

Cabinet Paper material

Proactive release

Minister & portfolio	Hon Penny Simmonds Minister for Vocational Education
Name of package	Redesign of Vocational Education and Training – Orders in Council progressing implementation
Date considered	24 Nov 2025
Date of release	3 Feb 2026

These documents have been proactively released:

Redesign of Vocational Education and Training – Orders in Council progressing implementation

Date considered: 24 Nov 2025

Office of the Minister for Vocational Education

Cabinet Legislation Committee Minute LEG-25-MIN-0242

Date considered: 20 Nov 2025

Committee Secretary

Cabinet Minute CAB-25-MIN-0457

Date considered: 24 Nov 2025

Secretary for the Cabinet

Material redacted

Some deletions have been made from the documents in line with withholding grounds under the Official Information Act 1982. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

The applicable withholding grounds under the Act are as follows:

Section 9(2)(f)(iv) to protect the confidentiality of advice tendered by Ministers of the Crown and officials

Section 9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinion

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In Confidence

Office of the Minister for Vocational Education
Chair, Cabinet Legislation Committee

Redesign of Vocational Education and Training – Orders in Council progressing implementation

Proposal

1 This paper seeks authorisation for submission to the Executive Council of the Orders in Council to:

- 1.1 establish ten polytechnics,
- 1.2 establish eight Industry Skills Boards,
- 1.3 disestablish six Workforce Development Councils, and
- 1.4 bring into force amendments to other Acts and secondary legislation.

Executive Summary

2 The Vocational Education and Training system, as reformed by the Education and Training (Vocational Education and Training System) Amendment Act 2025¹ (the Act), consists of education and training providers, including polytechnics, and Industry Skills Boards, which are standards and qualifications setting bodies. Orders in Council are required under the Act to establish polytechnics and Industry Skills Boards, disestablish the Workforce Development Councils (that the Industry Skills Boards will replace), and make consequential amendments to primary and secondary legislation needed once these Orders are made.

3 I have undertaken the consultation required by statute and have considered all the matters required by the Act, and recommend that Cabinet confirm its earlier in-principle decision to establish ten polytechnics and eight Industry Skills Boards. I also recommend Cabinet authorise the submission of Orders in Council to disestablish the Workforce Development Councils and consequential amendments. I propose that the 28-day rule be waived with regard to the Orders to establish polytechnics and Industry Skills Boards, as a 28-day delay will be counterproductive to the successful establishment of these organisations.

4 9(2)(f)(iv) I intend to communicate publicly that decisions are still to come and that in the meantime these polytechnics (as business divisions of the New Zealand Institute of Skills and Technology (NZIST)) will not be closing on 1 January 2026, but will continue to operate within NZIST, to mitigate the risk of disengagement from these polytechnics.

¹ The Education and Training (Vocational Education and Training System) Amendment Act 2025 amends the Education and Training Act 2020.

Policy

5 In June 2025, Cabinet agreed in-principle to establish ten stand-alone polytechnics [SOU-MIN-25-0076 refers] and eight industry-governed Industry Skills Boards [SOU-MIN-25-0068 refers], subject to the passage of the Education and Training (Vocational Education and Training System) Amendment Bill (the Bill). I was delegated authority to issue drafting instructions for the necessary Orders in Council to the Parliamentary Council Office on the basis of these in-principle decisions.

6 Cabinet previously agreed to disestablish all six Workforce Development Councils in December 2024 [SOU-24-MIN-0174 refers], and for Industry Skills Boards to undertake functions relating to workforce analysis and planning, standards setting and qualifications development, endorsing programmes and moderating assessments, advice and representation.

7 The organisations Cabinet agreed to establish in June 2025 are set out in the following table:

Polytechnic (to establish)	Industry Skills Board (to establish) ²
The Open Polytechnic of New Zealand	Transport
Universal College of Learning	Construction and specialist trades
Otago Polytechnic	Electrotechnology and information technology
Manukau Institute of Technology and Unitec	Food and fibre
Waikato Institute of Technology	Education, Health, and community
Toi Ohomai Institute of Technology	Energy and Infrastructure
Southern Institute of Technology	Manufacturing and engineering
Nelson Marlborough Institute of Technology	Services
Eastern Institute of Technology	
Ara Institute of Canterbury	

8 The Bill passed on 15 October 2025 and came into force on 22 October 2025. This paper sets out the proposed content for the necessary Orders in Council to give effect to these decisions. No new policy decisions are required.

Establishment of polytechnics

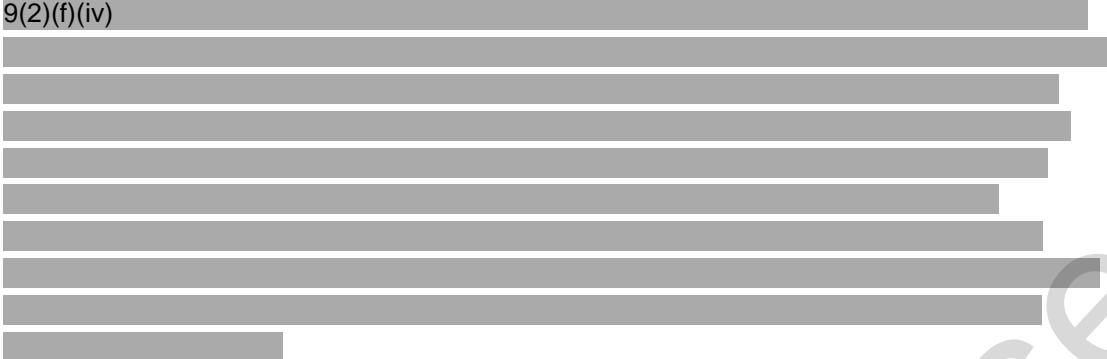
9 In June 2025, Cabinet agreed in principle, subject to the passage of the legislation and approval of Orders in Council, to establish ten polytechnics (with decisions on four polytechnic business divisions³ deferred until 2026 while further work on their financial sustainability is undertaken). These decisions were announced publicly on 14 July 2025.

10 I have received updated financial information from NZIST via the Tertiary Education Commission (TEC) and I am confident this information does not change the basis for the previous decisions by Cabinet. All ten polytechnics I intend to establish are either already financially viable or have a pathway to financial viability.

² Cabinet did not agree to named Industry Skills Boards, but to designated industry coverage. This list uses the proposed name, following and based on consultation with industry, for each Industry Skill Board.

³ These are Northtec, Western Institute of Technology Taranaki, Weltec and Whitireia Polytechnic, and Tai Poutini Polytechnic. Weltec and Whitireia Polytechnic have for many years been operating under common leadership and it is expected that should they be established it would be as a single merged entity. However, it is valid to view these as two former polytechnics, in which case decisions need to be made for five rather than four.

11 9(2)(f)(iv)



12 The proposals satisfy the requirements in new section 315(2), as inserted by the Act, for establishing a polytechnic as set out in the following paragraphs.

13 I am satisfied that each of the ten proposed polytechnics is capable of meeting the characteristics of polytechnics set out in new section 314. These characteristics include that the polytechnic provides a wide diversity of continuing education, will be responsive to the education and training needs of local communities and industries, undertakes research, particularly applied and technological research, and is able to improve outcomes for Māori in collaboration with Māori and iwi. In the small number of cases where polytechnics have room for improvement on some of these characteristics the TEC will work with them to improve these matters as part of the investment plan process.

14 I am satisfied that the establishment of each of the polytechnics is in the interests of the tertiary education system and the nation as a whole. A network of polytechnics capable of providing core foundation, vocational education and degree level and postgraduate study benefits New Zealand's regions.

15 I have considered advice provided by the New Zealand Qualifications Authority (NZQA) on quality assurance matters. See paragraphs 18 and 19 below.

16 I consulted with key stakeholders and have considered the submissions from them. The results of this consultation are set out from paragraph 45 below.

17 In the case of the Open Polytechnic, I am satisfied that its national coverage and strong financial position will enable it to perform the role of anchor polytechnic for the federation of polytechnics.

New Zealand Qualifications Authority Advice

18 I have considered advice from NZQA about the proposed polytechnics. NZQA has advised me that its monitoring of NZIST's polytechnic business divisions since 1 January 2024 has identified issues regarding their quality systems, some of which have been satisfactorily addressed and others that still need to be remedied. None of the issues identified are of sufficient magnitude to cause fundamental concern about any business division's overarching capability to deliver quality outcomes.

19 When the polytechnics are established, NZQA will engage with them to confirm that their academic structures, policies and procedures are functioning as required.

The Open Polytechnic as anchor polytechnic

20 Cabinet agreed in principle for the Open Polytechnic to be the anchor polytechnic of the federation of polytechnics. The federation itself is intended to become operational in mid-2026, when its members will be designated by *Gazette* notice. Designating the Open Polytechnic as its anchor now will assist in preparations and allow it to begin adding value to its members as quickly as possible.

