



Report: Discussion of proposed federation model at Agency meeting on 1 October

To:	Hon Penny Simmonds, Minister for Tertiary Education and Skills		
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Security Level:	In-Confidence	Priority:	High
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Why are we sending this to you?

- You wish to discuss the proposed federation at our regular agency meeting next week.
- This report recaps the current position for policy decisions and provides options regarding further details, including how the federation is likely to fit with the proposed hybrid model for work-based learning.

What action do we need, by when?

- For discussion at agency meeting, currently expected to be on 1 October 2024.

Alignment with Government priorities

1. This report is a part of the Vocational Education and Training (VET) system redesign, which is one of your key priorities.

Background

2. Institutes of Technology and Polytechnics (ITPs) historically have been key regional institutions of further education focussed on Vocational Education and Training qualifications and foundational learning courses, as well as general and degree (and postgraduate) level education where it meets the demands of the regions they are located in. They provide infrastructure for regions and industries to leverage for their economic development through the provision of skills and capability. ITPs produced 93,000 graduates in 2022, mostly for construction, engineering, primary industries, health care and the service sector.
3. The VET redesign is intended to disestablish Te Pūkenga, which consolidated the ITPs into a single provider, along with work-based learning organisations (ITOs). Through public consultation, you have proposed to re-establish as many ITPs as can be viable, grouping some of them into a federation model for those that require support to operate.
4. Your key objectives in this work include:
 - a. Disestablishing Te Pūkenga and replacing it with a viable ITP network and work-based learning that responds to the needs of industry and regions. This includes a federation model to support ITPs that need it to operate.
 - b. Disestablishing Workforce Development Councils and replace them with a streamlined standards-setting and strategic workforce analysis and planning function that is closer to industry.
 - c. A hybrid model of options A and B for work-based learning that includes pastoral support from Industry Skills Bodies and educational support from providers in line with industry needs.
 - d. For this work to be complete and the new system that results operating starting on 1 January 2026.
5. Alongside these objectives, we also consider ensuring continuity for learners and confidence from industry is maintained during the transition and into the operation of the new system is key.
6. There will be significant challenges in delivering all these objectives. As we have advised previously, compressed timescales and fiscal constraints will place some of your objectives at risk in the process.
7. Over the last six weeks we have worked to provide you with advice on the likely policy decisions you will be required to make for your Cabinet paper [METIS 1333714, METIS 1333343, METIS 1334970, METIS 1333758 and METIS 1333759 refer]. We have also noted that this advice was subject to being informed by the feedback and submissions gathered through the consultation process, once consultation had closed.

Once the analysis of submissions has been completed, we will need to come back to you with further advice, reflecting the insights and feedback gathered through the process. 9(2)
(g)(i)
9. The proposed hybrid model for work-based learning will require the provider network, including ITPs, to deliver training as part of work-based training programmes. This line of business and the capability that comes along with it, will need to be factored into the business models for the ITPs to be established on 1 January 2026.

Your decisions so far on the proposed federation model contribute substantially to a possible framework

10. You have fed back on two papers [METIS 1333343 (9 August) and METIS 1333758 (6 September)] that together set a framework for the proposed federation of ITPs, subject to further information from the analysis of submissions and the wider consultation. The proposed federation allows ITPs to draw on shared programmes they can adapt, and services, if needed to support their viability.
11. Based on only an initial view of submissions (not yet analysed according to demographics or industry metadata), a prevailing view from Te Pūkenga’s ITP business units is that a federation is a reasonable idea in principle, but that the ITP the submitters are associated with will not need to be part of one. While this is not universal, this does suggest that the perception of the federation as being part of a two-tier system will be hard to overcome.
12. There is discernible support for ideas behind the federation, for example the advantages of sharing services where this makes business sense, but also a theme of scepticism about whether the Open Polytechnic is strong enough educationally to be an anchor to a formal federation.

You decided the federation would not be controlling and administratively heavy

13. Our paper of 9 August asked several first order questions about the federation. The most important question was what contrasting model of federation is preferred, and what levers it should be allowed to pull.

Table 1: Two versions of the federation model

Version 1 – “light” levers	Version 2 – “heavy” levers
Not to be financially responsible for members	Financially responsible for members; leverage balance sheets of members to support network
Shared services and programmes	If needed could take the place of ITP Council
Shared academic committee	Heavy levers are in addition to shared services
Low administrative capacity required	Significant administrative capacity required
Association of equal member	Federation independent of members and able to exercise command and control
TEC can direct the use of programmes from TOPNZ or another ITP	TEC or Minister would have to determine membership

14. Use of heavy levers by the proposed federation would provide more tools that would allow a greater number of ITPs to get established from 1 January 2026. However it would mean the federation as a whole takes on financial risk, and because of the state of the sector, the ability to manage this by leveraging the balance sheets of the members is limited.
15. As such it becomes an administratively heavy body - resembling the current framework in some ways including some form of centralised bureaucracy - because it needs to exercise powers where necessary over member ITPs. Therefore the fiscal risks are greater with this version of the federation, and without deep financial modelling of scenarios where ITPs are using this version of the federation, it is not clear how much of a difference this would make to how many ITPs could be viable.

