

Cabinet Paper material Proactive release

Minister & portfolio	Hon Penny Simmonds Minister for Vocational Education
Name of package	A redesigned vocational education and training system – streamlining funding settings
Date considered	25 August 2025
Date of release	2 October 2025

These documents have been proactively released:

A redesigned vocational education and training system – streamlining funding settings

Date considered: 25 August 2025

Author: Office of the Minister for Vocational Education

Cabinet Expenditure and Regulatory Review Committee

Date considered: 19 August 2025

Author: Committee Secretary

Cabinet Minute CAB-25-MIN-0285

Date considered: 25 August 2025

Author: Secretary for the Cabinet

Material redacted

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

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

[In Confidence]

Office of the Minister for Vocational Education

Cabinet Social Outcomes Committee

A redesigned vocational education and training system – streamlining funding settings

Proposal

- 1 This paper seeks agreement on two additional minor policy decisions as part of implementing Cabinet decisions on the redesign of vocational education and training.

Relation to government priorities

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

Executive Summary

- 3 This paper proposes two policy changes which revoke elements of the previous Government's 'Unified Funding System' for vocational education and training. These changes will further streamline the funding system and lighten compliance costs for tertiary education organisations in both provider- and work-based learning, so that they can focus on their core business. The changes are:
 - 3.1 to remove the 'work-based: pathway to work' mode of delivery, which has had only limited use and has not been effective in shifting provider behaviour; and
 - 3.2 removing the requirement placed on some organisations to set separate performance expectations for Learner Component funding, and which adds unnecessary duplication of work and uncertainty to the funding system.
- 4 Decisions are required now to enable implementation from 1 January 2026. The sector has been consulted on these changes and feedback is broadly supportive, while highlighting some areas where further work can be done to better achieve policy objectives.

Background

- 5 This year Cabinet has taken a series of decisions relating to the redesign of the vocational education and training system:
 - 5.1 Options for work-based learning [SOU-25-MIN-0046];
 - 5.2 Education and Training (Vocational Education and Training System) Amendment Bill: Approval for Introduction [LEG-25-MIN-0077];

- 5.3 Funding settings [SOU-25-MIN-0026] and Funding reprioritisation [SOU-25-MIN-0027];
 - 5.4 Proposed establishment of Institutes of Technology and Polytechnics [SOU-25-MIN-0076]; and
 - 5.5 Proposed number and coverage of Industry Skills Boards [SOU-25-MIN-0068].
- 6 Taken together, these decisions will create a new vocational education and training system which is locally led, regionally responsive, and future focused.
- 7 As I move to implement these decisions, there are some additional policy decisions which require Cabinet's approval to change the settings that were agreed by Cabinet under the previous Government.
- 8 I am seeking your agreement now because there is a narrow window between the conclusion of consultation on these changes (11 August) and the date by which implementation through my determination of the design of funding mechanisms needs to be confirmed under section 423 of the Education and Training Act 2020 (30 September).

Detailed funding policy decisions

- 9 The funding system for vocational education and training includes:
- 9.1 a Delivery Component, which makes up the majority of funding to directly support teaching and learning, and
 - 9.2 a Learner Component, which provides additional funding based on the number of learners in specific priority categories that an organisation has enrolled.
- 10 The Delivery Component is structured using a combination of subject-based categories and modes of delivery. The most significant modes are provider-based, which represents predominantly classroom learning, and work-based, which represents on-the-job learning and what was formerly called industry training.
- 11 I am proposing two policy changes which are largely operational, but were previously agreed by Cabinet as part of the design of this funding system in 2021 [SWC-21-MIN-0203 refers]:
- 11.1 removing the 'work-based: pathway to work' mode of delivery; and
 - 11.2 removing separate performance expectations for Learner Component funding.
- 12 I have consulted tertiary education organisations on both of these proposals and sector feedback is noted below.

Pathway to work

- 13 The 'work based: pathway to work' mode was introduced as part of the previous Government's reforms which created Te Pūkenga. Delivery is funded in this mode

specifically when a provider-based learner is supported by their provider to find and get established in a work-based learning opportunity. It is applied only to the transition period between study and work – up to 30 credits of learning or a period of three months, whichever comes first.

