

Notice of Meeting:

I hereby give notice that an ordinary meeting of the Economic Development Committee will be held on:

Date: Wednesday 7 August 2024
Time: 1.00 pm
Venue: Council Chamber, Dunedin Public Art Gallery, The Octagon, Dunedin

Sandy Graham
Chief Executive Officer

**Economic Development Committee
SUPPLEMENTARY AGENDA**

MEMBERSHIP

Chairperson	Cr Andrew Whiley	
Deputy Chairperson	Cr Christine Garey	
Members	Cr Bill Acklin	Cr Sophie Barker
	Cr David Benson-Pope	Cr Kevin Gilbert
	Cr Carmen Houlahan	Cr Marie Laufiso
	Cr Cherry Lucas	Cr Mandy Mayhem
	Cr Jim O'Malley	Mayor Jules Radich
	Cr Lee Vandervis	Cr Steve Walker
	Cr Brent Weatherall	

Senior Officer Nicola Morand, Manahautū (General Manager Māori Partnerships and Policy)

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Note: Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

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PART A REPORTS

REDESIGN OF THE VOCATIONAL EDUCATION AND TRAINING SYSTEM

Department: Executive Leadership Team

EXECUTIVE SUMMARY

- 1 This report provides the Committee with early notice of the Te Tāhuhu o te Mātauranga Ministry of Education proposal for the Redesign of Vocational Education and Training System which is out for public consultation.
- 2 The Otago Polytechnic Te Kura Matatini Ki Otago (the Polytechnic) has asked the Council publicly support a proposal for the Otago Polytechnic to “stand alone”.
- 3 Council does not have a formal position and this report asks the Committee to endorse a position for the Council to adopt at its 27 August 2024 meeting.
- 4 This endorsement would enable the Polytechnic to work with Council and community leaders to lobby government for the return of a stand-alone Polytechnic.

RECOMMENDATIONS

That the Committee:

- a) **Recommends** Council supports the Otago Polytechnic Te Kura Matatini Ki Otago position to become a stand-alone institution.

BACKGROUND

- 5 This is a late report pursuant to section 9.12 of Standing Orders – Items of business not on the agenda which cannot be delayed.

A meeting may deal with an item of business that is not on the agenda where the meeting resolves to deal with that item and the Chairperson provides the following information during the public part of the meeting:

(a) the reason the item is not on the agenda; and

(b) the reason why the discussion of the item cannot be delayed until a subsequent meeting.

(s. 46A (9), LGOIMA)

Items not on the agenda may be brought before the meeting through a report from either the chief executive or Chairperson.

- 6 This report is from the Chief Executive Officer pursuant to the Standing Order 9.12.
- 7 The reason the item was not on the agenda is that staff and the Mayor's office only became aware of the issue late on Monday 4th of August which was after the agenda had been published.
- 8 The discussion cannot be delayed if Council are to provide meaningful support for the Polytechnic as the next Council meeting is not until 27 August 2024. Formal submissions close on 12 September 2024.
- 9 The CEO discussed the matter with the Chair of the Economic Development Committee and agreed that an urgent report was appropriate in these circumstances.

DISCUSSION

- 10 A key strategic theme of the current Economic Development Strategy 2013-2023 (the strategy) is "a hub of skills and talent".
- 11 The strategy proposes actions that focus on employment pathways for school and tertiary students. It further recognises the importance of a skilled workforce to support business development and the need for opportunities to continually upskill the workforce and allow workers to grow their careers.
- 12 A strong Polytechnic supports those and other aims of the strategy.
- 13 Council support for the proposal will carry great weight, particularly given the Minister for Tertiary Education and Skills, the Hon Penny Simmonds (the Minister) has gone on record around importance of local autonomy for such institutions. The Minister was a strong opponent of the previous model.
- 14 Business South have indicated provisional support for this proposal although they have yet to consider it formally. At this stage there have been no discussions with mana whenua or other territorial authorities.
- 15 Representatives from the Polytechnic will be present at the meeting to provide further information and to answer questions.
- 16 A formal written submission on the proposal will be drafted for Council consideration on 27 August 2024.

OPTIONS

- 17 Given time constraints and the need to get this report to the Committee, an options assessment has not been completed.

NEXT STEPS

- 18 The Polytechnic will be advised of the decision and staff will work to support the Polytechnic’s initiatives for gaining community support. Depending on the direction from the Committee, staff will look to engage with Business South and other key stakeholders in order to gain wider support for the proposal.

- 19 A draft submission will be presented to Council on 27 August 2024 for consideration.

Signatories

Authoriser:	Sandy Graham - Chief Executive Officer
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Attachments

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Redesign of the vocational education and training system

Proposals for public consultation



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Ministerial Foreword

New Zealand needs a strong vocational education system to ensure our people, industries, and communities can thrive.

A successful vocational education system must be financially viable, academically rigorous, founded on strong and enduring industry engagement and community connections within its local region. To do this it must follow the principles of enabling choice and flexibility, encouraging innovation, being cost-effective for industry and government, maximising the potential of all students, and driving economic growth.



The vocational education sector has faced unprecedented challenges in recent years. The decision to centralise all polytechnics and industry training organisations into Te Pūkenga has proven to be nothing short of disastrous. The damage that has been done in the past four years is real.

In 2023, the Government committed to disestablish Te Pūkenga and restore regional decision-making for vocational education.

There is much work to be done. We need to restore our polytechnics to their rightful place as anchors of learning opportunities for individuals and as a regional development tool for communities and industries. Our industry training must be driven by, and for, industry. Our communities and economy need us to get this right.

We propose to replace Te Pūkenga with a network of regional institutes of technology and polytechnics (ITPs) and an industry training system that is closer to industry. ITPs that have a clear pathway to financial sustainability as stand-alone institutions will be given greater autonomy under Te Pūkenga from 1 January 2025 and would be re-established as autonomous entities from 1 January 2026.

We are proposing grouping the remaining ITPs into a federation, anchored by the Open Polytechnic of New Zealand. This would preserve ITPs' local identities and maintain regional access while using educational programmes, academic and back-office support from the Open Polytechnic so they do not have to do everything themselves.

Te Pūkenga was not financially sustainable, and little work has been undertaken to address this issue over the past four years. Hundreds of millions of dollars had been forecast as required to make Te Pūkenga fully operational and even then, no pathway to sustainability had been established.