16. You chose the version of the federation that has light levers available. This version allows for shared services and programmes as a way to support ITPs to operate where they may not be able to if they had to carry these themselves, but avoids a significant new, administratively heavy body in the system. It is also lower risk collectively. However, because the levers it would be able to pull are less powerful, it is possible fewer ITPs will be able to be established (although again, without financial modelling about this we cannot say for sure), and financial risks of individual ITPs needs to be managed by the TEC using current levers available to it rather than the proposed federation.
17. We are expecting the TEC to report to you around Friday 11 October on the second phase work from the specialist consultants within Te Pūkenga's business units. The initial report suggested that only a small number of ITPs are likely to be able to be established by 1 January 2026 unless they receive considerable financial support.
18. TEC advised, based on phase one work, that a federation may not generate the necessary improvements in financial performance to support member ITPs to be viable on a standalone basis. They noted that, in some cases, mergers with viable ITPs may be able to provide greater benefits. While final conclusions require further data and further work on the case for establishing each ITP next year, based on your current preferences for a federation operating model, it will not be significant in helping to establish and maintain more ITPs. Nonetheless there may be benefits in enabling a version of the federation concept, so the sector has access to more options next year as they work through possible business models for ITPs.
19. While it may not ultimately be a game changer, the ability to access shared programmes and services will be useful for ITPs, and many submissions noted this.

Design of the legislation can provide the sector with avenues to support viability

20. The proposed federation was conceived as a way to support ITPs that may need to draw on programmes and services to be viable and deliver education to their regions, particularly rural or remote areas that they deliver to at a loss. The ultimate goal is to be able to establish as many ITPs as possible, and have them providing educational opportunities to as much of their catchments as they can while remaining viable and maintaining high quality over time. In doing so, it is important to retain regional identity and significant autonomy in delivery.
21. There are many unknowns operationally about how the system might come together next year. Once the policy has been determined by Cabinet in December 2024, establishment groups from the sector will need to work through what ITPs can stand up viably (including how they will generate revenue to meet their costs) and which mergers need to be made.
22. This will require them to utilise the deep analysis currently being undertaken in the individual business units, and to also work across business units to develop business models that will hold up
23. There are, therefore, benefits in the framework being flexible and enabling, while having the ability for the Government to ensure it is utilised if needed. We have considered two options for embedding the federation in legislation, as set out in Table 2 below¹:

¹ Option A varies from the proposal in consultation by not providing for membership but rather leaving this to the ITPs and before then the groups responsible for setting them up

Table 2: Legislative options for proposed federation

Issue		Description	Considerations	Provisional steer
<p>Extent of legislated flexibility</p> <p><i>Your decisions on METIS 1333758 show a preference for flexibility and sector “ownership”</i></p> <p><i>In response to your comments on page 36 about the possibility of a backstop, the framework does not prescribe the Open Polytechnic as anchor in primary legislation but under Option A would be determined through secondary legislation</i></p>	<p>Option A: Highly enabling provisions with back up powers for TEC or Minister</p>	<ul style="list-style-type: none"> Adapted version of Option B, page 17 METIS 1333758 Legislative provisions include obligations on ITPs to consider agreements with other ITPs to share programmes and services, at reasonable and actual cost Minister or TEC² will have power to require ITPs to request or provide services This becomes part of the core mission of all ITP Most of the details will be up to the ITPs to determine, but in context of these new duties and Ministerial or TEC powers Shared academic committee would be explicitly enabled Obligations extend to all ITPs 	<ul style="list-style-type: none"> + highly flexible, strong alignment with principles of institutional autonomy + provides most of benefits of the federation, and proposed duties very likely to result in ITPs deciding to set up a shared services entity or oversight board + less likely to be seen as two-tier system as all ITPs can enter agreements + feedback from consultation included that two layers of governance is complex and confusing + simpler implementation - does not ensure governance to co-ordinate network - more complex to explain what the federation is - May require TEC to arbitrate disagreements at times rather 	<p>Recommend if financial analysis determines federation will have minor impact on viability</p>

