



# Report: VET Redesign – Draft December Cabinet paper

To:	Hon Penny Simmonds, Minister for Tertiary Education and Skills		
Date:	1/11/2024	Deadline:	4/11/2024
Security Level:	In-Confidence	Priority:	High
From:	Rachel Dillon VET Programme Manager	Phone:	9(2)(a)
Drafter:	Miriam Gibson	METIS No:	1339063

## Why are we sending this to you?

- You are receiving this initial draft of your December Cabinet paper and Regulatory Impact Statement for your review.
- You are scheduled to circulate a draft Cabinet paper to your Ministerial colleagues 6 – 13 November.

## What action do we need, by when?

- We are seeking your feedback on the Cabinet paper by 4 November 2024. This will enable us time to reflect any changes you would like made prior to the paper going out for Ministerial consultation.
- Ministerial consultation is currently scheduled for 6-13 November 2024.

## Key facts issues and questions

- You are taking a paper to SOU and Cabinet on the 4<sup>th</sup> and 9<sup>th</sup> December, respectively, seeking agreement to your proposed redesign of the VET system.
- The Cabinet paper needs to be lodged with the Cabinet Office by 10 am 28 November 2024. There is currently a 10-page maximum for all Cabinet papers and we have worked to summarise as succinctly as possible, the necessary information for Cabinet to make informed decisions, but further editing will be required to meet the limit.

## 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 Tertiary Education and Skills portfolio.

## Background

2. Following consultation on your proposals for the redesign of the VET system from 1 August – 12 September 2024, we have worked with you to finalise the policy proposals for the reformed system.
3. You now need to seek Cabinet's agreement for these policy decisions. These will provide the authorisation necessary for us to issue drafting instructions to Parliamentary Counsel Office (PCO) so they can commence drafting a Bill.
4. We have prepared a first draft of a Cabinet paper for your consideration and feedback. The Cabinet paper has been drafted in line with the 'Memo to Ministers re Cabinet and Cabinet Committee processes' as at 23 September 2024. This requires Cabinet papers to be no longer than a maximum of 10 pages.
5. In line with that requirement we will need to continue to edit the current draft but we wanted to get you across the key information in this initial version. Our final proof reading will be done once we have had your feedback.

## Cabinet paper content

### Overarching approach

6. We provided you with a draft outline for this Cabinet paper at our meeting with you on Tuesday 29 October. The Cabinet paper attached (**Annex 1**) is built off that outline.
7. The paper sets out your objectives and vision for the redesign of the VET system. It also frames the issues in a way that is intended to resonate with your Ministerial colleagues and addresses their key concerns.
8. In particular, it walks through why change is needed, the trade-offs and hard calls that need to be made, and why a well functioning VET system is important in helping deliver successful performance and outcomes across all portfolios. The paper walks through how the reforms will deliver better value and a more responsive VET system that will contribute to the New Zealand's economic success and double export goal.
9. The paper also sets out the key cost drivers for ITPs, noting that significant cost-out work is underway to reduce these costs and shift the sector to a financially sustainable footing. It also sets out the benefits of the proposed VET system redesign for learners through a focus on quality provision and maximising the return on their investment in terms of their time and money.
10. Importantly, the paper includes content that will enable you to meet your obligations as set by Cabinet in July [SOU-24-MIN-0083 refers]. These are:
  - 10.1. **noted** that SOU also invited the Minister to report back on the findings from public consultation and final policy proposals for the redesigned VET system in November 2024 [SOU-24-MIN-0176];
  - 10.2. **agreed** that the outcomes of the cost modelling work will be reflected in the November 2024 Cabinet paper to support Ministers' decisions.

### Some decisions will be progressed in early 2025

11. We have previously agreed with you that you will provide a high-level overview of the key proposed funding shifts in the VET system and their implications in your December Cabinet

paper. In the draft Cabinet paper we have kept this at a very high level, signalling the types and scale of changes you are considering, which you will seek Cabinet agreement to in early 2025. This is intended to provide your colleagues with sufficient clarity on the direction of travel for VET funding, without needing to get into detail on the rationale and trade-offs associated with these changes, which would be very difficult to do in the limited space available.

12. We have also discussed with you the still significant number of unknowns regarding the viability of individual ITPs and their respective pathways to regional autonomy. In light of this, the Cabinet paper proposes coming back to Cabinet in the first half of 2025 with the final details of decisions on the future for each of the 16 ITPs. This will be within a framework of options that include standalone, part of a federation, merged to become a dual sector entity, closed or sold.

### The paper is clear about trade-offs and risks

13. The paper is clear about the difficult choices that need to be made and why. This is important because it is Cabinet, under the convention of collective decision-making that are accountable for the decisions in this paper.
14. The paper reflects that the decision to go hard and fast will have a number of benefits in that it provides the sector with much needed certainty and will restore confidence. However, there are risks that will need to be mitigated by strong decision making.

### Legislation

15. The paper sets out a proposed legislative framework to give effect to the policy proposals outlined. Subject to Cabinet's approval, this will provide us with sufficient authority to issue drafting instructions to PCO.

### Regulatory Impact Statement

16. We have also included a draft Regulatory Impact Statement (RIS) (**Annex 2**), noting that this is still being worked through, is subject to change and we have provided for your visibility. For example, costings have not been included in the assessment of overall impacts and we will also be working to include these. We will continue to refine the whole RIS early next week and will provide an updated draft to your office prior to your Ministerial consultation.
17. The RIS is scheduled to go through the Ministry of Education's Regulatory Impact Assessment quality assurance panel on 8 November 2024.

### Next Steps

18. Following your review of the Cabinet paper and RIS, we will incorporate your comments and feedback and provide you with an updated version prior to your paper going out for Ministerial consultation.
19. We will also provide you with draft cover emails/letters for key Ministers setting out the parts of the Cabinet paper that address their particular portfolio concerns.

### Annexes

The following are annexed to this paper:

**Annex 1:** Draft Cabinet paper

**Annex 2:** Draft Regulatory Impact Statement

**Final versions can be found at the following weblink:**

**<https://www.education.govt.nz/our-work/information-releases/issue-specific-information-releases/vocational-education-and-training-vet-redesign>**

## Recommended Actions

The Ministry of Education recommends you:

- a. **note** that a draft Cabinet paper and Regulatory Impact Statement are attached for your review and consideration, and these have not yet been socialised more widely

**Noted**

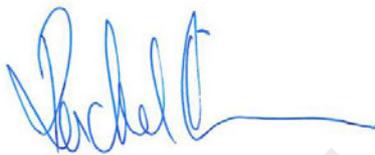
- b. **agree** to provide your comments and feedback to the Ministry by midday Monday 4 November 2024.

**Agree / Disagree**

### Proactive Release:

- c. **agree** that the Ministry of Education release this paper after Cabinet has taken policy decisions for the disestablishment and replacement of Te Pūkenga as part of the communications strategy for the announcement of those decisions, 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**

1/11/2024

Hon Penny Simmonds

**Minister for Tertiary Education and Skills**

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