

Report: Cabinet paper for lodging – streamlining funding settings

To:	Hon Penny Simmonds, Minister for Vocational Education		
Cc:	Hon Dr Shane Reti, Minister for Universities		
Date:	12/08/2025	Deadline:	14/08/2025
Security Level:	In-Confidence	Priority:	Medium
From:	Rachel Dillon, Programme Manager	Phone:	9(2)(a)
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Why are we sending this to you?

- You are receiving this updated draft Cabinet paper for lodging this week.

What action do we need, by when?

- We are seeking your approval of the attached Cabinet paper.
- This paper will need to be lodged on Thursday 14 August 2025 for consideration at SOU on 20 August.

Key facts, issues and questions

- The attached draft Cabinet paper (Annex 1) has been revised to respond to feedback through consultation.
- Most agencies had minimal comment but Whaikaha has expressed concerns which we are currently seeking to resolve.
- We will provide a separate update with a summary of relevant feedback from the funding determinations process which can be shared with Minister Upston.

Alignment with Government priorities

1. This report aligns with Government priorities as part of the work programme to disestablish Te Pūkenga and confirm new funding settings to come into effect from 1 January 2026.

Background

2. On 24 July we provided you with a draft Cabinet paper addressing two policy issues for the vocational education and training funding system which require Cabinet agreement [METIS 1351160 refers]. On 29 July we provided an updated version to be circulated for simultaneous ministerial and agency consultation [METIS 1351730 refers].
3. Consultation closed on Friday 8 August. We now provide a final draft of the Cabinet paper for your approval and lodging on Thursday 14 August.

Feedback from consultation

Comment from Whaikaha – the Ministry of Disabled People

4. The most significant feedback received through consultation with other agencies was from Whaikaha, which is concerned about losing visibility and influence over how funding to support disabled learners is used. Whaikaha requested that a comment be included in the Cabinet paper noting the importance of Disability Action Plans if reporting on the Learner Component is removed.
5. We are currently working with the TEC to provide Whaikaha with more information about the Learner Component performance expectations which are proposed for removal, including clarifying that they do not include reporting on how the funding is specifically used and removing them will not reduce this visibility. This will be provided this afternoon, and discussions with Whaikaha are ongoing.
6. The attached draft assumes that Whaikaha agree not to include a comment once further information is provided. We will update your office with any changes as these discussions progress.

Other feedback received

7. We received responses from Education New Zealand, the Ministry for Pacific Peoples, Te Puni Kōkiri and the Ministry for Women stating they had read the draft paper and had no additional feedback.
8. The Ministry for Business, Innovation and Employment (MBIE) noted that the paper states that uptake of the 'pathway to work' mode of delivery has been low, but does not quantify this. We have included numbers to illustrate this in the paper (paragraph 14). MBIE also gave general feedback about the importance of training not being interrupted for learners and being relevant to industry and licensing needs, but the current proposals will not affect these factors.
9. Through ministerial consultation Minister Upston asked what monitoring arrangements will be in place to ensure that the redesigned system does facilitate links between provider-based and work-based learning, and to ascertain whether there is a need for further incentives. The Ministry has provided information to your office separately to respond to these questions.
10. Minister Upston also asked to see sector feedback on the proposals in this Cabinet paper. This will be provided through an Information Update as requested by your office [METIS 1352181 refers]. Feedback was supportive of the Learner Component change and more

mixed on the removal of the pathway to work mode. However, the majority of the issues raised in relation to the pathway to work mode are not being addressed by the current model. Our view is that they would be better met through other policy approaches rather than retaining the mode as it is.

11. We have made the following changes to the attached draft to respond to consultation feedback:
 - 11.1. Added comments based on funding determinations consultation outcomes (paragraphs 4, 16 and 24);
 - 11.2. Added numbers to illustrate the low uptake of the 'pathway to work' mode (286 learners out of 242,917 learners funded at Levels 3-7);
 - 11.3. Minor wording changes in the 'pathway to work' section to clarify the impacts;
 - 11.4. Additional details in the Learner Component section to clarify the duplication involved and the other mechanisms available to monitor performance.
12. We will inform your office of any further changes necessary based on discussions with Whaikaha.

Next Steps

13. If you approve this draft, your office can lodge the paper before 10am on 14 August for consideration by the Cabinet Social Outcomes Committee on 20 August.
14. Cabinet decisions will provide the authority to implement these proposals as part of the final funding determinations for 2026. We will provide a future report seeking ministers' agreement to these determinations.

Annexes

The following is annexed to this paper:

- Annex 1: Cabinet paper – A redesigned vocational education and training system – streamlining funding settings (final)
- Annex 2: Cabinet paper – A redesigned vocational education and training system – streamlining funding settings (12 Aug tracked changes)

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to lodge the attached Cabinet paper (Annex 1) for the Cabinet Social Outcomes Committee by 14 August 2025, pending any updates before close of play on Wednesday 13 August

☒ **Agree** ☐ **Disagree**

Proactive Release:

- b. **agree** that the Ministry of Education release this paper once Cabinet decisions have been made on these issues, with any information needing to be withheld done so in line with the provisions of the Official Information Act 1982.

☒ **Agree** ☐ **Disagree**



Rachel Dillion
Programme Manager
Te Pou Kaupapahere

12/08/2025



Hon Penny Simmonds
Minister for Vocational Education

13/ 8/25