² To be determined based on legal advice

			<p>than have a disputes resolution system</p> <ul style="list-style-type: none"> - more complex to ensure TOPNZ i anchor polytechnic and core mission aligned 	
	<p>Option B: Some federation structures embedded in legislation</p>	<ul style="list-style-type: none"> • Legislation would include the existence of a federation Board along with powers to determine membership in secondary legislation (e.g. Orders in Council) and Ministerial step-in powers if necessary • The Open Polytechnic r other anchor ITP would make directly have provision of programmes as part of core mission • Would apply to a subset of ITPs that require federation support to be viable (as proposed) 	<ul style="list-style-type: none"> + Provides intended benefits of the federation + Pre-existing framework for the federation to implement, leaving less to chance + Less complex to communicate what the federation is - More government control inherent - May be more costly if framework is more prescriptive than necessary - More likely to be seen as two-tier system - Less flexible as governance, entry and exit prescribed 	

Implications for Work-based Learning

24. There are a number of time-critical interdependencies between the establishment of a federation-based ITP model and the proposed Hybrid model for standards-setting and work-based learning (WBL). The core of the Hybrid model is that all tertiary education providers – ITPs, PTEs, and Wānanga – will be able to offer WBL programmes (with any combination of on- and off-job learning), but they must also include an Industry Skills Board (ISB) that provides pastoral support to the apprentice/ trainee.³

The Hybrid model requires disestablishing Te Pūkenga's WBL divisions

25. The Hybrid model requires learner enrolments and programmes to shift to provide s from their current location within the WBL divisions of Te Pūkenga; each learner enrolment will also need to be attached to the ISB that will provide pastoral care to them in future. The assets and staff of WBL divisions will need to be split between ISBs and providers to support their different functions.
26. Assets and staff associated with learner support (likely including most field staff) will need to shift to an appropriate ISB. Those associated with the education function (e.g. resources and assessors) will need to shift to providers alongside respective programmes and learners. In some cases, division staff or assets will not have a clear destination (e.g. training advisors who provide pastoral care and also undertake workplace assessments).
27. This will require at least three strands of work: determining ISB coverage, agreeing which providers receive which learners and programmes, and identifying the consequent shifts from WBL divisions to each ISB and each provider.
28. These shifts will involve changes for in-progress apprentices and trainees. These learners and their employers will have existing training advisor relationships, assessment structures, and expected service models. It would be highly preferable for the new model to support a high level of continuity in such areas.
29. Most WBL divisions have a long history with their industries and employers (based on their prior existence as industry training organisations). The dispersal of their functions, staff, and assets between ISBs and providers will need to be managed in a way that preserves or enhances industry confidence in both parts of the system. Reconfiguring roles and responsibilities in work-based learning will also need to deliver increased agility and responsiveness for learners, firms, and industry sectors.

Interdependencies relate mainly to the transition process

30. The Hybrid model and redesigned ITP network (with autonomous and federated ITPs) can co-exist and operate within the reformed system. Like Proposal 2's Option B, the Hybrid model allows any provider to engage in the 'education' side of WBL – including standalone or federated ITPs.⁴
31. The legislative requirements for establishing the Hybrid model alongside standalone ITPs and the federation should be relatively straightforward and have minimal

³ In this model, ISBs might also develop specific WBL programmes for providers to use. The nature of this would need to be established through NZQA rules, and account for different ISB and provider responsibilities as well as the developing form of Skills Standards and National Qualifications.

⁴ We do not consider that federated ITPs should be intrinsically barred from offering WBL. Increased use of work-based models may provide a stronger path to viability for some federated ITPs.

complexity. The statutory characteristics and/or functions of an ITP could specifically refer to work-based education and assessment.

32. However, the process of disestablishing Te Pūkenga and establishing standalone and federated ITPs, will need to cover both disestablishing the WBL divisions and the transition of their current learners, programmes, and relevant assets from WBL divisions into providers (and the new ISBs).
33. To reduce the chance of learners and firms exiting during the transitional phase, this process will need to:
 - Provide a clear destination for educational elements of WBL programmes (e.g. enrolments, assessment structures, learning resources, learner management) as soon as possible, to avoid confusion and uncertainty.
 - Have industry support, to maintain confidence in the quality and relevance of work-based learning.
 - Avoid disruption for current apprentices/trainees and employers, including minimising issues from changing the personnel a learner and firm works with.
 - Ensure recipients of WBL division activity have the right skills and systems to deliver on their functions in the new system.
34. At September 2024 there were over 1000 active programmes delivered by WBL divisions, and in 2023 over 105,000 work-based earners at Te Pūkenga subsidiaries. Providers receiving one or more of these programmes and associated learners may need to invest in additional capability to do so. For example, currently a WBL division can maintain a single national team of assessors and resource developers, while under the Hybrid model every provider that takes on a WBL programme will need to maintain this capacity (directly or through contracts).