There remain considerable financial viability concerns across the network that need addressing. Te Pūkenga has the added complexity of some ITPs having entered Te Pūkenga with substantial reserves while others entered with considerable debt. Some ITOs secured reserves in external entities such as trusts before entering Te Pūkenga. Ensuring the disestablishment of Te Pūkenga occurs in an equitable manner, but being mindful that the Government cannot set up institutions that are insolvent from the start, will inform the financial considerations.

A key consideration in the design of the new system will be ensuring institutions are right-sized, with over \$130 million worth of assets identified as being un- or under-utilised and needing to be sold. Te Pūkenga saw layers of high paid management roles. Care will need to be taken to create flatter management structures, with well-disciplined policies and procedures which regularly assess programme portfolios and their viability. Communities and industries will need to provide considerable governance and other support to take ownership of their ITPs. I am committed to changing the funding system to help support the financial position of the whole vocational education network.

A strong vocational education system draws on the strengths of different types of organisations. While getting ITPs and industry training on a sustainable footing is a priority, private providers and Wānanga

play a critical role in vocational education. Around a quarter of provider-based vocational education students are currently enrolled in Private Training Establishments (PTEs).

Strong industry voice in vocational education is critical. We want a model that is better connected to employers, including small and medium enterprises, so that they have a sense of ownership of industry training.

To achieve this, the Government proposes to disestablish Workforce Development Councils and establish an industry-led system for standards-setting, qualification development, workforce forecasting, and industry training. We are consulting on options for how this will be structured.

Our proposals will put the vocational education system on a sustainable path and restore accountability and responsibility to communities and industries, while removing unnecessary complexity and bureaucracy.

As I have said, there is much work to be done, and I thank you for your willingness to help restore our valuable vocational education sector.

I look forward to hearing your feedback.



*Hon Penny Simmonds
Minister for Tertiary Education and Skills*

1 August 2024

Introduction

This document sets out the reforms the Government is considering for New Zealand's vocational education system.

The three proposals are:

- **A redesigned Institute of Technology and Polytechnic (ITP) network that retains access to ITP provision in all regions, through a combination of stand-alone and federated ITPs.**
- **Options for an industry-led system for standards-setting and industry training.**
- **Changes to vocational education funding from 2026 (in addition to those agreed for 2025) to better support the reformed system.**

Your feedback does not need to be limited to the questions asked – all feedback will be considered as the Government makes its final decisions.

If you wish to provide feedback, we will need to receive it by **Thursday 12 September 2024**.

You can provide feedback through the submission link at [Vocational Education and Training Reforms consultation](#), by filling out the template provided on the [Ministry of Education website consultation page](#), or by emailing VocationalEducation.Reforms@education.govt.nz.

The Government wants to hear your views. The detailed knowledge and different perspectives of people across New Zealand will help us to get these proposals right.

Context for change

All systems evolve and change over time, reflecting and adapting to their changing external environments. The vocational education and training system is no exception.

Work-based learning is led by employers and supported by providers.

Providers (ITPs, PTEs, Wānanga, and some Universities) deliver vocational education and training pathways for people who are not yet in employment, and for those industries which do not have a significant work-based training offering.

Options for configuring a vocational education system sit across a spectrum, ranging from fully private to fully public provision, and can involve varying degrees of industry leadership. Over the past decades, New Zealand's vocational education system has had mixes of providers, industry voice, and types of provision to varying degrees. Both private and public provision are important to the sector.

Determining the optimal path forward for vocational education requires the Government to consider multiple factors and trade-offs. These include:

- building agility into the system to respond to changing industry environments and skill needs while still maintaining certainty and continuity for businesses and communities
- ensuring stability of provision to help with workforce planning and learner choices
- safeguarding the supply of skills for key workforces while responding to changing labour market settings
- promoting regional economic performance in a fiscally prudent way
- fostering a level playing field between organisations but ensuring the system is sufficiently competitive to promote innovation and best practice
- building a system that endures through becoming financially sustainable.

A strong vocational education system works with the strengths of different organisations. Private providers are often flexible and specialised, allowing them to meet parts of the market where there is unmet demand. They do this through the design and provision of programmes that meet specific needs and deliver specific skills.

Public providers, such as ITPs and Wānanga, have a broader focus and serve the overall educational needs of their communities over a longer horizon. They are often valued as an 'anchor institution' in their regions with a strong commitment to their local communities and can contribute to broader social and economic development goals.

They provide critical pathways into employment, bridging the transition from schooling to employment as well as through second chance education and training for mature students. They do this through pre-employment and pre-trades training, foundation education, secondary-tertiary pathways (Trades Academies); vocational education (including some managed apprenticeships, block courses, and for school leavers when employment opportunities are scarce), and degrees (with some associated postgraduate and research capability, for example in nursing).

Vocational education's focus on applied learning supports sustainable employment, which can be critical for reducing the number of people who might otherwise end up as 'NEET' (Not in Education, Employment, or Training) – a critical issue for many of our regions. A strong vocational sector reaches into schools, integrates with foundation education, provides effective pre-trade programmes, and engages with local employers. This creates strong pathways from school to work for young people, while access to second chance learning and 'earn while you learn' programmes assist those who are at risk of limited employment or long-term unemployment to fully re-enter the workforce.

The Government is committed to provision of vocational education that supports thriving individuals, families, industries and communities.

What is Vocational Education?

Vocational education gives people the skills and knowledge they need to work in a particular job or industry. It covers traditional trades, like building and engineering, but also includes a wide range of other occupations, such as health, design, and business. It can be taught by a provider – currently Te Pūkenga, a PTE, or Wānanga – or directly by employers in the workplace through a structured apprenticeship or traineeship, or in a combination of the two. In 2022, there were 280,000 students in vocational education. Vocational education receives more than \$900 million a year in public funding.

Prior to 2020, a network of 16 publicly owned ITPs, located in both regional and major centres, delivered most provider-based vocational education.

At that time, work-based vocational education was arranged through Industry Training Organisations. They were responsible for arranging work-based training, which included purchasing any off-job training components, providing learning materials, and assessing learning. They were not permitted to directly provide training themselves. Industry Training Organisations also developed sub-degree qualifications and skills standards for the industries and occupations they covered.