21 I am satisfied that the Open Polytechnic will be able to provide the relevant services that the Federation Committee considers necessary to give effect to the purposes of the federation (new section 337(1)). The Open Polytechnic is in a strong financial position and currently delivers programmes across the country that can be adapted for local in-person or blended delivery. In addition, work has begun on developing how the federation will operate and what work needs to be undertaken before it can provide benefits to member polytechnics.

Industry Skills Boards

22 In June 2025, Cabinet agreed in principle, subject to the passage of the Bill and approval of Orders in Council, to establish Industry Skills Boards for eight broad industry groupings. These decisions were announced publicly on 14 July 2025.

23 The content of each Order in Council has been drafted according to the requirements in new section 362(2) and decisions made under the delegated authority provided to me by Cabinet in June [SOU-MIN-25-0068 refers]. Prior to the formal statutory consultation, I engaged with industry representatives on key elements of these Orders, which demonstrated higher than 90 percent support for each of those elements.

24 Under new section 362(3), before I recommend the submission of an Order in Council establishing an Industry Skills Board, I am required to consult with industry representatives of the specified industries and take into account their views on the following matters:

- 24.1 the proposed name and governance arrangements of the Industry Skills Board,
- 24.2 the desirability of avoiding duplication of resources in the coverage of industry skills boards in relation to the specified industries, and
- 24.3 the capability the proposed Industry Skills Board requires to perform and exercise its functions, duties, and powers efficiently and effectively.

25 I have undertaken the required formal consultation and the results are set out in paragraphs 45 to 48 below. Taking the views of industry representatives into account, I am satisfied that each of the proposed Industry Skills Boards should be established under the terms of the relevant Order in Council, and that each Board will have the capability required to perform and exercise its functions, duties, and powers efficiently and effectively.

Industry Coverage

26 My June 2025 Cabinet paper [SOU-MIN-25-0076 refers] noted that further work and engagement with industry would be undertaken on the allocation of specific sectors to an appropriate Industry Skills Board. Engagement on industry coverage has been undertaken by the TEC and its Establishment Advisory Groups, and consulted on as

part of the process described in paragraphs 24 and 25. The detailed industry coverage for each Industry Skills Board has been set out in Schedule 2 of each Order in Council.

27 In my June 2025 Cabinet paper, I had proposed that the Creative industries would be included in the Services Industry Skills Board's coverage. Following requests from industry and the results of formal consultation, Creative industries will now be covered by the Electrotechnology and Information Technology Industry Skills Board.

28 I am satisfied that the allocation of specific sectors to the coverage of each Industry Skills Board will avoid duplication of resources in respect of this coverage.

Disestablishment Orders for Workforce Development Councils

29 Workforce Development Councils are being replaced by Industry Skills Boards, which will have a more focussed set of functions and have stronger industry input and leadership. The Orders to disestablish Workforce Development Councils are purely technical and no consultation is needed for them, and no further requirements need to be met before issuing them.

30 Consultation was undertaken on the proposal to disestablish Workforce Development Councils during the policy development process, and also by the Education and Workforce Committee as part of the passage of the Bill.

31 The Workforce Development Councils being disestablished are:

- 31.1 Waihanga Ara Rau Construction and Infrastructure Workforce Development Council
- 31.2 Toi Mai Workforce Development Council
- 31.3 Services Workforce Development Council
- 31.4 Muka Tangata—People, Food, and Fibre Workforce Development Council
- 31.5 Hanga-Aro-Rau Manufacturing, Engineering, and Logistics Workforce Development Council
- 31.6 Community, Health, Education, and Social Services Workforce Development Council

Amendments to other Acts and secondary legislation

32 The Act allows for consequential changes to other Acts and secondary legislation to commence by Order in Council, which needs to be aligned with the date (1 January 2026) that Industry Skills Boards begin operating and the Workforce Development Councils are disestablished. These changes are enabled by the Education and Training (Vocational Education and Training System) Amendment Act Commencement Order 2025 (the Commencement Order).

Timing and 28-day rule

33 I propose that the Orders in Council to establish the new polytechnics and Industry Skills Boards come into effect on 25 November 2025, being the date on which they are notified in the *Gazette*, and that the usual 28-day rule before the Orders come into effect is waived accordingly. The reason the Orders need to commence earlier than

the 28-day rule would allow is to enable the new polytechnics and Industry Skills Boards to be operational from 1 January 2026.

34 For this start date to be achieved, the new organisations must be established as legal entities as soon as practicable so that the members of the governing bodies can be appointed to exercise the statutory powers under the new legislation as necessary to enable the transfer of assets and employees of NZIST and the Workforce Development Councils to the polytechnics and Industry Skills Boards on 1 January 2026. As such, the 28-day rule, which is in place to allow for the regulated parties to adjust as necessary to the regulations before they come into force, will be counterproductive in this case. I also note that the Orders are merely mechanisms by which to establish the new entities and, as such, have little or no direct effect on the public. I therefore seek agreement that the 28-day rule is waived for the Orders in Council that establish the new polytechnics and Industry Skills Boards.

35 The usual 28-day rule would apply to the Commencement Order and the Orders in Council for disestablishing the Workforce Development Councils since these Orders do not need to take effect until 1 January 2026, which is more than 28 days after the Orders are notified in the *Gazette*.

Compliance

36 The proposed Orders in Council comply with:

- 36.1 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993,
- 36.2 the principles and guidelines set out in the Privacy Act 1993, and
- 36.3 the Legislative Design and Advisory Committee (LDAC) Guidelines on the Process and Content of Legislation (2018 edition).

37 The Orders do not appear to be inconsistent with Treaty of Waitangi principles but, given the terms of the empowering provisions, do not include specific Treaty provisions.

38 An analysis of the Bill provided to the House in the Departmental Disclosure Statement noted some risks related to equal access to higher education and International Labour Organisation principles around collective bargaining for transition of staff to the new organisations. The Orders themselves do not change these risks.

Regulations Review Committee

39 There are no grounds for the Regulations Review Committee to draw the Orders in Council to the attention of the House under Standing Order 319.

Certification by Parliamentary Counsel

40 The draft Orders in Council have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet and the Executive Council, except that they come into force earlier than 28 days after notification in the *New Zealand Gazette*.

Impact Analysis

- 41 Regulatory Impact Analyses (RIS) were provided for Cabinet to consider the policy to disestablish Te Pūkenga and replace it with a network of regional polytechnics, and to disestablish Workforce development Councils and establish Industry Skills Boards.
- 42 A further RIS to support consideration of the Orders in Council is attached for your information. The Ministry of Education's internal Regulatory Impact Assessment Panel has assessed this RIS as meeting the Quality Assurance criteria.

Publicity

- 43 I intend to issue a press release alongside the publication of the Orders in Council. I also intend to make public statements to provide assurance that the polytechnics that remain within NZIST as business divisions are not being closed in January 2026, to mitigate the risk of disengagement from them.

Proactive release

- 44 I plan to proactively release this Cabinet paper in line with provisions in the Official Information Act 1982.

Consultation

Relevant private sector organisations and public consultation processes

- 45 In proposing to establish a polytechnic, in addition to considering advice from the NZQA, the Minister may consult other people as she sees fit (new section 315 refers). The key stakeholders I consulted on the establishment of the ten proposed polytechnics were local chambers of commerce, mayors, iwi, local and national student representative bodies, staff unions, the Establishment Advisory Boards, universities and wānanga, the Tertiary Education Union, and Business New Zealand.
- 46 The 22 submissions received were supportive overall of the proposed names of the polytechnics, and that they would likely fulfil the statutory characteristics of a polytechnic. Three submissions, in regard to the Otago Polytechnic, Toi Ohomai Institute of Technology, and Universal College of Learning, conveyed that they were unsure these polytechnics would undertake research, particularly applied and technological research. One submission, regarding Universal College of Learning, conveyed that they were unsure the polytechnic would improve outcomes for Māori students and trainees and Māori communities.
- 47 Before issuing an Order in Council to establish an Industry Skills Board, the Minister is required under new section 362 to consult with representatives of the specified industries proposed to be covered by the Orders in Council and take into account their views on the following:
 - 47.1 name and governance arrangements,
 - 47.2 the desirability of avoiding duplication of resources in the coverage of Industry Skills Board s in relation to the specified industries, and
 - 47.3 the capability required by the proposed Industry Skills Board to perform and exercise its functions, duties, and powers efficiently and effectively.