Key decisions to support Hybrid work-based learning and a new ITP network

35. Table 3 highlights key aspects of transitioning to a Hybrid model where early decisions would support establishing the future ITP network, including a path that would minimise risk in that decision area.

Table 3: Interactions between key decisions for the Hybrid model of work-based learning and future ITP network

Key decision area	Nature of decision	Considerations for the future ITP Network	Lower-risk path
<i>Who can receive WBL division enrolments, programmes, and related assets.</i>	<ul style="list-style-type: none"> Learners currently enrolled with a Te Pūkenga WBL division will need to move their enrolment to a new provider. Associated assets held by the WBL division (e.g. learning resources; staff involved in assessment and resource design). Whether these 'receiving organisations' must be a ITP (keeping assets and learners within the former Te Pūkenga network) or can also be a wānanga or PTE, will affect how transitions are negotiated and options for the future of work-based learning. 	<ul style="list-style-type: none"> If only ITPs can receive WBL programmes, then the ability to maintain these will need to be a key consideration during the cost-out and establishment work over 2025 Allowing PTEs and Wānanga to receive programmes would provide more options but may result in more complex transition negotiations and processes. Any assets that needed to move to PTEs would face similar issues as with privatising WBL divisions under Option B [METIS 334970 refers]. 	<p><i>PTEs and Wānanga are permitted to receive WBL division programmes and assets</i></p> <ul style="list-style-type: none"> This will make transitions more complex and may involve some costs to the Crown. But it offers the greatest opportunity to preserve continuity of provision for learners. ITPs could be the 'first choice' receivers, with PTEs and Wānanga engaged where there is no suitable ITP.
<i>The timeline for clarity on the shape of the future ITP network.</i>	<ul style="list-style-type: none"> Identifying which ITPs could receive WBL division programmes in each region will require some initial certainty over the nature and capability of each potential ITP from 1 January 2026 onwards. There will likely need to be some lag between beginning the process of deciding on the future of ITPs and beginning to decide on the future of WBL divisions, although these workstreams would converge over time 	<ul style="list-style-type: none"> Longer timeframes for identifying which ITPs are viable and the scope of their provision will delay making decisions on the future location of WBL programmes. This may affect industry, employer, and learner confidence. Decisions about the future shape of the ITP network will need to identify and account for any investment needed for an institution to take on WBL division learners, such as new staff capability or Trainee Management Systems. 	<p><i>Indications of likely standalone, federated, and merged/ closed ITPs are available by early Q2 2025</i></p> <ul style="list-style-type: none"> Knowing the broad post-Te Pūkenga landscape by April will provide time to identify what capabilities ITPs will need to develop over 2025 to be ready to receive WBL programmes, negotiate appropriate transition arrangements (including with ITPs and/or Wānanga if needed), and provide clarity for current and prospective learners and employers.

			<ul style="list-style-type: none"> We do not yet have clarity on a likely timeframe for this broad picture being available.
<i>The possibility of 'out-of-region' provision by ITPs.</i>	<ul style="list-style-type: none"> WBL divisions operate on a national basis, and will need to identify how their national learner body and assets are divided between and transition to regionally-based providers. There may be cases where no ITP (or potentially PTE/ Wānanga) is able to receive a WBL division's learners and programmes in a given region, but another ITP is able to take those on. 	<ul style="list-style-type: none"> Enabling ITPs to offer WBL programmes outside their 'home' region would enable flexibility. In some cases, a single ITP could take on all WBL programmes for an industry sub-sector. However, an ITP would likely need to invest in and maintain out-of region capability which may not be efficient or sustainable. This decision would likely have implications for the 'competitive' or 'collaborative' orientation of the ITP network. 	<p><i>ITPs can deliver at least WBL programmes outside any 'home' region, and national providers or some programmes are explored</i></p> <p>Allowing ITPs to receive responsibility for WBL learners outside a home region will reduce the risk of 'orphan' programmes.</p> <ul style="list-style-type: none"> If one ITP (or PTE or Wānanga) is able and willing to take on all learners in a WBL division it would make transitions less complex and support continuity. However, this will not always be possible.
<i>Managing 'orphan' WBL division programmes</i>	<ul style="list-style-type: none"> WBL divisions have been able to use national scale and cross-subsidies to support programmes. There may be cases where, even if PTEs and Wānanga are included, no provider is able or willing to maintain WBL programmes for a given region or industry sub-sector. These are most likely to be where maintaining relevant education infrastructure in a region would be too costly for any provider, or small and specialist programmes where programmes rely on national scale and/or have historically been cross-subsidised. 	<ul style="list-style-type: none"> Absent other decisions, WBL division programmes without a receiving provider would end. Allowing this to occur would be the WBL division equivalent of cost-out and programme rationalisation at ITP divisions. However, industries may have stronger views on the end of workplace-based programmes, especially if this means the end of training for small but critical workforces 	<p><i>This is an inherently significant risk in breaking up WBL divisions, but can be mitigated through other decisions</i></p> <ul style="list-style-type: none"> Allowing more time for transition planning, permitting ITPs to offer programmes across regions, enabling transfer to PTEs and Wānanga, and sustainable funding rates can all minimise the number of orphan programmes. Enabling a single national provider to receive all enrolments and assets for a programme is the strongest mitigation strategy available to you.
<i>WBL division transition plans process</i>	<ul style="list-style-type: none"> We assume that the transfer of WBL division assets learners, and the like would be set out in a transition plan (as for the 2020 reforms). At 	<ul style="list-style-type: none"> Developing plans will need to include discussions and negotiation with potential receiving ITPs (and possibly PTEs and Wānanga). All parties – WBL divisions, current apprentices, industries, 	<p><i>Establishing a transition unit (standalone or within the TEC) to manage plan development</i></p> <ul style="list-style-type: none"> A dedicated unit overseeing this process would allow it to proceed at a pace and within