The previous Government's Reform of Vocational Education merged ITPs into a single national provider. Te Pūkenga was also given responsibility for working with employers to deliver most work-based vocational education, through a Work-based Learning division made up of most of the former Industry Training Organisations.

As part of the reforms, six Workforce Development Councils (WDCs) were established for different areas of vocational education. Workforce Development Councils are responsible for working with their industries to develop vocational education qualifications and standards, moderating assessment, and providing leadership on meeting future workforce skill needs. However, they cost \$65 million and the Government believes they may not be providing value for money.

Vocational Education Providers

All parts of the tertiary system, including Universities, can provide vocational education. Secondary schools can also deliver vocational education.

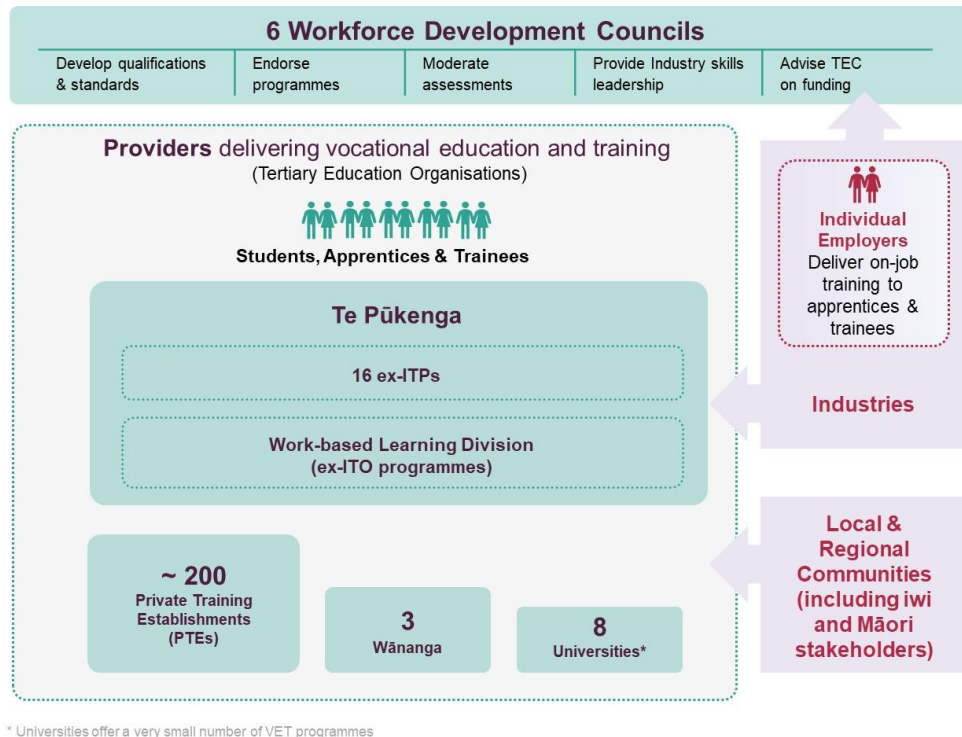
Te Pūkenga provided around three-quarters of all vocational education in 2022. It had around 140,000 apprentices and trainees and some 78,000 students in provider-based vocational programmes. It also provides foundation education and higher education: in 2022 and 2023, Te Pūkenga was the second-largest provider of degree-level education.

Private Training Establishments have an important role in vocational education, enrolling around a quarter of provider-based vocational education students. Before industry training organisations were disestablished, PTEs were only able to offer off-job vocational education. The 11 PTEs that currently offer work-based learning programmes make up approximately five percent of all TEC-funded PTEs, but account for around 18 percent of work-based learners. PTEs tend to specialise in particular areas of delivery, and some offer foundation education or higher education.

Wānanga provide vocational education within a framework of mātauranga Māori and tikanga Māori. Wānanga enrolled about 16 percent of provider-based vocational education students in 2023, but do not currently offer work-based learning. As well as vocational education, Wānanga provide education at all levels, from community education to doctoral programmes.

The range of organisations in the current vocational education system is shown in Figure 1.

Figure 1: The current vocational education system



How is vocational education funded?

Vocational education is funded through a combination of Government subsidies and learner fees. In general, employers also contribute to the cost of on-job learning. The Tertiary Education Commission allocates government funding to each provider based on the number of students and the tuition subsidies that apply for each area of study. It also takes account of other factors including provider performance and Workforce Development Council advice on industry skill needs.

Provider-based students can access financial student support through student loans and allowances. Learners in work-based training are in paid employment and are not eligible for student loans and allowances but are eligible for the Government’s Fees Free initiative (which becomes a final-year Fees Free scheme from January 2025).

Employers of eligible apprentices can also receive Apprenticeship Boost funding, which provides \$500 per month for the first and second year of their study. (From January 2025, this will only apply to employers of eligible first-year apprentices, in targeted occupations).

Why is change needed?

There has been a lack of action by Te Pūkenga since its establishment in April 2020 in addressing the underlying financial sustainability issues at many ITPs, including those that have now become critical. The combined ITP sector deficit increased from \$49 million in 2019 to \$189 million in 2023 (but noting that the Crown provided capital injections of \$90m to ITPs due to financial issues between 2016 and 2018). In 2023, all of Te Pūkenga's ITP business divisions reported a deficit. This deteriorating financial position of the sector signals the urgent need to address the long-term financial sustainability of the ITP network.

In the past four years, financial performance has deteriorated significantly under Te Pūkenga – with a key factor being the transition to the unified funding system, which lowered tuition subsidy rates for provider-based delivery.

Some parts of the ITP sector have been facing financial difficulties for nearly two decades and the situation at Te Pūkenga is now critical. The Tertiary Education Commission (TEC) has invoked Section 332 of the Education and Training Act 2020, which grants the TEC authority to intervene in the operations of tertiary education providers where the chief executive of the TEC believes on reasonable grounds that Te Pūkenga may be at risk.

This was actioned by TEC giving Te Pūkenga written notice to get additional capability and capacity to support the work to identify and implement the significant changes required.