48 Respondents were broadly supportive of most proposed Industry Skills Boards. There was general support for the proposed names, with the exceptions of the Food and Fibre Industry Skills Board and the Electrotechnology and Information Technology Industry Skills Board. In these two cases, respondents favoured changing the name to reflect additional sectors covered by the Industry Skills Board. There was significant uncertainty regarding confidence in the governance requirements of the Industry Skills Boards, with 33% of responses neutral and 20% negative. Similarly, there was uncertainty in the ability of Industry Skills Boards to perform their functions, with 48% unsure and 23% responding negatively. Issues were typically related to implementation rather than characteristics of the Orders in Council, with the most frequently identified risk being the level of funding allocated to the Industry Skills Boards.

Ministries, Departments and Crown Entities

49 The Department of the Prime Minister and Cabinet, The Treasury, the Department of Internal Affairs, Inland Revenue Te Tari Taake, the Ministry for Ethnic Communities, the Ministry for Pacific Peoples, the Ministry for Primary Industries, the Ministry for Regulation, the Ministry for Women, the Ministry of Business, Innovation and Employment, the Ministry of Health, Health New Zealand Te Whatu Ora, the Ministry of Justice, the Ministry of Social Development, the Public Service Commission, The Office of Treaty Settlements Te Arawhiti, Te Puni Kōkiri Ministry of Māori Development, Whaihaha Ministry of Disabled People, the New Zealand Qualifications Authority, the Tertiary Education Commission, the Office of the Privacy Commissioner, Department of Corrections, Ministry of Transport, Ministry of Culture and Heritage, the Parliamentary Counsel Office, the Office of the Auditor General were provided the opportunity to comment on the draft Cabinet paper and draft Orders in Council.

Recommendations

I recommend that the Cabinet Legislation Committee:

1. **note** that the Education and Training (Vocational Education and Training System) Amendment Act 2025, (the Act), provides that the Governor-General may, by Order in Council made on the recommendation of the responsible Minister, establish polytechnics (new section 315(1) as inserted by the Act refers) and Industry Skills Boards (new section 362(1) refers)
2. **note** that the Act provides that the Governor-General may, by Order in Council made on the recommendation of the responsible Minister, specify the date on which a Workforce Development Council is disestablished, and provide for the distribution of residual assets and liabilities (including any liabilities for tax or redundancy payments) of the Workforce Development Council (Schedule 1, new clause 183(2) refers)
3. **note** that in June 2025, Cabinet agreed in-principle to establish ten stand-alone polytechnics [SOU-MIN-25-0076 refers] and eight industry-governed Industry Skills Boards [SOU-MIN-25-0068 refers], and delegated to the Minister for Vocational Education authority to issue drafting instructions to the Parliamentary Council Office on the basis of these in-principle decisions
4. **note** that the Education and Training Orders that accompany this paper give effect to the in-principle decisions referred to in paragraph 3 above

5. **note** that a waiver of the 28-day rule is sought on the grounds that the Orders establish organisations intended to be operational on 1 January 2026, that observing the 28-day rule would limit the establishment activities that can be completed before that date, and that a waiver allows the Orders for establishing ten polytechnics and eight Industry Skills Boards to come into force on 25 November 2025
6. **note** that in the case of Workforce Development Councils to be disestablished on 1 January 2026, a waiver of the 28-day rule is unnecessary because more than 28 days will pass before the operative date of disestablishment
7. **agree** to waive the 28-day rule for the Orders that establish the ten polytechnics and eight Industry Skills Boards so that the Orders can come into force on 25 November 2025
8. **note** that new section 315(2) requires that the responsible Minister be satisfied, for each polytechnic, that establishing the polytechnic is in the national interest and in the interests of the tertiary education system, having taken into account the characteristics of polytechnics
9. **note** that the Minister for Vocational Education has consulted with relevant mayors, chambers of commerce, Business New Zealand, iwi, tertiary student and staff groups and other tertiary education institutions, and this has identified no issues with making the proposed Orders
10. **note** the Minister for Vocational Education considers that each of the proposed polytechnics is capable of giving effect to the characteristics of polytechnics set out in new section 314, and that it is in the national interest and the interests of the tertiary education system to establish a network of regionally based polytechnics
11. **authorise** the Minister for Vocational Education to submit to the Executive Council the following Orders to establish polytechnics:

Title of Order

Education and Training (The Open Polytechnic of New Zealand) Order 2025
 Education and Training (Universal College of Learning) Order 2025
 Education and Training (Otago Polytechnic) Order 2025
 Education and Training (Manukau Institute of Technology and Unitec) Order 2025
 Education and Training (Waikato Institute of Technology) Order 2025
 Education and Training (Toi Ohomai Institute of Technology) Order 2025
 Education and Training (Southern Institute of Technology) Order 2025
 Education and Training (Nelson Marlborough Institute of Technology) Order 2025
 Education and Training (Eastern Institute of Technology) Order 2025
 Education and Training (Ara Institute of Canterbury) Order 2025

12. 9(2)(f)(iv)
 [REDACTED]
13. **note** that my public communications will include communications to mitigate the risk of disengagement from the remaining polytechnics, to provide assurance that the polytechnics still within NZIST as business divisions are not being closed in January 2026, and that continuity for existing learners is an emphasis in the work being done
14. **note** that new section 362(3) requires me to consult with representatives of the specified industries and take into account their views on the proposed name and governance arrangements of the Industry Skills Board, the desirability of avoiding duplication of resources in the coverage of Industry Skills Boards and the capability of the proposed

Board to perform and exercise its functions, duties, and powers efficiently and effectively

15. **note** that most respondents had no objection to establishing the proposed ISBs but that I will seek to meet with the Food and Fibre industry regarding some concerns expressed by them during consultation
16. **authorise** the Minister for Vocational Education to submit to the Executive Council the following Orders to establish Industry Skills Boards:

Title of Order

Education and Training (Construction and Specialist Trades Industry Skills Board) Order 2025

Education and Training (Education, Health, and Community Industry Skills Board) Order 2025

Education and Training (Electrotechnology and Information technology Industry Skills Board) Order 2025

Education and Training (Energy and Infrastructure Industry Skills Board) Order 2025

Education and Training (Food and Fibre Industry Skills Board) Order 2025

Education and Training (Manufacturing and Engineering Industry Skills Board) Order 2025

Education and Training (Services Industry Skills Board) Order 2025

Education and Training (Transport Industry Skills Board) Order 2025

17. **authorise** the Minister for Vocational Education to submit to the Executive Council the following Orders to disestablish Workforce Development Councils:

Title of Order

Education and Training (Disestablishment of Waihanga Ara Rau Construction and Infrastructure Workforce Development Council) Order 2025

Education and Training (Disestablishment of Toi Mai Workforce Development Council) Order 2025

Education and Training (Disestablishment of Services Workforce Development Council) Order 2025

Education and Training (Disestablishment of Muka Tangata—People, Food, and Fibre Workforce Development Council) Order 2025

Education and Training (Disestablishment of Hanga-Aro-Rau Manufacturing, Engineering, and Logistics Workforce Development Council) Order 2025

Education and Training (Disestablishment of Community, Health, Education, and Social Services Workforce Development Council) Order 2025

18. **authorise**, subject to agreement to recommendation 17 above only, the Minister for Vocational Education to submit to the Executive Council the Education and Training (Vocational Education and Training System) Amendment Act Commencement Order 2025

19. **note** that the Orders to establish the polytechnics and Industry Skills Boards come into force on 25 November 2025, and that the Orders to disestablish Workforce Development Councils and make consequential amendments to other Acts and secondary legislation come into force on 1 January 2026.

Authorised for lodgement

Hon Penny Simmonds

Minister for Vocational Education

Annexes

Annex 1 – *Regulatory Impact Statement – Establishing Polytechnics and Industry Skills Boards*



Regulatory Impact Statement: Establishing Polytechnics and Industry Skills Boards

Decision sought	<i>Authorisation for the submission of Orders in Council to the Executive Council for the establishment of independent polytechnics and Industry Skills Boards as part of the Vocational Education and Training redesign.</i>
Agency responsible	<i>Ministry of Education</i>
Proposing Ministers	<i>Hon Penny Simmonds, Minister for Vocational Education</i>
Date finalised	<i>10 November 2025</i>
<p>The Minister proposes to submit Orders in Council to the Executive Council to establish ten polytechnics and eight Industry Skills Boards (ISBs) and to disestablish six Workforce Development Councils (WDCs) from 1 January 2026. Five of the polytechnic divisions within Te Pūkenga/NZIST¹ assessed as not yet having a pathway to financial viability by 1 January 2026, would remain within the entity pending further Cabinet decisions in 2026. The list of proposed entities to be established and disestablished by Orders in Council is included as Annex 1.</p>	

Summary: Problem definition and options

What is the policy problem?

Orders in Council are necessary to implement the reforms outlined in the Education and training Act 2020, as amended by the Education and Training (Vocational Education and Training System) Amendment Act 2025 which came into force on 22 October 2025. Cabinet must confirm its in-principle decisions on the disestablishment of WDCs, the number of polytechnics to establish for operation from 1 January 2026, and the coverage of the eight proposed ISBs. Updated polytechnic financial analysis and further work on proposed ISB coverage has been completed to support these decisions.

