond to industry and community needs, this focuses on addressing skills shortages and is not as strong or clear a direction for ITPs as the current requirement for Te Pūkenga to respond to the needs of and improve outcomes for Māori learners (schedule 13(4)(d)(iii) of the Act, emphasis added). This stems from the redesign proposals responding to issues of financial viability for ITPs, rather than a focus on improving outcomes for learners. This is not aligned with what we heard from Māori during consultation on RoVE, where many submitters felt that RoVE reforms needed to be learner-centric and developed specifically to support the needs of Māori learners. This message was reinforced in the recent consultation process, where submitters said that the proposed approach would not ensure that Māori, Pacific, and other underserved learners receive the necessary support to succeed, and that benefits for learners should be at the forefront of this redesign.

As a somewhat narrower version of the skills and workforce leadership function of WDCs would be carried over to ISBs under the proposed changes, there is a risk that the needs of Māori learners are not identified and advocated for at a national level.

Section 3: Delivering an option

How will the new arrangements be implemented?

181. The decisions in this paper will change the legislative framework in order to redesign the VET system. The policy and legislative decisions will create a framework within which the Government can decide to establish ITPs and ISBs, and will set out how they would operate.
182. Primary legislation will set out the characteristics and functions of the new entities, the processes for their establishment and disestablishment, and technical elements necessary for them to function and/or to give force to decisions. ITPs and ISBs will be established through an Order in Council (OIC), a form of secondary legislation which will be subject to separate regulatory impact assessments. Cabinet agreement will be needed before each new ITP and ISB can be established.

Preparation for Te Pūkenga business units to be established as ITPs

183. The legislation, subject to Cabinet's and Parliament's agreement, would enable the establishment of ITPs, which would either be stand-alone entities or designated as members of the federation. The anchor institution (intended to be the Open Polytechnic) will be designated in its OIC.
184. The final decisions about which ITPs to establish will be made by Cabinet informed by advice from officials. Cabinet will make these decisions mid-next year on a timeline that will allow the establishment work to be completed by 31 December 2025, and new ITPs to begin operating on 1 January 2026.
185. The Minister and Cabinet will receive further advice through 2025 on options as to how to configure the ITP sector so that it can operate viably. These decisions, and the operational work required to establish future ITPs, are highly significant. The intention of the legislative framework is that it enables to the greatest extent possible the results of this work, and does so in a way that continues to meet the educational needs of learners and employers that rely on the system.
186. Work towards creation of financially viable ITPs is already underway, with the cooperation of the Te Pūkenga Council which, along with the TEC, is overseeing a programme to improve the financial performance of individual ITP business divisions. Delivery of financial improvement plans will be critical in ITPs to be established on 1 January 2026 being viable.
187. This process will include the disestablishment of the current WBL divisions within Te Pūkenga, and identification of which programmes and learners will transition to which ITP. This may include considering which ITPs could maintain infrastructure for out-of-region provision of these programmes. Where no ITP is able to maintain a given WBL programme, arrangements will need to be made for transferring that to a Wānanga or PTE, or for exit from that programme (including exit/ transfer provisions for learners and staff).
188. As decisions are made in mid-2025 about which ITPs will be established, the TEC will appoint establishment advisory groups which will prepare for the establishment of new entities and the decisions that would need to be made on day one. The intention would be that members of the establishment advisory groups will ultimately be part of the new ITP councils, meaning they can engage with regional stakeholders and make decisions with confidence that they will be ratified by the new Councils when they

come into effect in 2026. These groups will help advise Te Pūkenga on which assets, liabilities and staff should transfer to the new ITPs.