Since 2017, the ITP sector as a whole has reported a deficit every year. There are several causes for this:

- Domestic full-time equivalent enrolments at ITPs fell by around 30 percent between 2010 and 2023
- International full-time equivalent enrolments have fallen by around 60 percent between 2016 and 2023
- Tuition subsidy rates have been reduced or have not kept pace with inflation
- Te Pūkenga has failed to right-size ITPs' costs to reflect lower enrolments
- Poor governance and management investment decisions have lowered available cash (or increased debt) and increased ongoing operating costs.

All ITPs need to reduce costs to become financially sustainable. However, for many, this requires addressing some longstanding and fundamental issues with their delivery and operating models rather than simply adjusting expenditure. This highlights the extent of changes that must be made to return the sector to a financially sustainable position while delivering a range of quality education offerings in the regions.

What other options have been considered?

The Ministry of Education's analysis of other options is outlined in its Regulatory Impact Statement, which can be found here:

[Vocational education and training reforms](#)

What do I need to know for 2025?

Domestic or international students

Students, apprentices or trainees, whether domestic or international, can enrol in vocational education courses in 2025 with confidence. They will be able to carry on with their study through any future change process. Any local scholarships and fee-support programmes that Te Pūkenga has committed to will remain.

Students starting a programme at an ITP from next year might see changes in the selection of courses available. The Government wants students to continue to have access to vocational education in their region, but there are likely to be changes to the courses ITPs offer, and how they are taught, over the next few years. Students will also notice regional campuses branding themselves as a local ITP.

Students who finish studying or training in 2026, or later, might complete their studies at an organisation with a different name, but this would be managed in a way that has minimal impact on learners. They will be able to complete their programmes and their qualifications will still be recognised.

International students' approved visas and study arrangements will continue, and the courses and qualifications they are enrolled in will continue to be recognised. Ensuring students can finish their study as planned will be a top priority for providers, including for international students on multi-year visas.

Staff of Te Pūkenga and Workforce Development Councils

The quality and dedication of vocational education staff continues to be a strength of the sector. The Government's proposals will have an impact on many people working in the sector, and this will be stressful for some.

Under the Government's proposed structure for the ITP sector, there would be some significant changes to the structure of vocational education delivery, the range of programmes provided, and research supported, and how programmes are taught. There would also be structural changes for Te Pūkenga's work-based learning division.

This may mean changes for current Te Pūkenga staff in both teaching and non-teaching roles. The Government recognises that this will create uncertainty for staff, but intends that change and transitions would be managed in a way that minimises disruption for staff as well as students.

Whatever the structure of the new approach to industry training and standards-setting, the Government expects that new entities would be stood up with some staff from Te Pūkenga's Work-based Learning Division and Workforce Development Councils. On-job training will continue to be vital for many industries and careers, and high-quality standards-setting is key to the system's integrity. Maintaining continuity of training and employer confidence in vocational education is a priority, and retaining staff is essential for that.

Once the Government has taken final decisions, it will provide further information on what the changes mean for sector staff, and the timeframes in which changes and transitions would occur.

Employers engaged in vocational education

Employers who invest in vocational education and training for their staff can continue to do so with confidence that trainees and apprentices will be able to complete their programmes.

Under either option for establishing an industry-led system for standards-setting and industry training, the Government will work closely with tertiary education organisations to support a smooth transition for employers, trainees, and apprentices.

Proposals for consultation

The Government's proposed changes cover three areas: a new ITP network including stand-alone ITPs and a federation with member ITPs, future options for industry training (work-based learning) and standards-setting, and the funding system. Figures 2, 3 and 4 provide possible examples of what these proposals could look like in practice.

Figure 2: Possible structure of federation ITP model

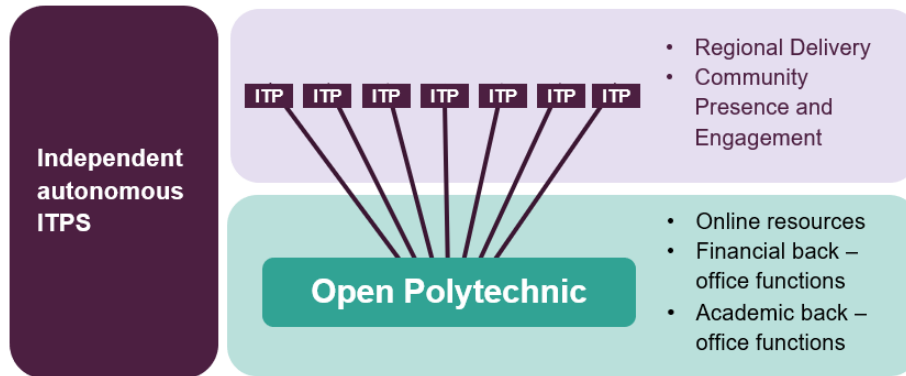


Figure 3: Possible structure of Industry Training Boards (Option A for industry training and standards setting)



Figure 4: Possible structure of industry standards-setters
(Option B for industry training and standards-setting)



Proposal 1: Creating a healthy ITP network that responds to regional needs

The Government has committed to disestablish Te Pūkenga and replace it with a system that restores the connections ITPs previously had to their communities, local industries, and regional development. The Government wants vocational education to cater to large and small industries and employers, across a wide range of sectors, with different types of providers offering traditional and innovative delivery options.

However, there have been long-standing issues of financial sustainability with some ITPs that existed before Te Pūkenga was established and that Te Pūkenga did not address. This means returning to the system that existed before Te Pūkenga is not an option.

The Government is interested in your feedback on:

- re-establishing regional ITPs that can show a robust pathway to financial and educational sustainability.
- establishing a federation of ITPs, anchored on the Open Polytechnic, so ITPs that need academic and financial support can deliver courses and programmes to their regions with the support of the Open Polytechnic and other member ITPs.

As a part of this process, mergers of existing ITPs may be required where it makes sense to do so. Examples include Unitec/MIT, noting no decisions have yet been made. Others may need to move under a federation model to ensure the ongoing financial viability of the vocational education system.

We seek your feedback on these proposals and how the existing ITPs can be organised to deliver a financially sustainable and regionally responsive vocational education system, while some may be able to be established as stand-alone entities in the near future.

The training and apprenticeship programmes currently run by Te Pūkenga's Work-based Learning division would continue but would no longer be operated by Te Pūkenga. This is discussed further as part of Proposal 2.