What is the policy objective?

Substantive policy decisions on the objectives and structure for Vocational Education and Training (VET) redesign were taken by Cabinet in November 2024. This analysis supports decisions to authorise the Orders in Council required to establish the ten polytechnics and eight ISBs, and to disestablish the six WDCs, which are all included in Annex 1. The Orders in Council will need to be made before 1 January 2026 to meet Cabinet's agreed timeframes.

What policy options have been considered, including any alternatives to regulation?

¹ The Act renamed Te Pūkenga as the New Zealand Institute of Skills and Technology. Te Pūkenga/NZIST is used in this document for clarity.

Given previous Cabinet decisions to disestablish Te Pūkenga/NZIST and WDCs and to establish polytechnics and ISBs, the status quo is not viable and there are no non-regulatory alternatives. Cabinet has made in-principle decisions to establish 10 polytechnics and eight ISBs for operation from 1 January 2026.

What consultation has been undertaken

Public consultation and engagement on elements of the proposed VET redesign occurred over August and September 2024, January and February 2025, April and May 2025, September 2025, and during the Bill's Select Committee process. Establishment Advisory Groups for each proposed polytechnic and ISB have also undertaken additional stakeholder engagement. In line with requirements under sections 315 and 362 of the Education and Training Act 2020 (the Act), consultation was undertaken in October 2025 with relevant stakeholders on both the polytechnics and the ISBs that the Minister is proposing to establish.

Is the preferred option in the Cabinet paper the same as the preferred option in the RIS?

Industry Skills Boards:

The Ministry supports the preferred option in the Cabinet Paper to establish eight ISBs for operation from 1 January 2026, conditional on the mitigation of identified risks. We note potential capability, capacity, and service quality risks related to ISBs' ongoing funding, which would have been mitigated if fewer ISBs were established.

Polytechnics:

The Minister's proposal for polytechnics is consistent with the Ministry's preferred option, which is to establish the financially viable polytechnics for operation from 1 January 2026, as well as the marginal polytechnics where Cabinet accepts their current levels of financial risk.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Funding decisions, including those announced in Budget 2025, have provided for:

Industry Skills Boards:

A one-off establishment cost of \$10m, and \$30m per year in operating costs (a reduction from the current \$65m per year for WDCs).

Polytechnics:

The Ministry estimates the transition will cost approximately \$100m, assuming two years of operational funding support:

9(2)(b)(ii)

- \$20m to support strategically important regional VET provision.

Benefits (Core information)

Industry Skills Boards:

ISBs will be funded primarily by an annual Budget appropriation, and financial savings to the Crown will depend on Government decisions. Based on Budget 2025, there will be an annual \$35m saving compared to the status quo.

Polytechnics:

The Ministry expects the polytechnic changes will be neutral in the long term for operational Crown expenditure.

Balance of benefits and costs (Core information)

Industry Skills Boards:

Budget 2025 decisions mean that the likely overall impact on Crown expenditure will be positive in the medium-term (+\$35 million per year following the -\$10m establishment cost). Enabling ISBs to charge fees is likely to reduce some pressure for increased public funding as costs will be borne by providers but means that the likely impact on regulated parties will be negative. This impact will be mitigated through statutory provisions limiting fees to cost-recovery, and requirements for the Chief Executive of NZQA to approve fee levels.

Due to time and resource constraints, a detailed cost-benefit analysis has not been carried out following Budget 2025 decisions on the funding levels for ISBs. It is possible that when compared to WDCs, the higher number of ISBs alongside an overall reduction in public funding may lead to a loss in the benefits ISBs can provide. There is also a risk that ISBs will require additional Crown funding if they face financial or capability issues and their industries do not support the introduction of a levy.

The Ministry expects that the temporary transfer and management of Te Pūkenga/NZIST's work-based learning (WBL) activities to ISBs should be cost-neutral. Each ISB will be required to keep its WBL activities separate from other functions and fund this from a combination of public training subsidies and learner fees.

Polytechnics:

Establishing the new polytechnics is expected to cost the Crown \$100m over the two-year transition period. 9(2)(g)(i)

There is a risk that further operational funding may be needed if some polytechnics are not financially viable by the end of the transition period and the Government prioritises maintaining all regional coverage. The Government has signalled this would not be forthcoming and that polytechnics will need to make changes to maintain their viability.

Implementation

The Tertiary Education Commission (TEC) has been leading the preparation for establishing ISBs and polytechnics. Establishment Advisory Groups have been completing the detailed work to stand up each entity by 1 January 2026, in line with in-principle Cabinet decisions.

A governance group with representatives from the Ministry, TEC, the Treasury, and the Ministry for Social Development has convened to monitor and manage the transition risks. The Ministry of Education already monitors and reports on overall tertiary learner participation and achievement and will bring together reporting on system performance through the VET redesign as part of the regular cycle of publishing data on Education Counts.

Limitations and Constraints on Analysis

All analysis has been carried out in the context of previous Cabinet decisions to disestablish Te Pūkenga/NZIST and WDCs, and to establish ISBs and independent polytechnics. There have been tight timeframes for drafting and consulting on the Orders in Council between the

passage of legislation and the date to begin operation of 1 January 2026. This was mitigated by completing much of the work on the Orders in Council in-principle ahead of time (in line with in-principle Cabinet decisions) and through pre-consultation engagement with key stakeholders on their content. Key areas of uncertainty include that:

- Funding levels for ISBs were set through Budget 2025 before costs of standards-setting functions were modelled or decisions on the number of ISBs were made, limiting our ability to analyse the impacts of implementing this model.
- It is unclear whether industries will support the implementation of a levy if their ISBs require additional funding. This creates uncertainty for possible future Crown costs if ISBs struggle to be viable.
- It is unclear how polytechnics both inside and outside the federation will ultimately perform financially once they are established, despite best efforts at modelling.
- It is unclear how the costs for quality assurance which may be charged by the new ISBs could impact on the polytechnics' financials.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:



Katrina Sutich
General Manager, Tertiary Policy
10/11/2025

Quality Assurance Statement

Reviewing Agency: Ministry of Education	QA rating: Meets
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Panel Comment:

The Ministry of Education's Quality Assurance Panel has reviewed the Regulatory Impact Statement *Establishing Polytechnics and Industry Skills Boards* produced by the Ministry of Education (dated 10 November 2025). The panel considers that it meets the Quality Assurance criteria. The analysis effectively informs decisions on the number of independent polytechnics and ISB's to establish from January 2026 and clearly identifies the risks with the preferred options that need to be mitigated.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. In December 2024, Cabinet made high-level policy decisions to disestablish Te Pūkenga/NZIST and the WDCs and replace them with a network of polytechnics (with a federation to support them) and ISBs respectively. The Ministry provided a RIS that included a cost-benefit analysis for a range of options for a VET redesign ([VET RIS December 2024](#)), as well as providing in-depth Te Tiriti analysis.
2. In April 2025, Cabinet agreed that ISBs would temporarily take over the work-based learning currently managed by Te Pūkenga/NZIST. The Ministry provided a RIS to support Cabinet decision-making ([VET RIS April 2025](#)).
3. In June 2025, Cabinet agreed in-principle to establish eight ISBs and 10 independent polytechnics, with five polytechnic divisions remaining within the Te Pūkenga structure (renamed the NZ Institute of Skills and Technology) pending decisions in 2026. The Ministry did not provide a full RIS, but provided supporting analysis on the population impacts of the VET redesign as an [annex to the Cabinet Paper](#).
4. These in-principle decisions were made subject to the passage of enabling legislation and approval of Orders in Council by the Executive Council. Further design work was necessary to determine the detailed sector coverage for inclusion in each ISB's Order in Council. Updated financial analysis has also been received for each polytechnic division, which will support Cabinet in confirming its in-principle decisions.

What is the policy problem or opportunity?

5. This analysis supports decisions to authorise the Orders in Council required to establish the ten polytechnics and eight ISBs, and to disestablish the six WDCs, included in Annex 1. The Orders in Council will need to be issued as soon as practicable before 1 January 2026 to meet Cabinet's agreed timeframes.

What objectives are sought in relation to the policy problem?

Industry Skills Boards:

6. ISBs must be established as soon as practical to minimise uncertainty for industries, learners, and staff. The WBL assets and activities of Te Pūkenga/NZIST will also transfer into ISBs on 1 January 2026, requiring ISBs to be established and operational by then.
7. The ISB Orders in Council provide for their governance and administration arrangements, specified industries they cover, and any additional functions. The role of ISBs, as set out in their functions in the Act, will be to set relevant skills standards, qualifications and micro-credentials, assure the quality of vocational programmes that providers deliver (through endorsement and moderation), provide strategic analysis of skills and workforce needs for industries, and give advice to the TEC on programme funding.
8. The ISBs will also temporarily manage the work-based learning programmes currently offered by Te Pūkenga/NZIST. The assets and enrolments associated with each of Te Pūkenga/NZIST's WBL divisions will transition into the appropriate ISB, and relevant staff will be offered employment at that ISB. An ISB will be able to manage these programmes for up to two years. At the end of that period, they must have negotiated the transfer of these

activities to one or more providers (such as private training establishments, polytechnics, or wānanga) or end the programme concerned.

