

## Report: Updated VET Cabinet papers post consultation

To:	Hon Penny Simmonds, Minister for Vocational Education		
Cc:	Hon Erica Stanford, Minister of Education Hon Louise Upston, Minister for Social Development and Employment Hon Shane Reti, Minister for Universities		
Date:	16/06/2025	Deadline:	16/06/2025
Security Level:	In-Confidence	Priority:	High
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### Why are we sending this to you?

- Attached are two revised VET Cabinet papers incorporating agency and ministerial consultation feedback for your review and approval.
- Both Cabinet papers are due to be lodged with the Cabinet Office by 10am on 18 June 2025.

### What action do we need, by when?

- We are seeking your agreement to the proposed changes to the Cabinet papers.
- Please return the signed paper by 16 June 2025.

### Key facts, issues and questions

- The main feedback was received from the Treasury and Ministry of Social Development

## Alignment with Government priorities

1. This report supports the redesign of the vocational education and training (VET) system, which is one of your priorities for the Vocational Education portfolio.

## Background

2. On 13 June 2025, consultation with agencies and Ministers on two Cabinet papers ('Proposed establishment of Institutes of Technology and Polytechnics' and 'Proposed number and coverage of Industry Skills Boards') closed. Officials have reviewed the feedback and incorporated where relevant.
3. Most of the more detailed feedback was in relation to the first Cabinet paper - 'Proposed establishment of Institutes of Technology and Polytechnics'. We provide a high-level summary of the key elements of the Ministerial and agency comments below.

## Cabinet paper - Proposed establishment of Institutes of Technology and Polytechnics

### Agency comment

4. Comprehensive feedback was provided by the Treasury and the Ministry for Social Development.
5. The Treasury advice they will be providing the Minister of Finance is, in summary:
  - 5.1. The Cabinet paper sets out a more optimistic view of the financial viability of polytechnics than past advice and they are concerned that decisions may be made of the back of this that could create a significant fiscal risk, particularly in regard to NorthTec, Tai Poutini and WITT.
6. As a mitigation, Treasury have suggested that options, 9(2)(f)(iv), be included in the report back planned for early 2026 for the remaining four polytechnics. Along with impacts on education outcomes and Going for Growth, and a longer-term strategic funding plan for these polytechnics will mean that Cabinet has a clear choice in their decision-making.
  - 6.1. The way the paper currently sets out the financial implications and use of transitional funding could be reordered and made clearer.
  - 6.2. The implementation risk should be made more evident, and options provided.
  - 6.3. Further explanation on the inclusion of Telford would be helpful.
  - 6.4. There is a risk that the reliance on international student growth to support financial viability risks prioritising this provision over the provision required for domestic students.
7. The Ministry for Social Development feedback also suggests that options be provided. In summary, their comments are:
  - 7.1. While they are supportive of retaining a polytechnic network with wide regional coverage, they remain concerned that the underlying viability of polytechnics is fragile with a reliance on retaining domestic enrolments and growing international enrolments despite a reduced programme offering. When combined with reduced timeframes around implementation, they are concerned that the quality of educational/VET offering has not been sufficiently considered and this may have implications for New Zealand's skills pipeline.

- 7.2. Few options are provided to Cabinet and the trade-offs they are making are not clear in these decisions. Standing up more stand-alone polytechnics creates risks to their viability and to the retention of provision. Other options that involve more extensive mergers or a slower path to independence for some polytechnics may be more effective in securing their viability and enabling programme retention.
- 7.3. The paper should also be clearer that funding to support 'strategically important provision' (SIP) is not large enough to ensure all SIP is retained, and this funding is time-limited. Without additional funding, some core provision will likely be lost and underlying financial viability concerns remain for several ITPs. It is unclear what levers are available to support the retention of these programmes if the funding available does not sufficiently resource its retention.
- 7.4. Funding to support the Telford campus - using funds allocated to support strategically important provision will reduce an already scarce fund to support the retention of core provision for learners. It is unclear why the retention of the Telford campus is deemed to be of greater importance than alternative programmes as no evidence is provided to support Cabinet to make this decision, particularly given SIT would like to close the campus.
8. Whaikaha – Ministry for Disabled People suggested additional wording to the Risks section noting future changes to vocational education as a risk. This could be mitigated by an effective communication strategy and wraparound student support.

### Ministerial comment

9. Ministerial feedback has been received from Ministers Upston and Meager.
10. Minister Upston focused on the advice received from her officials around strategically important provision and the Telford campus (as set out in 6.3 and 6.4 above).
11. Minister Meager was fully supportive of the proposals.