Working towards financially sustainable ITPs

The Government is proposing changes to vocational education funding (discussed in Proposal 3) to support ITPs' pathways to financial sustainability, but other urgent changes to how ITPs operate will be needed to improve profitability and reduce costs. For those regions where ITPs are facing serious financial issues, especially where programmes have been running with very low student numbers, this may mean fewer programmes are offered (particularly face-to-face), and there is more use of blended and online delivery. As a consequence, some ITPs may look different to how they did previously. This should be seen as normal, good business practice to operate efficiently. While some of these changes may be disconcerting for the communities those ITPs serve, they will be undertaken to help return ITPs to a sustainable footing while retaining the provision that is critical to the regions in which they are based.

Work towards the creation of financially sustainable ITPs is already underway. For the ITPs that can be re-established in the short-term, work will accelerate in 2025 to prepare them to be stand-alone and financially sustainable. They would have greater autonomy and local decision making under Te Pūkenga throughout 2025, while behind the scenes they prepare to become independent entities in 2026.

Establishment advisory groups will help prepare the entities to be re-established as fully-independent tertiary education institutions. The Government intends that members of the establishment advisory

groups would ultimately be part of the new ITPs' councils, to allow continuity of decision-making. To their local communities they should appear as their "own Polytechnic" from as early as 1 January 2025.

Through this consultation, the Government is particularly interested in hearing regions' views on what financially sustainable, core provision they need, and what needs to be in place to provide it (for example, what barriers there may be to accessing education and training, and potential implications of the use of online education versus on-campus education), as well as what community facilities might be able to be utilised for provision. Such feedback should be provided in the context that the current offering and approach is unsustainable.

A federation model for vocational education and training could support regional provision

The Government's view is that ITPs with a robust pathway to financial sustainability should operate as independent entities. This allows integration with local communities and industries and supports local decision-making that can innovatively respond to employers' and learners' needs.

Not all Te Pūkenga business divisions will be able to find a suitable pathway to viability in the near term. The Government is therefore exploring how ITPs could be supported by the Open Polytechnic and collaborate with each other in a federation model to support continued regional provision of vocational education and training. This would preserve ITPs' local identity and maintain regional access while using educational programmes and back-office support from the Open Polytechnic or other ITPs so they do not have to do everything themselves.

As well as achieving a sustainable ITP network, the aim is to grow innovative and cost-effective delivery in regions, supported by the proposed federation and the Open Polytechnic's programme development capability. Communities and industries in regions can then access sustainable ITP education that they value – at a minimum this would likely include foundation education, trades education, healthcare, and specialist delivery relevant to the region. Some of this delivery is likely to be offered in online or blended modes. Over time, the Government wants to see ITPs making more use of innovative approaches, which could include face-to-face delivery in community settings.

A federation of public providers has not been tested in New Zealand, but there are several long-standing examples from other jurisdictions, including the United States and the United Kingdom. Earlier work with the ITP sector in 2018 found a federation model was feasible. The model would be subject to further design work that will draw on sector and public feedback.

In contrast with Te Pūkenga, there would be no Head Office. The federation will utilise existing systems and processes of the Open Polytechnic in particular, but also member ITPs where applicable.

How would a federation model work?

Under the proposal, the Open Polytechnic would be the anchor institution of the federation. It is envisaged ITPs that were federation members would have access to varying levels of support depending on their circumstances. Some ITPs might rely on the Open Polytechnic for much or all of their back-office functions; other ITPs might run more of their administration on campus with the Open Polytechnic providing academic board, budgeting, and quality assurance services.

The Government intends that ITPs would be able to move out of the federation if they can show they will be financially sustainable on their own. This would be done in a way that manages the impact on the other federation members and the wider sector. At the same time, there could be cases where stand-alone ITPs choose, or are required, to join the federation for support while they address particularly poor financial or academic performance.

The proposed federation model would still require decisions by regions in terms of the different types of provision which can be included in the new model and how it is delivered (for example, campus-based or blended delivery). These decisions will also need to consider the level of autonomy between regions and the federation. Maintaining strong regional influence over the provision communities need, but with the financial efficiencies required, will be a key factor in the design of a new model.

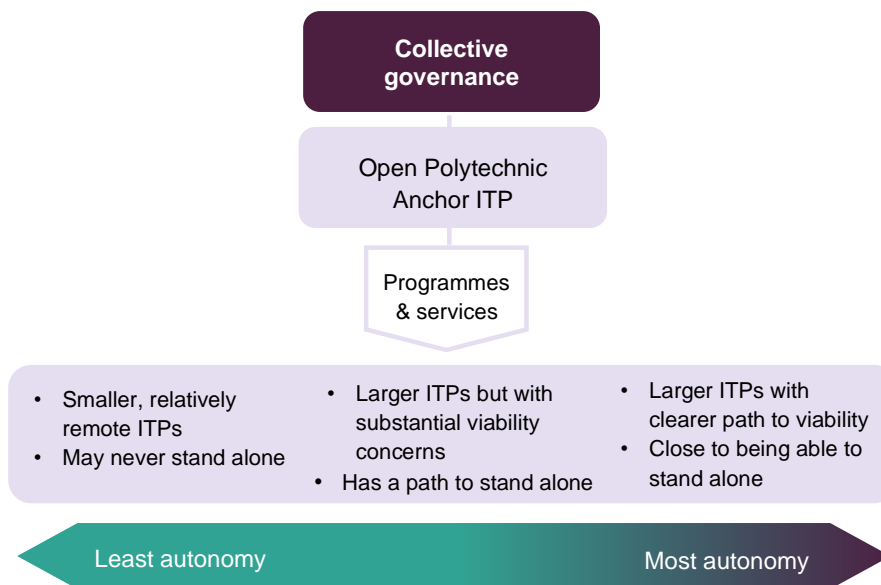
The Government wants to hear how you think this trade-off can be managed, and whether the federation model outlined above could help member ITPs to retain influence over their regional provision. It is also interested in what you consider to be most important in terms of local or regional influence over ITP provision and research.

Under a federation model, the Government would want to make sure member ITPs have the right balance between local representation and over-arching governance and accountability. Councils for the individual ITPs would have as much power for local decision making as possible within the parameters required for them to be supported by the federation. Federation members may have differing levels of local autonomy, depending on their financial situation.