189. The legislation will set in place transitional arrangements for transferring the programmes, rights, assets, liabilities, agreements, staff and student/trainee enrolments. This will include any visas granted under the Immigration Act 2009 to staff and students, NZQA accreditations and other statutory consents, and TEC funding to another tertiary education organisation ('continuing organisation'), or an ISB (or NZQA if there is no ISB coverage for current qualifications) with effect on the commencement date.
190. Te Pūkenga NZIST will be required to have a transition plan for:
1. identifying and allocating the education and training programmes (including work-based programmes), and associated rights, assets and liabilities, and staff and student/trainee enrolments for transfer to a continuing organisation;
 2. identifying and allocating the rights, assets and liabilities, and staff required for co-ordinating training and pastoral care of trainees in specified industries for transfer to the responsible ISB.
191. The TEC can give guidance to Te Pūkenga NZIST on matters relating to the allocation of programmes and activities to a continuing organisation or an ISB (consistent with Government decisions on establishment of ITPs and ISBs), and must approve the transition plan.
192. The Minister will have a temporary power to give directions to Te Pūkenga for clarifying the arrangements or requirements for allocating programmes and activities to a continuing organisation or an ISB, or for facilitating the transfer of programmes and activities to a continuing organisation or an ISB.
193. It is very likely that some business units will not be able to be viable even with a merger or support from a federation (or both), and will not be able to be established as ITPs on or close to 1 January 2026. Te Pūkenga will be continued as a transitional entity for these business divisions. The name, functions, and charter provisions for Te Pūkenga NZIST would be amended to reflect the purposes of the transitional entity, and it would then continue to operate under the existing statutory framework for the time being. Once all unallocated provision had been transferred out the transitional entity would be disestablished.
194. We note that under the Ministry's recommended option for the ITP section, the transition process would be the same, but would take place over a longer period of time.
195. Likewise, transition arrangements under the Ministry's preferred option for standards setting and WBL would be more straightforward for Te Pūkenga WBL divisions. As noted in Decision 2, Option 4 would add transition challenges for both WDCs resources and staff, and add additional complexity to the process of setting up new ITPs from Te Pūkenga.

Preparation for WDCs and transfer to new ISBs

196. Engagement with industries and other stakeholders on proposed numbers and coverage of ISBs will begin in early 2025. This will be a critical first step, as it will shape the destination for various elements, including staff and learner responsibilities currently located within WDCs and WBL divisions of Te Pūkenga.

197. Detailed design and modelling of ISBs, including viable business models, required capability, and likely costs, will be undertaken in 2025. This will inform final decisions on viable numbers and coverage, and allow for transition planning to begin. The TEC will set up an establishment group or groups to manage the design and formation of ISBs.
198. Over 2025, WDCs will need to identify the relevant assets, roles, and activities that can transition to ISBs to support the new standards-setting functions, and restructure and reprioritise their work in preparation for disestablishment.
199. As noted above, Te Pūkenga NZIST's transition plan will identify relevant WBL division rights, assets and liabilities, and staff that can move to support the establishment and operation of ISBs.
200. Over 2025, there will also need to be engagement with the PTEs who offer WBL programmes. These PTEs will need to redesign their programmes to include an ISB providing pastoral care, communicate these changes to learners and employers, and will need to provide sufficient learner and employer data to the appropriate ISB for it to carry out pastoral care effectively. This could involve negotiating the shift of some staff and/or assets into an ISB, but we expect that any PTE who agreed to that would require financial compensation before doing so.

How will the new arrangements be monitored, evaluated, and reviewed?

201. The Ministry of Education, TEC and NZQA will work together to establish a monitoring and evaluation framework for these changes. This will include both implementation and transition objectives (looking at the process for transitioning to the new system) and medium to long-term objectives for the VET system (building on frameworks established for the monitoring of the VET system post-RoVE). We note that depending on the complexity of the final model, the transition period may be lengthy and that it may be some time before we are in a position to assess the end impact of any changes.
202. We expect that the shorter-term monitoring activities will be led by the TEC, informed by its regular monitoring of providers (with particular focus on the ITPs during the transition period) as well as monitoring of how successful funding levers are at managing any role conflicts within ISBs and in promoting collaboration and industry engagement by ITPs.
203. The medium to longer-term outcomes monitoring and evaluation (3+ years) will build on frameworks developed for RoVE, updated to reflect a greater focus on local and industry responsiveness. Monitoring would likely include looking at:
 - whether the system is more responsive at identifying and responding to employers' and community needs
 - impacts on labour market outcomes for learners
 - any impacts on the profile, reputation and credibility of vocational education
 - the financial viability and sustainability of VET provision
 - whether the change has had a positive impact on Māori and Pacific learners, and disabled learners and learners with additional support needs
 - how well the VET system honours Te Tiriti and supports Māori-Crown relationships.

204. We expect that both the Ministry of Education and the TEC will undertake this medium to longer-term monitoring. A key data source will be the Integrated Data Infrastructure.
205. It will be difficult to attribute changes in outcomes to these reforms, particularly because the implementation of RoVE changes has yet to flow through into outcomes and because of the level of general disruption created by the two substantial structural changes to the sector in a relatively short period of time.
206. Given that the changes are being progressed quickly and that this constrains the options that can be progressed, we expect to undertake a follow-up review of system settings for VET within three years of enactment.



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.