Polytechnics:

9. The selected polytechnic divisions within Te Pūkenga/NZIST need to be established as stand-alone entities to operate from 1 January 2026, ready to receive the programmes, assets, students, staff, and liabilities being transferred from Te Pūkenga/NZIST. This will minimise disruption and uncertainty for staff and the sector while ensuring continuity of provider-based provision.
10. The Act sets out the circumstances under which the responsible Minister can recommend the establishment of a polytechnic. A polytechnic needs to be viable to be established and the Minister needs to consider advice from NZQA and consult any other persons or bodies that the Minister sees fit. The Minister must also consider the characteristics of polytechnics as set out in the Act and be satisfied that establishing the polytechnic will be in the national interest and the interests of the tertiary education system.

What consultation has been undertaken?

11. Cabinet's decisions have been informed by extensive consultation and engagement, including:
 - consultation over August and September 2024 on proposals for the new system
 - consultation over January and February 2025 on options for WBL
 - consultation over April and May 2025 on the number and coverage of ISBs
 - engagement with industries in September and October 2025 on potential content of ISB Orders in Council
 - the Select Committee process for legislative changes
 - the ongoing work of Establishment Advisory Groups for each polytechnic and ISB.

Industry Skills Boards:

12. Relevant industry representatives were consulted in October 2025 on establishing the proposed ISBs, including their detailed coverage, as required by the Act. Respondents were generally supportive of most proposed ISBs, but there was significant uncertainty regarding confidence in governance requirements and the ability of the ISBs to perform their functions, most frequently raising funding as an operational risk. This consultation follows earlier public industry engagement on key elements of the ISB Orders in Council, which demonstrated a high level of support.

Polytechnics:

13. Aside from public consultation on the Act through the Select Committee process, there has not been further public consultation on the polytechnics since initial consultation in August and September 2024, but there is a significant level of public awareness that the Government seeks to return these to being self-governing institutions. The Minister consulted key stakeholders on the content of the Orders in Council in October 2025. Submissions were overall supportive of the proposed names of the polytechnics and agreed that they would likely fulfil the statutory characteristics of polytechnics.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

Industry Skills Boards:

14. The key issue for ISBs is that delaying the Orders in Council to establish ISBs for operation from 1 January 2026 would put the broader VET system redesign at serious risk. This would have a negative impact on VET providers and on WBL programmes which are due to be transferred to ISBs from this date.

Polytechnics:

15. For options on the number of polytechnics to establish for operation from 1 January 2026, the most important criteria is the minimisation of the financial risk associated with their pathways to viability in the transition period. Secondly, it is important to transition to the new VET system in a way that maximises educational outcomes for learners. These outcomes are inherent in the specific role and characteristics of polytechnics set out in section 314 of the Act, and the Minister is required to take these into account before recommending the establishment of a polytechnic. The benefits of a quick and effective transition to the new VET structure is another consideration, as a lengthy transition introduces risks of additional costs and uncertainty. This is consistent with a strong theme of change fatigue in consultation.
16. Specific operational considerations apply to some polytechnics, most notably that some will need to be placed in a federation to support their financial viability. This federation will likely only be established later in 2026, although the Open Polytechnic will be designated as the anchor polytechnic in the proposed Orders in Council.
17. In general, increasing the number of polytechnics to be established for operation from 1 January 2026 will mean establishing entities that are currently on the margin of financial viability. This increases the risk that some established polytechnics will struggle to be financially viable following their establishment, requiring further financial support (which the Government has signalled it will not provide outside of funding already in contingency), more significant financial improvement measures, or ultimately the failure of that polytechnic.

What scope will options be considered within?

18. Options will be considered within the scope of the previous in-principle Cabinet decisions, supporting final decisions with updated polytechnic financials and the finalised proposed Orders in Council. The establishment of polytechnics has primarily involved considering their different current financial positions and future pathways to financial viability.
19. The number and coverage of ISBs has been negotiated at a national level with industries, who will have responsibility for leading the new entities. Coverage decisions directly affect the cost, income, governance, and operational complexity of a given ISB, while also needing to be based on logically aligned sectors and to have credibility with industries. Coverage also affects which WBL divisions will transition to which ISBs. This severely limits the ability to consider options for ISB establishment other than those made in-principle by Cabinet.
20. Polytechnics and work-based learning can in-principle temporarily remain in Te Pūkenga/NZIST for a period. However, the intended disestablishment of WDCs means that there is no interim option for maintaining the standards-setting functions they perform if

ISBs are not stood up. Any gap in these critical activities would have significant negative impacts for the sector.

What options are being considered for Industry Skills Boards?

21. Cabinet has agreed in-principle to eight ISBs becoming operational from 1 January 2026, and options are therefore limited to whether to authorise these proposed Orders in Council or maintain the status quo by deferring establishment.
22. While there are also trade-offs for increasing or decreasing the number of ISBs to establish, the overall regulatory impacts of doing so are similar, as the functions and powers of ISBs are similar to those of the existing WDCs. Because ISBs are generally able to scale their activity and costs to match available funding there are fewer risks regarding their core financial viability than for polytechnics. The potential regulatory impacts of establishing ISBs are described in the marginal costs and benefits section below.

Option One – Defer establishment of ISBs

23. In this option, the disestablishment of WDCs would be deferred until Te Pūkenga/NZIST is fully disestablished. WBL divisions would also remain within Te Pūkenga/NZIST until that point, providing them with additional time to plan for the transition. The Ministry does not support this option.

Option Two – Implement the eight proposed ISBs from 1 January 2026

24. In this option, the disestablishment of WDCs would occur on the current intended date of 1 January 2026. The ISBs will be formally established as ‘paper entities’ in November 2025 and begin operating, including receiving WDC and WBL assets on 1 January 2026. The Ministry strongly supports this option.

	Option One – Defer establishment of ISBs	Option Two – Implement the eight proposed ISBs from 1 January 2026
Effect on VET providers	<p>---</p> <p>This would mean temporarily retaining current WDCs, which have already significantly reduced their staffing and capability in preparation for disestablishment. As the end date for Te Pūkenga/NZIST is not confirmed, this would create significant uncertainty for VET providers who are affected by standards-setters.</p>	<p>+</p> <p>This would be consistent with the current implementation plan, enabling transition of WDC functions from 1 January 2026 and maintaining continuity of VET functions.</p>
Effect on work-based learning	<p>---</p> <p>This would allow WBL divisions and industries more time to plan a possible rapid transition out of an ISB. WBL divisions would need to remain within Te Pūkenga/NZIST, creating significant uncertainty and disrupting planning of</p>	<p>+</p> <p>This would be consistent with the current implementation plan and enable a rapid transition to the post-ISB end-state for those WBL divisions that have been prepared for it.</p>

	divisions and industries who are prepared for a rapid WBL transition.	
Overall assessment	--	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

25. Option One would result in ISBs not being established to operate from 1 January 2026 and temporarily retain WDCs. While the WDCs perform many of the ISBs' proposed functions, they have significantly reduced their staffing and capability following Cabinet decisions to disestablish them, so it is unlikely they would be able to adequately perform their key functions. This option would cause significant delays in implementation of the overall VET redesign and introduce uncertainty and disruption for VET providers, WDC and WBL division staff, work-based learners, and industries that rely on work-based learning. It would also require the Te Pūkenga/NZIST to reorient itself toward (temporarily) managing the work-based programmes of its WBL divisions, which would be comparatively much larger than its remaining polytechnic division delivery.

26. Option Two would establish the eight planned ISBs, which is consistent with the implementation plan that was developed following Cabinet's in-principle decisions in June 2025. It would maximise continuity of the WDCs' functions and enable the transition of work-based learning out of Te Pūkenga/NZIST on 1 January 2026. This option would also minimise uncertainty for staff, learners, and industry, while managing the risks involved in transitioning to the new VET system.

What options are being considered for polytechnics?

27. Cabinet has agreed in-principle to establish 11 of Te Pūkenga/NZIST's 16 polytechnic divisions as 10 independent polytechnics (which includes a merged entity). Because financial viability is a key driver for when polytechnics can be established, there are additional operational options and financial analysis to consider when confirming this decision.