Future design work on the federation would include the design of monitoring and accountability structures within the federation, and between the federation and the TEC.

The following figure shows how a federation might work in relation to its member ITPs.

Figure 5 – What the federation model could look like



Proposed form and objectives of ITPs

The Government envisages that ITPs, both standalone and federation, would be established as tertiary education institutions, generally following the provisions in current legislation that apply to Universities, including those regarding academic freedom. The provisions unique to Te Pūkenga would be repealed.

The Government intends that the legislative framework for ITPs would also reflect ITPs' key function of responding to regional needs. This would be reflected in their governance, and in requirements to:

- respond to the needs of the regions' students, industries, and employers
- and to develop meaningful partnerships with communities at a local level, and support Māori-Crown relationships, in a way that makes sense for their region or community.

**Feedback
Questions**



Proposal 1: Creating a healthy ITP network that responds to regional needs

- *Do you agree with the consultation document's statements on the importance of ITPs? Why or why not?*
- *What do you consider to be the main benefits and risks of reconfiguring the ITP sector?*
- *Do you support creating a federation model for some ITPs? Why or why not?*
- *What are the minimum programmes and roles that need to be delivered by the new ITP sector for your region?*
- *What are the critical factors needed (including functions and governance arrangements) to best support a federal model?*

Proposal 2: Establishing an industry-led system for standards-setting and industry training

The Government is considering two approaches to the structure of standards-setting and industry training. Both proposed options would create the opportunity for a more efficient system focused on the functions that industry find most valuable and with greater Industry ownership and involvement.

As part of moving to either model, the Government would also look at how industry coverage can be organised to ensure it appropriately reflects industry needs and results in a cohesive, high-performing group of new entities. This may involve exploring the potential for efficiencies through shared and centralised services in areas such as cybersecurity, insurance, and procurement. Standards-setting for some industries (for example, those where there is currently no industry training) could return to being the responsibility of the New Zealand Qualifications Authority. The Government is interested in growing the number of businesses that employ apprentices and will continue to explore ways to strengthen our apprenticeship and workplace training system.

Under either model, the Government envisages that standards-setting bodies would have a streamlined strategic workforce analysis and planning function. This would be narrower than Workforce Development Councils' current 'skills leadership' function. It could include activities such as labour market analysis, forecasting, and developing plans to support training investment and the ongoing supply of skilled workers.

Option A – establish a small number (possibly up to 8) of Industry Training Boards, similar to the previous Industry Training Organisations

Under this model, 'Industry Training Boards' (a provisional name) would be responsible for industry standards-setting and arranging industry training. Industry Training Boards would take responsibility for existing work-based programmes offered by Te Pūkenga's Work-based Learning division. As much as possible, the Government would want to encourage and enable current sector capability to be carried across into the new entities.

This option would be similar to the previous industry training system, but with changes to improve performance and avoid historic issues re-emerging, especially regarding the delivery of training.

Each Industry Training Board would be established as an independent statutory body by the Minister for Tertiary Education and Skills through an Order in Council, rather than through the 'recognition' process that applied to Industry Training Organisations. Their industry coverage would be determined through the establishment process and be based on industry engagement and support.

They would be governed by a combination of industry and ministerial appointees, with the majority industry-appointed (for example, six industry and two ministerial appointments). The Minister for Tertiary Education and Skills would issue an annual letter of expectations, to improve accountability and direction-setting. Their relationship to providers, and issues such as the boundary between 'arranging' training and off-job 'delivery', would be clarified and strengthened.

In the previous system, Industry Training Organisations had a monopoly on arranging industry training. This was balanced by not being able to deliver off-job components of these programmes. Eliminating the monopoly would allow for greater competition, but as it could create direct competition between Industry Training Boards and providers it could have financial implications for smaller Boards and require a weaker standards-setting function. The Government is interested in views on whether this option should include reinstating this division and the potential implications of doing so.

The Government would also set stronger expectations around the types of support that an Industry Training Board must offer apprentices and trainees. These could be specified through conditions on funding and/or via a strengthened Code of Good Practice for New Zealand Apprenticeships.

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Expectations around standards-setting would also be clarified and strengthened compared to those that were in place for Industry Training Organisations. This would include ensuring that qualifications and programme-approval requirements were fit-for-purpose for both provider-based and work-based learning. Funding policies and strengthened monitoring could be used to support this. The standards-setting function would receive some direct funding, likely repurposed from current workplace-based learning allocations, to improve visibility and accountability.

This option re-establishes the feedback loop between training and standards-setting that existed under the previous industry training system. Giving Industry Training Boards a monopoly on arranging training would also ensure national consistency for employers, apprentices, and trainees wherever they are, which is important for industry confidence in qualifications.

Option B – replace Workforce Development Councils with a small number (possibly up to 8) of more focused, industry-specific standards-setting bodies

Under this model, stand-alone industry-led bodies would be responsible for standards-setting, including qualification development, workforce forecasting, and ensuring that provision meets industry needs. They would have a clearer and more directly industry-relevant remit than Workforce Development Councils and would likely cover a narrower range of industry areas.

Te Pūkenga's Work-based Learning division would be divided into industry-aligned units that could become PTEs or potentially a new type of organisation and offer programmes. Under this option, ITPs, PTEs, and Wānanga would still be able to offer industry training, subject to meeting appropriate criteria.

These new providers would not necessarily map directly to the current sub-units within the current Work-based Learning division. How many there were, and their industry specialties, would be determined during the transition process. They would compete with ITPs, PTEs, and Wānanga to arrange industry training.

The Government would also consider how best to organise the current industry coverage held by Workforce Development Councils. A standards-setter would only exist where there was clear industry need and support for one. Funding for these bodies would likely be drawn from the current allocation for workplace-based learning.

Industry standards-setters would be expected to ensure an even playing-field to support innovation, rather than favouring a particular mix of on and off-job delivery within industry training.

This option enables choice for employers and students by continuing to allow any provider to offer industry training programmes. It also maintains industry-led bodies that are dedicated to standards-setting and planning to meet strategic workforce needs while avoiding the potential conflicts of interest that can arise when these functions are connected to arranging training.