- 14 This mode is not a programme or support structure for connecting learners with work, it is purely a funding setting. Its purpose was to incentivise providers to assist learners to move from provider-based to work-based learning with a training agreement, where they had the opportunity to do so. The low uptake of this funding indicates that this has not been a successful incentive, however, and few providers have adjusted their programmes to adopt it. In 2024, 286 learners were funded through the ‘pathway to work’ mode at some point out of the 242,917 learners funded at Levels 3 to 7.
- 15 The ‘pathway to work’ mode adds complexity to the funding system for limited benefit, and some providers have found its use unclear because it only applies for a brief period of a learner’s journey, if at all. Other features of my redesigned vocational education system will facilitate links between provider-based and work-based learning, including having polytechnics and private training establishments involved in both modes of delivery at a local level.
- 16 In consulting sector stakeholders, responses were mixed on this proposal, and this mix reflects confusion around the purpose of the mode. While there was some support for the change, some submitters were concerned that removing the mode would remove support for at-risk learners, or those who might struggle with classroom learning. I acknowledge these issues, but a funding incentive for providers is not the right mechanism to address them and we have not seen the benefits that were hoped for when this mode was introduced in 2023.
- 17 I propose to remove the ‘pathway to work’ mode for funding purposes. In practice this will mean that learners who move between modes will simply be funded as either provider-based or work-based, and support for learners will come from one or the other rather than being funded as overlapping. Overall funding for those using the mode now will not be significantly impacted, especially because ‘pathway to work’ funding rates can currently only be claimed for a limited period of a learner’s overall training.

Separate performance expectations

- 18 When the Learner Component was first introduced in 2023, it was established that tertiary education organisations would need to agree performance expectations “that show how the [organisation] will contribute to meeting the current funding priorities of the learner component” with the Tertiary Education Commission. These were to be tailored to each organisation. 20 percent of that organisation’s Learner Component funding was to be conditional on its performance against these agreed expectations, and not paid until later.
- 19 In 2024 the requirement to meet performance expectations was set for organisations receiving more than \$50,000 per year in Learner Component funding. For 2025 I narrowed this requirement to organisations receiving more than \$100,000 per year, to reduce the administrative complexity of the policy and the burden on smaller education providers.

- 20 While sector performance is important, this particular requirement has created an unnecessary burden for education organisations and results in inefficiencies and duplication of work. The numerous organisations which deliver both vocational and higher education have needed to report to the Tertiary Education Commission on multiple sets of overlapping but different criteria, which the sector has found onerous and unhelpful.
- 21 Compared to the Delivery Component, the Learner Component is a relatively small amount of funding, and 20 percent of this (often equating to only \$20,000) is not significant enough to require specific milestones or to shift organisational behaviour over and above existing requirements. Holding this small amount of funding back creates uncertainty for organisations that receive it, for inadequate benefit.
- 22 Most providers currently eligible for this requirement also have a Learner Success Plan, which covers an organisation's activities across its business, and includes goals developed with regard to that organisations' learner cohort and context. These plans, and general performance indicators for tertiary education organisations, look at support and outcomes for learners from a whole of organisation perspective. Separate expectations for Learner Component funding are at odds with this holistic approach and mean providers are having to report many of the same things multiple times in slightly different ways.
- 23 I now propose to remove this performance element altogether. The full allocation of Learner Component funding would then be paid together rather than a portion held back, with no reduction in funding. This would address complaints that we have heard from the sector about the compliance burden of separate reporting.
- 24 Other mechanisms will ensure that providers remain accountable for learner success, and key outcomes and measures will continue to be reported on at a whole of organisation level. Work is currently underway to consider education providers' Learner Success Plans and Disability Action Plans in a wider context, and that work provides an opportunity to improve our understanding of how funding supports priority learners.
- 25 The majority of submissions on this proposal from sector stakeholders supported this change.