	<p>minimum, these plans would need to set out:</p> <ul style="list-style-type: none"> • What staff and assets would shift to ISBs. • Which providers receive which learners and associated assets. • Developing plans will need a considerable amount of agency involvement. However, there will be strong interest in this process from industries, employers, and apprentices. • Transition plans for the 2020 reforms were developed by ITOs (with TEC guidance and approval). However, this does not create any precedent for WBL division plans. 	<p>and government – will need to be confident in the capability and readiness of receiving providers.</p> <ul style="list-style-type: none"> • Who leads plan development may affect your ability to influence the shape of the new system. If programmes can transition to PTEs and Wānanga as well as ITPs you may wish to retain a stronger direct presence in this • Industries will want to see that WBL divisions are being treated fairly compared to new ITPs, and may expect to have a role in determining the destinations of ‘their’ WBL programmes. 	<p>parameters established by or in consultation with you</p> <ul style="list-style-type: none"> • If this unit also oversees the transition of WDCs to ISBs it will be able to coordinate these processes. <p>As well as WBL divisions of Te Pūkenga and potential receiving organisations, this unit would need to engage with industry, employers, and work-based learners.</p> <ul style="list-style-type: none"> • However, there would likely be costs associated with supporting a new unit.
<p><i>The broad split of the current WBL funding stream between providers and ISBs</i></p>	<ul style="list-style-type: none"> • While final funding decisions will not be made until mid-2025, an indication of the amount of funding that will be associated with the ‘education’ activity will be needed to ensure that recipients of WBL activities can sustain them at current (or improved) quality levels. • This will also need to account for any WBL funding that might be reallocated to support other funds or functions (e.g. standards-setting) in the redesigned system. 	<ul style="list-style-type: none"> • ITPs (and any other provider) will need to understand the financial impact of taking on WBL programmes before committing to them. • There has been no modelling of costs for the two sets of WBL activities (ISB-led and provider-led) and we do not have clarity of the minimum rates to sustain these as separate functions. 	<p><i>Smaller re-allocations out of current WBL funding, and early work with WBL divisions to understand cost and business structures</i></p> <ul style="list-style-type: none"> • The more resources remain within the WBL system, the more funding there will be to sustain provider & ISB activities. • However, retaining more funding in the overall WBL ‘pool’ will reduce the amount available to support other functions and redesign goals. • Robust data on current WBL division financial models will assist in advising you on the costs of implementing the Hybrid model.



Discussion of the federation’s operation

36. You fed back on the options for how the federation could operate [METIS 1333758 refs]. These decisions are to (in order that they appear in the report’s tables – with some additional notes also incorporated):

Table 4: summary of decisions so far on the proposed federation
Tables refer to METIS 1333758 [Square brackets indicate point drawn from your feedback]

Table 1 Operation of Federation (Page 5)	METIS reference if not in table
Entry initially would be determined upon setup, and after that can be by request of an ITP (or allowed to draw services from the federation without being a member) but can also be imposed to manage institutional risk <ul style="list-style-type: none"> We have interpreted your decision as taking both option A and B 	
Conditions of exit are set upon entry	
TEC and NZQA would relate to the federation through individual members only	
There could be a Shared Academic Committee among some or all members	
Table 2 How core provision is determined (Page 11)	
Local ITP is responsible for ensuring core provision is delivered <ul style="list-style-type: none"> It may only deliver some of it and might largely be a local facilitator to ensure regional needs are met All core delivery badged as local in some way whether delivered directly or via collaborations 	1333343 (9 August)
The amount and scope of what can fall under core provision will be flexible	
As noted below ITPs can deliver non-core provision in each other’s regions	
An ITP can be established if not capable of delivering the core needs of a region	
Core provision is determined through the ITP’s work within its region with earnings, industries and communities	
Where gaps may emerge in future that cannot be met by the local ITP, out of region options are marketed and made available from elsewhere in the network, with the federation agreeing how the gaps should be filled (PTEs do not need permission to operate in regions)	
Table 3 Governance (Page 16)	
Operating principles and broad mission or outcomes are prescribed for Board to work towards in making decisions that can work for the federation as a whole	