Under this option, industry training could ultimately be distributed across a larger number of providers, including ITPs, PTEs, and Wānanga. Strong and independent industry-led standards-setters would therefore be vital for preserving consistency and industry relevance across programmes. But they would also need to be closely connected to their industry areas and reflect the needs of those sectors.

Evaluating each option

In its final decision on which model for industry training and standards-setting best achieves industry responsiveness and educational quality, the Government will consider the extent to which each option:

- encourages employer buy-in to the system
- enables flexible and relevant responses to industry skill needs

- supports successful learner outcomes
- promotes an integrated, sustainable, and clear system
- can be implemented promptly without undue complexity.

Additional design considerations

Under the current system, the Workforce Development Councils set standards for all sectors, including those that do not have a strong history of industry training with traditional apprenticeships or trainees. The Government is interested in your views on where industry-led standards-setting is necessary, and where responsibility for this function could be transferred to the New Zealand Qualifications Authority.

A priority for design of the new system is the flexibility to respond to changes in industry demand, both for the amount and type(s) of training required. As part of this, there will need to be a pathway into the industry training system for industries that currently do not participate in government-funded, workplace-based learning, or who might need an industry standards-setter in the future. This is particularly important for rapidly developing industries without a history of structured industry training, such as information technology.

The Government is interested in your views on any design features that should be considered, or barriers that need to be addressed, to allow new sectors to join the industry training and standards-setting system.

Changes to industry training and standards-setting brings with it risk of uncertainty and confusion for employers, workers, and industries while the new system is set up. To reduce this risk and possible disruption to training pipelines, the Government could introduce a short (two years, for example) moratorium on new organisations offering industry training programmes. A moratorium like this would not apply to existing providers of industry training, who could continue to offer and develop programmes. The Government is interested in your views on the possible benefits and risks of such a move.

**Feedback
Questions**



Proposal 2: Establishing an industry-led system for standards-setting and industry training

- *Which option do you prefer overall? Why?*
- *What are the main features and functions that Industry Training Boards (Option A) need to be successful?*
- *Under Option A, how important is it that ITBs and non-ITBs be able to arrange industry training? Why?*
- *What are the main features and functions that industry standards-setters (Option B) need to be successful?*
- *Are there key features of the Workforce Development Councils that need to be retained in the new system?*
- *Are there key features of how the previous Industry Training Organisations worked that should be re-introduced in the new system?*
- *What are the possible benefits and risks of having a short moratorium on new industry training providers while the new system is set up?*

Proposal 3: A funding system that supports stronger vocational education

The Government is proposing changes to the way vocational education is funded. The section below describes the current funding arrangements and the proposed shifts necessary to support the success of the reformed vocational education system.

Current funding system

The current funding system for vocational education – known as the Unified Funding System (UFS) – was designed specifically to support the current structure of the vocational education system, with Te Pūkenga at its centre. It was introduced in 2023 and created a single funding system for provider-based and work-based vocational education, with three components:

- A 'delivery component', which allocates funding¹ based on learner volume, with rates determined by both the subject² and mode of delivery (for example, provider-based, extramural, work-based). Funding rates for most provider-based education were reduced, especially for extramural delivery, while rates were increased significantly for work-based learning.
- A 'learner component', which provides funding³ based on enrolments of learners with low prior attainment, disabled learners and Māori and Pacific learners. It acknowledges the additional costs associated with adapting education delivery to meet these learners needs.
- A 'strategic component' which provides non-volume-based funding⁴ to support providers to respond to regional and national skills needs, and to support programme development and maintenance.

The immediate impact of these changes has been to significantly increase the profitability of the already profitable work-based delivery but deplete the viability of the already financially challenged provider-based education across the system. While the learner and strategic components somewhat offset the reduction in the delivery funding, they provide limited support for front-line delivery as the funding is often directed towards specific projects or tied to particular objectives. Providers have also raised concerns that both components have increased administration and compliance costs. Private training providers have been especially negatively impacted by the UFS.

For Te Pūkenga, the Unified Funding System has driven the growth of significant surpluses for work-based delivery, while further exacerbating deficits in the former ITPs. While Te Pūkenga has been able to use work-based surpluses to partially offset provider-based deficits, this will no longer be possible after its disestablishment.

2025 funding changes

The Government is separately consulting on initial changes to funding rates to come into effect from 2025 (see: [Funding determinations](#)). This includes disestablishing the Strategic component of the Unified Funding System and using this funding to remove the lower funding rates for extramural delivery and increase funding rates for provider-based delivery by approximately 10 percent. This will apply to all providers of vocational delivery including PTEs, Wānanga and Universities as well as ITPs. While an important step, funding rates for provider-based delivery will still be lower than they would have been if the Unified Funding System had not been implemented.

¹ Around \$800 million in 2024, with approx. \$480 million allocated for provider-based delivery, and approx. \$320 million for work-based delivery.

² There are 6 subject areas depending on assessed cost of delivery (i.e. infrastructure, capital investment/outlay, class size constraints)

³ Around \$66.5 million in 2024. Providers receive \$1,295 for learners with low prior attainment and disabled learners, and \$148 for Māori and Pacific learners (increasing to \$355 for learners at level 7).

⁴ Around \$80 million in 2024. Approximately 65% of this funding is allocated to Te Pūkenga, with the remainder allocated to PTEs and Wānanga.

Proposals to support the success of the reformed system

Further changes to the funding system settings will be needed to align with, and support, the redesigned vocational education system. In particular, the ongoing viability of both ITPs and PTEs will require a rebalancing of funding back towards provider-based delivery. These changes will need to be delivered within the current level of overall funding for vocational education.

Three main funding shifts are being proposed for 2026 onwards:

- Fully restoring vocational education funding rates to what they would have been under the previous Student Achievement Component system. This would require repurposing a significant proportion of Learner Component funding targeted to support learners with low prior achievement, disabled learners, and Māori and Pacific learners.
- Reprioritising funding from work-based rates to fund standards setting. While the detail of these funding arrangements would depend on the model for work-based delivery (see Proposal 2), the intention would be to allocate dedicated funding for this function under either model. This differs from the previous arrangements for Industry Training Organisations, under which Industry Training Organisations funded their standard setting function out of the funding they received for work-based enrolments.
- Establishing funding arrangements to support and incentivise ITPs to engage with regional industries to support the development and retention of skilled workers, and to maximise the benefits of international education for regional New Zealand. This would support ITPs to play a stronger role in regional and community development, including by building better pathways to help achieve the Government's objective to reduce the number of Jobseeker Support recipients by 50,000 by 2030.