Implementation

- 26 The policy decisions to remove the 'pathway to work' mode and the additional performance expectations for learner component funding would be implemented through my determination of the design of a funding mechanism for Levels 3-7 on the New Zealand Qualifications and Credentials Framework. I expect to confirm my determination for 2026 before the end of September 2025, and for updated mechanisms to be published by the Tertiary Education Commission shortly afterwards.
- 27 Organisations that receive funding under this mechanism have already been made aware through consultation that these changes are being considered.

Cost-of-living Implications

- 28 These proposals are minor adjustments which will have no cost-of-living impacts.

Financial Implications

- 29 There are no financial implications for these proposals. The Tertiary Education Commission will manage any changes in funding due to the removal of the 'pathway to work' mode within its usual investment processes and existing budgets.

Legislative Implications

- 30 There are no legislative implications for these proposals.

Population Implications

- 31 These proposals will not have notable impacts for any specific population groups. Priority learner groups will continue to be considered through existing mechanisms such as Learner Success Plans.

Human Rights

- 32 There are no human rights implications for these proposals.

Use of external Resources

- 33 No external resources were engaged in the development of these proposals.

Consultation

- 34 The proposals in this paper were consulted on between 14 July and 11 August as part of broader consultation on changes to funding determinations. Tertiary Education Organisations which receive the funding to which these settings apply were notified of the consultation period. This process fulfils my obligation under section 423 of the Education and Training Act 2020 to consult before varying the contents of funding determinations.
- 35 The following agencies were consulted on drafts of this paper: the Department of the Prime Minister and Cabinet, the Treasury, the Public Services Commission, the Ministry of Business, Innovation and Employment, the Ministry of Social Development, the Ministry for Primary Industries, the Ministry of Health, Ministry of Disabled People, Te Puni Kōkiri, the Ministry for Pacific Peoples, the Ministry for Women, the Tertiary Education Commission and the New Zealand Qualifications Authority.

Communications

- 36 These proposals have been signalled to the tertiary sector through consultation documents. They would be confirmed as part of the final funding determinations for 2026, which will be published on the Tertiary Education Commission website by October 2025.

Proactive Release

- 37 I intend to release this Cabinet paper proactively in full subject to any redactions appropriate under the Official Information Act 1982.

Recommendations

The Minister for Vocational Education recommends that the Committee:

- 1 agree to remove the 'work-based: pathway to work' mode of delivery from the funding categories for provision at Levels 3-7 (non-degree) on the New Zealand Qualifications and Credentials framework;
- 2 agree to remove separate performance expectations for the Learner Component of vocational education funding and allocate this funding at the same frequency as the rest of the Learner Component funding.

Authorised for lodgement

Hon Penny Simmonds

Minister for Vocational Education



Cabinet Expenditure and Regulatory Review 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: Streamlining Funding Settings

Portfolio **Vocational Education**

On 19 August 2025, the Cabinet Expenditure and Regulatory Review Committee:

- 1 **agreed** to remove the ‘work-based: pathway to work’ mode of delivery from the funding categories for provision at Levels 3-7 (non-degree) on the New Zealand Qualifications and Credentials framework;
- 2 **agreed** to remove separate performance expectations for the Learner Component of vocational education funding, and allocate this funding at the same frequency as the rest of the Learner Component funding.

Tom Kelly
Committee Secretary

Present:

Hon David Seymour (Chair)
Rt Hon Winston Peters
Hon Nicola Willis
Hon Chris Bishop
Hon Brooke van Velden
Hon Shane Jones
Hon Paul Goldsmith
Hon Louise Upston
Hon Judith Collins KC
Hon Shane Reti
Hon Casey Costello
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Mark Patterson

Officials present from:

Officials Committee for EXP
Office of the Minister for Space
Office of the Minister for Universities
Office of the Minister for Vocational Education



Cabinet

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Report of the Cabinet Expenditure and Regulatory Review Committee: Period Ended 22 August 2025

On 25 August 2025, Cabinet made the following decisions on the work of the Cabinet Expenditure and Regulatory Review Committee for the period ended 22 August 2025:

Out of scope		
EXP-25-MIN-0083	A Redesigned Vocational Education and Training System: Streamlining Funding Settings Portfolio: Vocational Education	CONFIRMED
Out of scope		

Rachel Hayward
Secretary of the Cabinet