Prescribe in legislation some dimensions of the federation Board with more of a focus on duties than the Board's composition [expect chair, CEO and one other with specific experience]	
Members constitute the Board of the federation: number on Board aligns with number of members [Minister could appoint independent chair]	
Table 4 Choices for funding and financing within proposed federation (Page 21)	
Federation agrees how funding flows will work; government has no view	
Federation members, and standalone ITPs, can market and provide non-core provision in each other's regions	
Capital decisions can be made by ITP Council, without consent by Secretary for Education	
Table 5 Accountability (Page 26)	
Federation is accountable to members alone	
Disputes resolution process combined with managed exit if necessary to manage unsatisfactory performance of the federation	
No formal accountability mechanisms	
Disputes resolution process combined with managed exit if necessary to manage unsatisfactory performance of the federation	
Table 6 The Open Polytechnic (Page 31)	
As anchor, Open Polytechnic is supplier only and not in and of itself the federation The Open Polytechnic is an enabler that would broadly retain national distance education role but avoid head-to-head competition where possible (as would other ITPs)	1333343 (9 August)
[Federation role must be part of Open Polytechnic's core mission]	
Open Polytechnic can offer its specialist online role in other regions [relatively little head-to-head in core VET roles now between ITPs]	
No bespoke funding mechanism for Open Polytechnic – income from its specialist educational activities combined with recovery of reasonable and actual costs from its federation role will contribute to its viability	
Table 7 Interventions (Page 37)	
Confirmation of previous decisions about interventions and Secretarial consent	
Interventions to operate at ITP not federation level	
In general federation membership and interventions are separate administrative processes [but the outcome of an intervention might be to move an ITP into the federation]	

Federation membership is not affected by any other intervention (i.e. to force a member out) [A member ITP at risk should not place the federation at risk – which it only could if the federation was financially responsible for its members]	
The Open Polytechnic is the same as other ITPs from a monitoring and interventions point of view	

37. We wish to unpack the following areas further at our meeting:

Core provision

- 38. The consultation document anticipates that core (or minimum) provision would include foundation education, trades education, healthcare, and specialist delivery relevant to the region. From the decisions taken so far, core provision will emerge from the planning work ITPs do within their communities and with local industries and be reflected in investment plans.
- 39. The local ITP would take the lead on delivering this provision (where it is done in collaboration with the Open Polytechnic it would be the local ITP's front gate), with all core provision badged in the name of the local ITP [METIS 1333343 refers]. Outside of the core provision, other ITPs can market and provide in another region (and PTEs and wānanga are not restricted in regards to either core or non core provision).
- 40. The following points remain to be worked through about the core (or minimum) provision concept:

Table 5: Considerations relating to core provision

Issue	Description	Considerations	Recommendation
<p>ITPs with low or no regional capability</p> <p><i>For a small number of regions, the ITP that can be established may be able to deliver a narrow scope of provision only</i></p> <p><i>If the local ITP can only sustain a narrow scope of programme (or a region cannot sustain a local ITP at all), it has no incentive to identify the range of core needs in a region (or there could be nobody to do it)</i></p> <p><i>Previous decision is that the local ITP will be the “front gate” for core ITP provision in its region</i></p>	<p>Option A: Local ITP is responsible for brokering provision in its region (e.g. via the federation) even if its own delivery scope is narrow</p> <ul style="list-style-type: none"> <i>Permutation:</i> ITPs are assigned additional regions if there is no ITP there / the network of ITPs that get established are expected to cover wider area so there are no regions with no responsible ITP Note this is a significant operational decision about how the future network of provision relates to the ITP network 	<p>Assigns accountabilities clearly</p> <p>+Simpler system for local learners and employers</p> <p>+Aligns somewhat with broad based conception of ITPs in legislation</p> <p>-Potential for assignment of funding to be complex (likely to be on a ticket clipping basis)</p> <p>-Incentives to maintain relationship capabilities outside of core delivery scope may reduce for ITP over time</p>	<p>Discuss, particularly the permutation</p>
	<p>Option B: ITP defines its core delivery, and TEC is responsible for allocating funding to alternative providers so minimum is available in each region</p> <ul style="list-style-type: none"> <i>Permutation:</i> ITPs identify the range of needs and investment plan determines what is delivered or badged by the local ITP and what TEC must seek to cover through plan system 	<p>+TEC has more levers and clearer functions for ensuring regional coverage is funded</p> <p>-Could result in TEC needing to engage with industries and regions itself</p> <p>+Permutation provides that the information will be produced</p>	<p>Discuss, particularly the permutation</p>