28. Each polytechnic has unique circumstances that affect the likelihood it can be financially viable from 1 January 2026. Some are already financially viable or have low risk pathways to financial viability by 1 January 2026, while others have no pathways within this timeframe. There are also marginal cases, where polytechnics have higher-risk pathways to viability.

29. The option of merging some of the deferred polytechnics with stronger polytechnics was considered. This was rejected for now as some polytechnics are implementing financial improvement plans that could demonstrate their ability to be viable entities and therefore to be established during 2026. In other cases, community and local government-led work is ongoing to propose a future delivery model in the region. The Minister preferred to allow this work to continue while there was still time for it to result in a positive outcome for the relevant regions.

30. Based on financial analysis of each potential polytechnic, included in Annex 2, the Ministry considers:

- seven are already financially viable or very likely to be by 1 January 2026². These are:
 - Ara Institute of Canterbury.
 - Unitec/Manukau Institute of Technology (merged).
 - Eastern Institute of Technology.
 - Nelson Marlborough Institute of Technology.
 - The Open Polytechnic of New Zealand (Anchor for federation).
 - Toi Ohomai Institute of Technology.
 - Waikato Institute of Technology.
- three will have pathways to financial viability by 1 January 2026, with varying levels of associated risk. These are:
 - Otago Polytechnic (within federation).
 - Southern Institute of Technology.
 - Universal College of Learning (within federation).
- At the time of Cabinet decisions in June 2025, the remaining polytechnic divisions did not have pathways to financial viability by 1 January 2026. The Ministry understands that they have undertaken financial improvement work, which will continue into 2026 and inform decisions about if they can be established as standalone entities or as part of the federation in the first half of 2026.

31. The Ministry has identified different options for which polytechnics to establish for operation from 1 January 2026, based on their different financial risk profiles. Each is an operational approach to achieving the policy objective of establishing a full network of independent polytechnics. Under all options, polytechnic divisions of Te Pūkenga/NZIST that are not stood up from 1 January 2026 will remain within Te Pūkenga/NZIST until further Cabinet decisions are made on their future in 2026.

32. The status quo is not included in the analysis because Cabinet has already agreed to establish independent polytechnics from 1 January 2026.

Option One – Establish only the clearly financially viable polytechnics for operation from 1 January 2026

33. This option will result in the establishment of the seven polytechnics on 1 January 2026 that are already financially viable or have low-risk pathways to financial viability. Other polytechnics would be deferred or considered for mergers with low-risk polytechnics.

Option Two – Establish financially viable polytechnics and marginal polytechnics where Cabinet accepts the current level of financial risk [Minister's preferred]

34. This option will result in the establishment of between seven and ten polytechnics from 1 January 2026. The final number will depend on how much financial risk Cabinet is willing to

² Financial viability by 1 January 2026 does not mean a polytechnic must be in surplus by then. Rather, it must have a plan that will enable it to be viable by the time its capitalisation funding is exhausted.

accept by establishing more marginal polytechnics. Cabinet has agreed in-principle to proceed with this option and establish ten polytechnics from 1 January 2026.

Option Three – Establish all polytechnic divisions as independent polytechnics for operation from 1 January 2026

35. This option will result in the establishment of all 14 possible polytechnics from 1 January 2026. It is likely some of these would not be able to continue operating without further financial support from the Government.

How do the options compare to the status quo/counterfactual?

	Option One – only clearly financially viable polytechnics	Option Two – financially viable and some marginal polytechnics	Option Three – all possible polytechnics
Minimises financial risk	<p>+</p> <p>Involves little ongoing financial risk, as all established polytechnics are likely to be financially viable. There is a risk that as more of the system will remain within Te Pūkenga/NZIST, this may result in liabilities to the Crown.</p>	<p>-</p> <p>Involves some financial risk, as some marginal polytechnics will be established. These may require further support if they struggle to be financially viable (which the Government has signalled it will not meet).</p>	<p>--</p> <p>Involves significant financial risk, as polytechnics will be established with no pathway yet to financial viability. Even without additional Crown funding, there are likely costs if a significant portion of the system became unviable in a similar timeframe.</p>
Minimises risks to transition period	<p>-</p> <p>This could result in implementation delays, as decisions on marginal polytechnics would need to be deferred to later in 2026.</p>	<p>+</p> <p>This option is consistent with the current implementation plan.</p>	<p>+</p> <p>This would result in a rapid transition to the new independent polytechnic structure.</p>
Maximises educational opportunities	<p>-</p> <p>Regions without independent polytechnic coverage rely on Te Pūkenga/NZIST's polytechnic divisions and face uncertainty about future provision, giving learners and employers less confidence to enrol.</p>	<p>+</p> <p>Certainty about future educational arrangements provided for more regions, with local governance to develop core provision in consultation with local region.</p>	<p>--</p> <p>The level of financial improvement required for the higher-risk polytechnics could lead to significant losses of programmes and provision.</p>
Overall assessment	<p>-</p>	<p>+</p>	<p>--</p>

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

36. Option 1 is conservative and would mean the Government can have a high level of confidence in the viability of the established polytechnics, but it could result in delays to the overall implementation timeline. There are also educational risks to a greater number of learners who would not yet be covered by an independent polytechnic. Greater uncertainty in future provision can reduce the confidence of learners and employers to enrol, particularly if they are undertaking multi-year programmes.
37. Option 2 is the Ministry's preferred option, and suggests Cabinet is in the best position to weigh the financial and educational risks posed by the polytechnics that are on the margin of financial viability. The Ministry agrees the financial risk posed by the four not-yet-viable polytechnics is too high at this stage and considers the establishment of only the clearly viable polytechnics to be unnecessarily risk-averse. The Ministry has no recommendation for which specific marginal polytechnics to establish for operation from 1 January 2026, as this is a risk-based operational decision. However, the Ministry has provided Cabinet with detailed financial analysis for each, produced by the TEC and included as Annex 2.
38. Option 2 is also consistent with our previous advice, which was to make the legislative changes to provide for the establishment of polytechnics but only to establish them when they have had time to implement most of their financial improvement plans, and when the Government has confidence in their future pathways. This would help to mitigate implementation risks arising from the pace and scope of change and would better manage the risks associated with a rapid transition and the variable pathways to viability among Te Pūkenga/NZIST's existing polytechnic divisions.
39. Option 3 poses the greatest financial risk, as it would mean establishing several independent polytechnics that are unlikely to be viable yet without further Government intervention. The reductions in expenditure some polytechnics would likely have to make could significantly reduce their programme offerings. Although this option does result in the fastest transition to the intended end-state of the VET redesign, underlying instability and lack of certainty about the future may persist.
40. Several polytechnics will likely rely on sharing resources through the federation of polytechnics to be financially viable. This federation will not be established until later in 2026, but the risk is mitigated because polytechnics will have working capital upon establishment and could operate at a short-term loss until they enter the federation. Any proposal to establish a federation will be accompanied by further regulatory impact analysis in 2026.

Are the Minister's preferred options for ISBs and polytechnics in the Cabinet paper the same as the agency's preferred options in the RIS?

41. The Ministry supports the preferred option in the Cabinet Paper to establish eight ISBs for operation from 1 January 2026, conditional on the mitigation of identified risks. We note potential capability, capacity, and service quality risks related to ISBs' ongoing funding, which would be lower if fewer ISBs were established. The Ministry supports the decision not to transfer standards-setting coverage of any sectors to NZQA.
42. The Minister's proposal for polytechnics is consistent with the Ministry's preferred option, which is to establish the clearly financially viable polytechnics for operation from 1 January 2026, as well as the marginal polytechnics where Cabinet accepts their current levels of

financial risk. The four polytechnics assessed as not yet having a pathway to financial viability would remain in Te Pūkenga/NZIST until further decisions are made in 2026. The Ministry has not recommended which marginal polytechnics to establish from 1 January 2026.

43. There are benefits to a quick and effective transition to the new polytechnic structure and change fatigue was a clear theme during consultation. However, increasing the number of polytechnics established at once also exacerbates transition risks, particularly considering some will rely on a federation that will not be stood up until mid-2026 at the earliest.
44. On balance, the Ministry supports the Minister's assessment that the risks involved in establishing some marginal polytechnics for operation from 1 January 2026 can be managed. This is because there is a capable monitoring agency in place with intervention tools available.

What are the marginal costs and benefits of the preferred options in the Cabinet paper?