A Redesigned Vocational Education and Training System: Legislative Framework

Portfolio Tertiary Education and Skills

On 18 December 2024, the Cabinet Social Outcomes Committee (SOU), having been authorised by Cabinet to have Power to Act [CAB-24-MIN-0514]:

Establishment of new polytechnics and the polytechnic federation

- 1 **agreed** to amend the Education and Training Act 2020 (the Act) to provide for the establishment of new polytechnics as tertiary education institutions, subject to the same legislative settings as other tertiary education institutions, except as otherwise specified in the Act;
- 2 **agreed** to a framework of graduated interventions for managing risk to the operation or viability of a polytechnic or a related entity based on criteria for assessing risk determined by the Secretary for Education;
- 3 **agreed** to amend the Act to provide for the establishment of a federation and statutory board to support designated polytechnics to deliver core provision of education and training programmes, and to support the operation and long-term viability of those polytechnics;

Work-based learning arrangements and establishment of Industry Skills Boards

- 4 **agreed** to retain the existing work-based learning model in the first instance, pending targeted consultation with key industry stakeholders on Option B vs Option C, as outlined in the submission under SOU-24-SUB-0174;
- 5 **invited** the Minister for Tertiary Education and Skills to report back to SOU no later than April 2025 on the preferred work-based learning model, with changes to be either included in the relevant Bill at introduction or progressed via a second phase of legislation;
- 6 **agreed** to amend the Act to provide for the establishment of new Industry Skills Boards by Order in Council as non-Crown statutory boards and tertiary education organisations (consistent with Annex 2, attached to the submission under SOU-24-SUB-0174);
- 7 **agreed** to amend the training levy provisions to empower regulations for an industry levy, subject to a requirement for industry support, payable by all (employer) members of a specified industry to an Industry Skills Board for the performance of its functions;

Transitional arrangements

- 8 **agreed** to transitional provisions for the transfer of Te Pūkenga New Zealand Institute of Skills and Technology (NZIST) education and training programmes and assets to a continuing organisation (tertiary education institution or Private Training Establishment) or an Industry Skills Board;
- 9 **agreed** to transitional provisions for transferring Workforce Development Council functions and assets to Industry Skills Boards with specified industry coverage for those functions;
- 10 **agreed** that Te Pūkenga NZIST is continued as a transitional entity for unallocated programmes and activities and disestablished on the earlier of a date specified by Order in Council, or 31 December 2026;
- 11 **agreed** to a provision in the Act for disestablishing Workforce Development Councils and distributing any residual assets and liabilities by Order in Council;
- 12 **invited** the Minister for Tertiary Education and Skills to report back, in consultation with the Minister for Social Development and Employment, to SOU in March 2025 on options to support strategically important provision, including transitional funding reprioritised from within existing baselines;
- 13 **invited** the Minister for Tertiary Education and Skills and the Minister for Social Development and Employment to report back 9(2)(f)(iv) with interim analysis on how the proposed changes to the vocational education and training system are expected to impact learners and on:
- 13.1 the implications for disadvantaged learners, and on the Jobseeker Government Target; and
- 13.2 the continued operation of Trades Academies and vocational learning in secondary schools 9(2)(f)(iv)

Commencement of Education and Training Act 2020 amendment bill

- 14 **agreed** to the amendments to the Act to give effect to the decisions under SOU-24-MIN-0174 coming into force on 1 January 2026 (except where a decision on Option B vs Option C for work-based learning may require a second phase of legislation);

Authority to act and issue drafting instructions

- 15 **authorised** the Minister for Tertiary Education and Skills and Minister for Social Development and Employment to make any detailed policy decisions as necessary to give effect to, and consistent with, the decisions under SOU-24-MIN-0174;
- 16 **authorised** the Minister for Tertiary Education and Skills to issue drafting instructions to the Parliamentary Counsel Office for a Bill amending the Act to implement the decisions based on the decisions under SOU-24-MIN-0174;
- 17 **noted that drafting recommendations are subject to Parliamentary Counsel drafting considerations on how best to express each recommendation in the legislation.**

Jenny Vickers
Committee Secretary

Attendance: (see over)

Present:

Hon David Seymour
Hon Nicola Willis (Chair)
Hon Dr Shane Reti
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston
Hon Mark Mitchell
Hon Tama Potaka
Hon Matt Doocey
Hon Melissa Lee
Hon Nicole McKee
Hon Casey Costello
Hon Penny Simmonds
Hon Chris Penk
Hon Nicola Grigg
Hon Karen Chhour

Officials present from:

Office of the Prime Minister
Officials Committee for SOU
Office of the Minister for Tertiary Education and Skills

Proactively Released