		-(As above) in entire to produce good information may not endure	
<p>Description of minimum provision in consultation document</p> <p><i>Some submissions warned against too much standardisation e.g. not all trades have sufficient demand to justify provision being in all regions</i></p> <p><i>There will be a need to articulate what is considered core / minimum in a region if local ITP is responsible for delivering it, and ITPs can only deliver non-core provision outside of this</i></p>	<p>Your decisions suggest taking a flexible approach, i.e. not every trade in every region (although see below regarding work-based learning)</p> <p>Operationally what the local identified minimum is needs to be identified and agreed early so other ITPs can plan knowing what if any restrictions are in place</p>		Discuss
<p>Work based learning under the hybrid model</p> <p><i>Work-based learning for some industries will be viewed as core provision</i></p> <p><i>There are options about how the hybrid model's roles are allocated across the sector / system including cases where providers will be operating in other regions</i></p> <p><i>The issue of how to manage issues of low or no regional capability also relates to WBL under the hybrid model</i></p>	<p>Table 3 outlines considerations for the future of WBL divisions, and these will intersect with how core provision might be maintained.</p> <p>Some industries do not want multiple relationships across the country or demand may not be sustainable for multiple provider. e.g. prefer for Core provision could in these cases be supported by 1-2 national lead providers instead</p> <p>TEC can make allocation decisions where industry has communicated such a preference</p>		Discuss



Shared academic committee

41. There is a legislative detail to confirm about the shared academic committee. We are assuming that a shared academic committee's role would be to advise each of the participating ITP Councils, rather than the federation, or the Open Polytechnic, i.e. that ultimately the Council of each ITP would remain accountable for decisions about programmes. This approach aligns with the other decisions you have made about the levers the federation will have available to it.

The Open Polytechnic

42. Tension potentially exists between the intended role of the Open Polytechnic and the income that can be derived from the different sides of its core business. Revenue from the provision side can be grown in a way that the service side cannot, which may place the Open Polytechnic at greater risk of moving into the core provision of federation members over time (or vice versa), especially if the Open Polytechnic or another ITP comes under financial pressure, or if income from its federation role becomes misaligned with costs over time.
43. Currently the major lever to manage that will be for TEC to utilise risk management levers, and possibly remove the anchor role from the Open Polytechnic as a last resort. We suggest that you remain open to further consideration of funding levers if the analysis next year of the Open Polytechnic's business model identifies risks in this regard.

Risks

44. As noted, there will be significant challenges to delivering on all your objectives in the timeframe along with ensuring continuity for learners and confidence from industry is maintained during the transition and into the operation of the new system. Attached as **Annex 1** is an alternative approach, that could achieve most of these objectives should these risks begin to become issues to manage.
45. We have previously raised this alternative approach with you verbally on 17 September 2024 and you indicated it was not your preference at that time. We are following up that conversation with a written version so that you have a record of it should you wish to revisit this approach.

Next Steps

46. We expect to provide you with the summary of submissions on 8 October, and will provide you with material ahead of our discussions in the week of 14 October to discuss policy proposals.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** that you have asked to discuss the federation model of the Vocational Education and Training System Redesign at our meeting on 1 October 2024

Noted

- b. **note** the summary of decisions so far and further discussion of some aspects of the federation including:
- i. legislation options for the federation model
 - ii. the touch points between the hybrid model and federation
 - iii. Further aspects of core provision, the shared academic committee and the Open Polytechnic

Noted

Proactive Release:

- c. **agree** that the Ministry of Education proactively release this paper only after full Cabinet consideration of the proposed disestablishment of Te Pūkenga, as part of a communications strategy associated with Government announcements on the proposed VET changes.