ISB Option Two – Implement the eight proposed ISBs from 1 January 2026 [Minister preferred]

45. Budget 2025 provided for a one-off \$10 million appropriation to cover ISB establishment costs and \$30 million of future operational funding annually. This is a significant reduction from the current \$65 million annual funding allocated to current WDCs, which are fully publicly-funded. As there will be more ISBs than current WDCs, the overall proportion of public funding going to governance and administrative costs may increase.
46. ISBs will have the option to raise revenue from additional sources beyond public funding. They will be able to charge providers to recover costs for their quality assurance services. If there is demonstrated industry support, ISBs can also request that the Minister introduce a compulsory levy on their industry to fund them.
47. The ability for ISBs to charge providers for quality assurance will introduce new costs for both public and private sector providers. This is currently provided at no cost to providers by the WDCs and so if introduced would be an additional financial cost imposed on providers to comply with the new regulatory regime. The Ministry considers that many ISBs are likely to use this power, but as each ISB will set these fees independently it does not have an estimate for the overall cost to providers. Legislation will constrain these costs by only permitting the ISB to recover costs and by requiring the Chief Executive of NZQA to approve an ISB's fee schedule.
48. The option to introduce industry levies to fund standard-setting bodies has existed in legislation since 2002 but has never been used. The levy power possessed by ISBs is essentially the same as that possessed by WDCs (but with a less specific threshold for implementation) and represents neither a significant benefit nor cost. It is unclear how likely industries are to support a levy in the future, and this will likely vary by sector.
49. If the future funding model for ISBs requires them to rely on alternative funding sources to remain viable, there is an increased likelihood ISBs may seek to introduce compulsory levies on their sectors. This would introduce additional costs for industry which have not been modelled. The regulatory impact of a potential levy is somewhat mitigated because any levy would need industry support. Any Order in Council to introduce a levy would be secondary legislation and subject to regulatory impact analysis before being implemented.

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Crown costs	One-off establishment cost of \$10m. Risk that further funding may be needed if public funding does not support expected service quality, and ISBs cannot raise enough to fund expectations through options of charging providers/an industry levy.	\$10m.	Medium
Industry (regulated)	Lower public funding may increase probability of an ISB pursuing an industry levy. Levies must be supported by an industry.	Unknown financial cost which may not occur.	Low
VET providers	ISBs will have the option to charge providers to recover costs for the quality assurance services they provide.	Unknown, but highly likely to occur.	Medium
Total monetised costs	Establishment cost and a risk further funding will be required. Costs to providers and possibly for industry.	\$10m one-off. Unknown costs to providers and industry.	Low
Non-monetised costs	There may be a reduction in the quality of services ISBs can provide with the reduced funding.		Medium
Additional benefits of the preferred option compared to taking no action			
Public benefits	Proposed \$30m per year in operational funding is a reduction from current \$65m for WDCs but is subject to annual Budget decisions rather than inherent to the ISB model. Ability to charge providers fees may reduce reliance on public funding.	Saving of +\$35m per year.	Medium
Total monetised benefits	Depends on annual Budget decisions rather than representing underlying efficiencies and savings in the ISB model. May be reduced if ISBs require further funding.	+\$35m saving per year.	Medium
Non-monetised benefits	Minimal.	Minimal.	High

Polytechnic Option Two – Establish financially viable polytechnics and the marginal polytechnics where Cabinet accepts the current level of financial risk [Minister preferred]

50. The Ministry expects the total transition to cost the Crown approximately \$100m, assuming two years of operational funding support. These costs are included in the table below.

51. Beyond the two-year transition period, possible costs are uncertain. They will depend on the financial performance of the polytechnics – which can depend on exogenous factors like international student numbers. The Government has signalled it will not provide further funding such as Crown Loans or capital injections after the transition for polytechnics that cannot manage within their means (beyond the grants provided through the tertiary education funding system). Additional costs to the Crown and learners will come through any future adjustments at Budget to tertiary grants funding and Annual Maximum Fee Movement settings.

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Crown costs	<p>9(2)(b)(ii) [REDACTED] [REDACTED] \$20m to support strategically important provision. Operational figures assume a two-year transition. Risks of additional costs during transition.</p>	\$100m cost.	Medium
Total monetised costs	Te Pūkenga is also funding activities from its reserves including capitalisation and preparation for merging business units of Unitec and MIT.	\$100m cost.	Medium
Non-monetised costs	Learners and employers in regions without established polytechnics face a period of uncertainty.	Moderate.	Medium
Additional benefits of the preferred option compared to taking no action			
Crown costs	Expect the overall change to operational Crown costs to be approximately neutral beyond the transition.	Neutral.	Medium
Total monetised benefits	Minimal.	Minimal.	Medium
Non-monetised benefits	It will take time to see how the intended benefits of the redesign materialise (such as enhancing regional voice in decision-making).	Unknown.	Medium

Section 3: Delivering an option

How will the proposal be implemented?

52. Following the high-level policy direction decided by Cabinet in December 2024, the Ministry and the TEC established the VET System Redesign Implementation Governance/Challenge Group (the Group). This body meets once a month to provide high-level strategic guidance, peer review, and challenge at critical junctures in the VET redesign. The membership of the Group includes the Chief Executives and senior officials from the Ministry and the TEC, as well as senior officials from the Ministry of Social Development and the Treasury.
53. The Ministry has maintained a risks and issues register for the VET redesign to support the Group in its governance role. Key implementation risks and possible mitigations have regularly been raised to the Group to ensure robust risk management.

Industry Skills Boards:

54. Establishment Advisory Groups (EAGs) have been set up by TEC to make in-principle decisions needed to set up the future ISBs, each comprising three members. Following passage of the legislation, the Minister will appoint two members to each ISB, who will then appoint the remaining six Board members from industry nominations.
55. Each WDC will develop a transition plan for shifting relevant staff and assets to one or more appropriate ISBs. Te Pūkenga/NZIST will also develop a transition plan for moving each of its WBL division assets, enrolments, and appropriate staff to an appropriate ISB. The TEC will be responsible for approving both types of transition plans.
56. ISBs will start out with uniform organisational structures, and it will be for the Boards appointed in 2026 to make necessary changes, continue implementation, and introduce additional revenue streams beyond their public funding.

Polytechnics:

57. As for ISBs, EAGs are working to ensure selected polytechnics can operate from 1 January 2026. Appointments will be made to their initial councils to take effect from the date of their establishment. Programmes, training activities, functions, assets and required staff from Te Pūkenga/NZIST will transfer to polytechnics under a transition plan to be approved by the TEC.
58. Te Pūkenga/NZIST will remain as a transitional entity for unallocated programmes and activities for a period after commencement. Learners will continue to have access to vocational education and training opportunities in their regions through their local polytechnics, private training establishments, and wānanga.
59. The transition planning process will identify employees whose positions need to transfer with the programmes. Provisions for the transfer of employees are included in the Act. The process for making offers of employment to staff at the new entities will begin before the end of 2025.

How will the proposal be monitored, evaluated, and reviewed?

60. The Ministry is confirming an approach to monitoring the VET system that will draw on existing data sources and outline agency responsibilities for data and trend analysis. The Ministry will prioritise data on learner outcomes and transition risks, as well as on overall system performance, considering the intended outcomes of the VET redesign.

61. The Ministry already reports on the overall participation and achievement of learners in the tertiary system. Monitoring of learner outcomes will rely on our existing mechanisms unless further data is needed to monitor emerging risks.
62. The VET redesign will be implemented over the next two years, so it will take time to build a comprehensive picture of how risks and issues are materialising and the success of the redesign in meeting intended outcomes. Further work is underway to determine how to measure and report on the intended policy outcomes of the VET redesign.

Implementation risk summary

63. Key risks for the current proposed approach include:

Industry Skills Boards:

- If ISBs do not receive adequate funding through annual Budget rounds and any other income sources, then there could be an ongoing reduction in service delivery, capability, and capacity.
- If ISBs are not operational on 1 January 2026, then there will be no entities equipped to take over the current roles of WDCs or (temporarily) Te Pūkenga/NZIST's WBL programmes and assets.
- If the offer and acceptance process of WDC staff by ISBs is not complete by 1 January 2026 when WDCs are disestablished, then there will be uncertainty for staff.

Polytechnics:

- If individual independent polytechnics (both inside and outside the federation) struggle to be financially viable by the end of the transition period, then the Government will need to decide whether to address this with further funding or potentially reduce polytechnic coverage. The Government has signalled that the relevant legislative provisions that allow for the disestablishment or merger of polytechnics will be used if it becomes clear that particular polytechnics are unable to reach viability.
- If the financial improvement plans do not succeed, particularly for the marginal group of polytechnics, this may lead to further reductions in programmes so that they can no longer meet the characteristics of polytechnics under the Act.
- If the potential costs charged by ISBs to providers are significant, then it could impact the pathways to financial viability of independent polytechnics.
- If the polytechnic federation is not established in 2026 to support polytechnics, then the financial risk to those polytechnics increases.
- If polytechnic divisions remain in Te Pūkenga/NZIST for an extended period without further decisions, then learner success may be adversely affected by the uncertainty and the needs of Te Pūkenga/NZIST to wind up its operation by April 2027 at the latest.