### Cabinet paper changes

12. We have reflected the agency and Ministerial feedback within the Cabinet paper as follows:
  - 12.1. We have amended and updated the Financial Implications and the Recommendations sections in the paper to more clearly step through the funding arrangements and implications as requested by the Treasury and the Ministry for Social Development. We have also tweaked the wording in the executive summary describing all eight non-federation polytechnics as "low risk" so that it aligns better with the information in Annex 1. It now says that you assess that the risks for some of the polytechnics are manageable.
  - 12.2. We have included a recommendation that options are included for Cabinet decisions on the four remaining polytechnics in early 2025. The Treasury were of the view that the decisions about long term funding options for strategic provision should align with these decisions in terms of timing, so we have brought the funding report back forward and allowed for the update on impacts to still come in August 2026.
  - 12.3. We have provided additional context regarding ongoing funding for Telford by way of a footnote and some further introductory text.
  - 12.4. We have included additional wording as requested by Whaikaha regarding under-served learners including disabled learners in Annex 4 – Risks and Mitigations.
13. We have also edited the Cabinet paper down so that it is under ten pages. At times this has meant removing paragraphs, summarising information, and shifting text around. Along

with minor edits for clarity, consistency and correcting typos, this represents the majority of tracked changes in the paper.

## Cabinet paper - Proposed number and coverage of Industry Skills Boards

### Agency comment

14. The Treasury feedback on the Industry Skills Board (ISB) paper was minimal other than suggesting better clarification in the financial implications section that the Work-based learning division assets will be temporary for ISBs, and the reduced level of funding of \$30m for eight ISBs. This is as compared to \$65m for six WDCs.
15. The Ministry for Social Development was broadly comfortable with the proposals but noted they still have concerns as to whether the reduced levels of funding will be sufficient for the ISBs to carry out their functions.

### Ministerial comment

16. The only Minister to have provided feedback to your office on the ISB Cabinet paper was Minister Upston. The feedback reflected the additional information requested as Appendix 2, and which was provided to Minister Upston's office on Thursday, 12 June 2025.

### Cabinet paper changes

17. We have reflected the agency and Ministerial feedback within the Cabinet paper as follows:
  - 17.1. Added Appendix 2 and included a reference to this appendix in paragraphs 19.2 (covering financial sustainability as one of your decision-making criteria) and 42 (financial implications).
  - 17.2. Included the difference in public funding for WDCs and ISBs in paragraph 42 as per Treasury's feedback, noting that ISBs will have additional funding sources compared to WDCs.
  - 17.3. Noted in paragraph 43 that WBL division assets moving to ISBs will generally be held only temporarily, as per Treasury's feedback.
  - 17.4. We have also made minor edits to the Cabinet paper and Appendix 2 as a result of proofing for clarity, consistency, and correcting typos.

## Next Steps

18. Review the amended Cabinet papers and provide any feedback to officials.

## Annexes

The following are annexed to this paper:

- Annex 1: Proposed establishment of Institutes of Technology and Polytechnics (clean)
- a: Annex 1 - Summaries of each Polytechnic
  - b: Annex 2 - Financial information

- c: Annex 3 – VET impact report back
- d: Annex 4 – Risks and Mitigations table
- e: Annex 5 – Timeline for decisions and implementation
- f: Annex 6 – Community Advisors

Annex 2: Proposed establishment of Institutes of Technology and Polytechnics (tracked)

Annex 3: Proposed number and coverage of Industry Skills Boards (clean)

- a. Appendix 1 – Feedback from consultation on the number and coverage of Industry Skills Boards
- b. Appendix 2 – The Industry Skills Boards funding model

Annex 4: Proposed number and coverage of Industry Skills Boards (tracked)

## Recommended Actions

The Ministry of Education recommends you:

- a. **note** that the consultation feedback from agencies and Ministers has been incorporated in the attached Cabinet papers.

**Noted**

- b. **agree** to discuss and provide feedback on the attached Cabinet papers on Monday 16 June 2025.

**Agree / Disagree**

### Proactive Release:

- c. **agree** that the Ministry of Education release this paper once it has been considered by you with any information needing to be withheld done so in line with the provisions of the Official Information Act 1982.

**Agree / Disagree**



Rachel Dillon  
**VET Programme Manager**  
**Te Pou Kaupapahere**

16/6/2025

Hon Penny Simmonds  
**Minister for Vocational Education**

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