Agree / Disagree



Rachel Dillon
Programme Manager
Te Pou Kaupapahere

30 September 2024



Hon Penny Simmonds
Minister for Tertiary Education and Skills

6/10/24

Annexes

The following are annexed to this paper:

Annex 1: Achieving the Government's objectives for the VET system

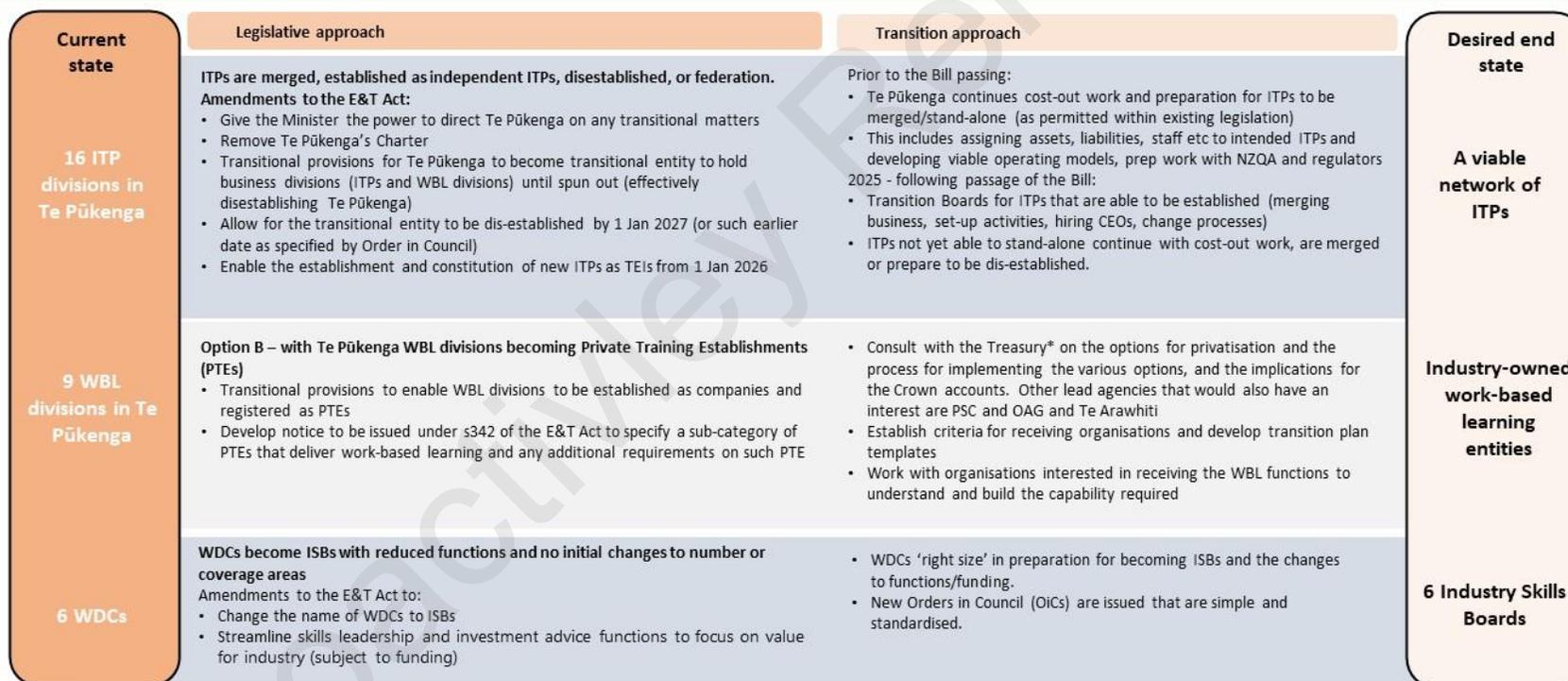
Proactively Released

Annex 1: Achieving the Government's objectives for the VET system

Key objective 1: To disestablish Te Pūkenga and replace it with a viable ITP network and work-based learning that responds to the needs of industry and regions

Key objective 2: To disestablish Workforce Development Councils and replace them with a streamlined standards-setting and strategic workforce analysis and planning function that is closer to industry

- The following diagram outlines what we consider to be the most straightforward pathway to achieving the Government's objectives for the VET system and safeguards continuity for learners and industry and employer confidence
- The combination of options shown would reduce the complexity of legislation changes and provide for a more straightforward transition.



Additional funding considerations

- We will need to work with Treasury to agree an approach to ITP reserves within Te Pūkenga and how and when the Budget contingency for transition will be accessed (e.g., will a Better Business case be needed, what capital will ITPs need to be viable on stand up etc).
- A decision will be required on a funding mechanism for ISBs, and what current funding sources will be reallocated to resource that mechanism.

***Note** that Treasury have advised that if any part of Te Pūkenga became private, then this would need to be derecognised from the Crown balance sheet, which would be a cost (we would expect that to impact on Budget allowances). Another pathway would be for the divisions to be initially established as one or more crown companies listed under Schedule 4A of the Public Finance Act, with a minimum of 51% Crown ownership and up to 49% ownership by industry. Such companies could later be sold into wholly private/ industry ownership.