Annex 1: Entities proposed to be established and disestablished from 1 January 2026**Polytechnics to be established:**

Ara Institute of Canterbury	
Eastern Institute of Technology	
Toi Ohomai Institute of Technology	
Waikato Institute of Technology	
Nelson Marlborough Institute of Technology	
Southern Institute of Technology	
Unitec / Manukau Institute of Technology	Merged
The Open Polytechnic of New Zealand	Anchor polytechnic of federation
Otago Polytechnic	Likely federation member
Universal College of Learning	Likely federation member

Polytechnics to remain in Te Pūkenga/NZIST:

NorthTec	9(2)(f)(iv)
Western Institute of Technology	
Whitireia / WelTec	
Tai Poutini Polytechnic	

Industry Skills Boards to be established from 1 January:

Transport ISB
Construction and Specialist Trades ISB
Electrotechnology and Information Technology ISB
Food and Fibre ISB
Education, Health and Community ISB
Energy and Infrastructure ISB
Manufacturing and Engineering ISB
Services ISB

Workforce Development Councils to be disestablished from 1 January:

Toi Mai WDC
Hanga-Aro-Rau Manufacturing, Engineering and Logistics WDC
Community, Health, Education, and Social Services WDC
Muka Tangata — People, Food, and Fibre WDC
Services WDC
Waihanga Ara Rau Construction and Infrastructure WDC

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Cabinet Legislation Committee

Minute of Decision

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Redesign of Vocational Education and Training: Orders in Council Progressing Implementation

Portfolio **Vocational Education**

On 20 November 2025, the Cabinet Legislation Committee:

- 1 **noted** that the Education and Training (Vocational Education and Training System) Amendment Act 2025, (the Amendment Act), provides that the Governor-General may, by Order in Council made on the recommendation of the responsible Minister, establish polytechnics and Industry Skills Boards (ISBs);
- 2 **noted** that the Amendment Act provides that the Governor-General may, by Order in Council made on the recommendation of the responsible Minister, specify the date on which a Workforce Development Council is disestablished, and provide for the distribution of residual assets and liabilities (including any liabilities for tax or redundancy payments) of the Workforce Development Council;
- 3 **noted** that in June 2025, Cabinet agreed in-principle to establish ten stand-alone polytechnics [SOU-MIN-25-0076] and eight industry-governed ISBs [SOU-MIN-25-0068], and delegated to the Minister for Vocational Education authority to issue drafting instructions to the Parliamentary Council Office on the basis of these in-principle decisions;
- 4 **noted** that the Education and Training Orders under LEG-25-SUB-0242 give effect to the in-principle decisions referred to in paragraph 3 above;
- 5 **noted** that a waiver of the 28-day rule is sought on the grounds that the Orders establish organisations intended to be operational on 1 January 2026, that observing the 28-day rule would limit the establishment activities that can be completed before that date, and that a waiver allows the Orders for establishing ten polytechnics and eight ISBs to come into force on 25 November 2025;
- 6 **noted** that in the case of Workforce Development Councils to be disestablished on 1 January 2026, a waiver of the 28-day rule is unnecessary because more than 28 days will pass before the operative date of disestablishment;
- 7 **agreed** to waive the 28-day rule for the Orders that establish the ten polytechnics and eight ISBs so that the Orders can come into force on 25 November 2025;

8 **noted** that section 315(2) of the Education and Training Act 2020 (the Act) requires that the responsible Minister be satisfied, for each polytechnic, that establishing the polytechnic is in the national interest and in the interests of the tertiary education system, having taken into account the characteristics of polytechnics;

9 **noted** that the Minister for Vocational Education (the Minister) has consulted with relevant mayors, chambers of commerce, Business New Zealand, iwi, tertiary student and staff groups and other tertiary education institutions, and this has identified no issues with making the proposed Orders;

10 **noted** that the Minister considers that each of the proposed polytechnics is capable of giving effect to the characteristics of polytechnics set out in section 314 of the Act, and that it is in the national interest and the interests of the tertiary education system to establish a network of regionally based polytechnics;

11 **authorised** the submission to the Executive Council of the:

- 11.1 Education and Training (Ara Institute of Canterbury) Order 2025 [PCO 28376/5.0];
- 11.2 Education and Training (Eastern Institute of Technology) Order 2025 [PCO 28377/5.0];
- 11.3 Education and Training (Nelson Marlborough Institute of Technology) Order 2025 [PCO 28378/5.0];
- 11.4 Education and Training (Southern Institute of Technology) Order 2025 [PCO 28379/5.0];
- 11.5 Education and Training (Toi Ohomai Institute of Technology) Order 2025 [PCO 28380/5.0];
- 11.6 Education and Training (Waikato Institute of Technology) Order 2025 [PCO 28381/5.0];
- 11.7 Education and Training (Manukau Institute of Technology and Unitec) Order 2025 [PCO 28382/5.0];
- 11.8 Education and Training (Otago Polytechnic) Order 2025 [PCO 28383/5.0];
- 11.9 Education and Training (Universal College of Learning) Order 2025 [PCO 28384/5.0];
- 11.10 Education and Training (The Open Polytechnic of New Zealand) Order 2025 [PCO 28385/4.0];

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13 

14 **noted** that section 362(3) of the Act requires the responsible Minister to consult with representatives of the specified industries and take into account their views on the proposed name and governance arrangements of the ISB, the desirability of avoiding duplication of resources in the coverage of ISBs and the capability of the proposed Board to perform and exercise its functions, duties, and powers efficiently and effectively;

15 **noted** that most respondents had no objection to establishing the proposed ISBs but that the Minister will seek to meet with the Food and Fibre industry regarding some concerns expressed by them during consultation;

16 **authorised** the submission to the Executive Council of the following Orders:

- 16.1 Education and Training (Transport Industry Skills Board) Order 2025 [PCO 28368/8.0];
- 16.2 Education and Training (Construction and Specialist Trades Industry Skills Board) Order 2025 [PCO 28369/8.0];
- 16.3 Education and Training (Food and Fibre Industry Skills Board) Order 2025 [PCO 28370/8.0];
- 16.4 Education and Training (Education, Health, and Community Industry Skills Board) Order 2025 [PCO 28371/10.0];
- 16.5 Education and Training (Energy and Infrastructure Industry Skills Board) Order 2025 [PCO 28372/10.0];
- 16.6 Education and Training (Manufacturing and Engineering Industry Skills Board) Order 2025 [PCO 28373/8.0];
- 16.7 Education and Training (Electrotechnology and Information Technology Industry Skills Board) Order 2025 [PCO 28374/10.0];
- 16.8 Education and Training (Services Industry Skills Board) Order 2025 [PCO 28375/8.0];

17 **authorised** the submission to the Executive Council of the following Orders:

- 17.1 Education and Training (Disestablishment of Community, Health, Education, and Social Services Workforce Development Council) Order 2025 [PCO 28362/5.0];
- 17.2 Education and Training (Disestablishment of Hanga-Aro-Rau Manufacturing, Engineering, and Logistics Workforce Development Council) Order 2025 [PCO 28363/5.0];
- 17.3 Education and Training (Disestablishment of Muka Tangata—People, Food, and Fibre Workforce Development Council) Order 2025 [PCO 28364/5.0];
- 17.4 Education and Training (Disestablishment of Services Workforce Development Council) Order 2025 [PCO 28365/5.0];
- 17.5 Education and Training (Disestablishment of Toi Mai Workforce Development Council) Order 2025 [PCO 28366/6.0];
- 17.6 Education and Training (Disestablishment of Waihanga Ara Rau Construction and Infrastructure Workforce Development Council) Order 2025 [PCO 28367/6.0];

18 **authorised** the submission to the Executive Council of the Education and Training (Vocational Education and Training System) Amendment Act 2025 Commencement Order 2025 [PCO 28459/4.0];

19 **noted** that the Orders in paragraphs 11 and 16 above come into force on 25 November 2025, and that the Orders in paragraphs 17 and 18 above come into force on 1 January 2026.

Tom Kelly
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Chris Bishop (Chair)
Hon Paul Goldsmith
Hon Judith Collins KC
Hon Shane Jones
Hon Tama Potaka
Hon Nicole McKee
Hon Casey Costello
Hon Penny Simmonds
Hon Scott Simpson
Stuart Smith MP
Todd Stephenson MP
Jamie Arbuckle MP

Officials present from:

Officials Committee for LEG
Office of the Leader of the House
Office of the Minister for Vocational Education



Cabinet

Minute of Decision

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Report of the Cabinet Legislation Committee: Period Ended 21 November 2025

On 24 November 2025, Cabinet made the following decisions on the work of the Cabinet Legislation Committee for the period ended 21 November 2025:

Out of scope

[REDACTED]

LEG-25-MIN-0242

Redesign of Vocational Education and Training: Orders in Council Progressing Implementation
Portfolio: Vocational Education

CONFIRMED

Out of scope

[REDACTED]

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Rachel Hayward
Secretary of the Cabinet

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