The overall impact of these changes would be to increase funding for provider-based vocational education, offset by reductions in targeted learner component funding and in funding rates for work-based delivery. While these changes involve trade-offs, they are an important part of supporting the retention of regional provider-based vocational education under the new model.

The detail of these changes needs to be informed by the overall design of the new vocational education system, as funding decisions are contingent on the final structure of the sector. However, the Government is interested in your views on the overall direction of these changes. The specifics of funding settings for 2026 will be subject to further engagement before they are finalised.

**Feedback
Questions**



**Proposal 3: A funding system that supports
stronger vocational education**

- *To what extent do you support the proposed funding shifts for 2026?*
- *What benefits and risks need to be taken into account in these changes?*
- *How should standards-setting be funded to ensure a viable and high-quality system?*
- *How should the funding system best recognise and incentivise the role that ITPs play in engaging with industry, supporting regional development and/or attracting more international students to regions?*
- *What role should non-volume-based funding play and how should this be allocated?*

Government next steps and timelines for change

After public consultation finishes, the Government intends to make final policy decisions in November 2024 on the proposals in this document.

Work towards the creation of financially sustainable ITPs is already underway, with the cooperation of the Te Pūkenga Council. ITPs that are on the path to financial sustainability as stand-alone institutions in future will be given greater autonomy under Te Pūkenga during 2025.

Subject to final decisions, the Government would consider the overall split of independent and federation ITPs, as well as the number and scope of the organisations in new industry training and standard setting system, in the second half of 2025.

The wider legislative changes needed to establish the new vocational education system, including re-establishing ITPs as tertiary education institutions, setting-up the federation model, and setting up the new industry training model, would be progressed during 2025. They would come into effect from 1 January 2026.

The Government will decide on a new funding system for vocational education in November 2024, which would also come into effect from 1 January 2026. The specifics of funding settings for 2026 will be subject to further engagement before they are finalised.

Feedback Questions

You can provide feedback on any, or all, of the proposals.

Concluding questions



- *Could there be benefits or drawbacks for different types of students (e.g. Māori, Pacific, rural, disabled, and students with additional learning support needs) under these proposals?*
- *Could there be benefits or drawbacks from these proposals for particular industries or types of businesses?*
- *Are there other ideas, models, or decisions for redesigning the vocational education system that the Government should consider?*

Appendix 1: Key features of the vocational education system over time

VOCATIONAL EDUCATION SYSTEM			
	BEFORE 2020	CURRENT	PROPOSED
Institutes of Technology and Polytechnics, and other providers	<ul style="list-style-type: none"> Sixteen independent, government-owned, regionally based ITPs. ITPs provided vocational, degree-level and foundation education, and some research. Private providers and Wānanga also offered vocational education. 	<ul style="list-style-type: none"> All ITPs are business divisions of a single institution, Te Pūkenga, and receive budget and delegations from its head office. Private providers and Wānanga continue to also offer vocational education. 	<ul style="list-style-type: none"> Re-establish regional ITPs that can show a robust pathway to financial and educational sustainability. Establish a federation of ITPs, anchored on the Open Polytechnic, for ITPs that need academic and financial support. PTE and Wānanga provider-based delivery unchanged.
Work-based Learning	<ul style="list-style-type: none"> ITOs arranged work-based learning in an industry, set industry standards for sub-degree education, and supported employers to deliver this to employees. ITPs, PTEs, and Wānanga could not offer work-based learning. ITOs could not provide off-job training but purchased a small amount from providers. ITOs were private entities owned by industry and 'recognised' by an appropriate Minister. Industries without an ITO had standards set by NZQA and/or a designated qualification developer. 	<ul style="list-style-type: none"> Te Pūkenga, PTEs, and Wānanga are all able to offer work-based learning. Most ITO programmes and learners have transferred into a dedicated Work-Based Learning subsidiary of Te Pūkenga. Some shifted into PTEs. Six statutory Workforce Development Councils based on industry groups took on ITOs' standards setting functions and gained responsibility for skills leadership and advising the TEC on investment in vocational education. All industries have an industry standards-setter. 	<p>EITHER (Proposal 2A)</p> <ul style="list-style-type: none"> Statutory 'Industry Training Boards' (a provisional name), with industry and some ministerial governance, would both arrange industry training and set industry standards for sub-degree education. They would take over the work-based programmes and learners currently within Te Pūkenga. The ability of ITPs, PTEs, and Wānanga to offer work-based learning is yet to be determined. Industry Training Boards would undertake some strategic workforce analysis and planning where their industry wished. Some industries would not have ITBs and would have education standards set by NZQA instead. Industry Training Boards would not provide advice to the TEC. <p>OR (Proposal 2B)</p> <ul style="list-style-type: none"> Statutory bodies with industry and some ministerial governance would be responsible for standards-setting. Te Pūkenga's Work Based Learning division would be divided into new education organisations dedicated to specific industries. ITPs, PTEs, and Wānanga would still be able to offer industry training. Industry standards-setters would undertake some strategic workforce analysis and planning where their industry wished. Some industries would not have industry standards-setters and would have education standards set by NZQA instead. Industry standards-setters would not provide advice to the TEC.

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VOCATIONAL EDUCATION SYSTEM			
	BEFORE 2020	CURRENT	PROPOSED
Funding	<ul style="list-style-type: none"> The Government (via the TEC) paid education providers and ITOs mainly according to how many learners they each enrol. Funding rates for provider-based study were higher than for industry training. Separate funding streams for provider-based delivery (known as Student Achievement Component) and for work-based delivery (Industry Training Fund). 	<ul style="list-style-type: none"> A single funding system for provider-based and work-based vocational education. Most funding allocated per learner, based on subject and mode of delivery. Some funding based on enrolments of learners with low prior attainment, disabled learners and Māori and Pacific learners. The funding system increased funding rates for work-based learning, reduced funding rates for provider-based delivery and significantly reduced funding rates for extramural delivery. 	<ul style="list-style-type: none"> Restore provider-based rates to what they would have been under the pre-2020 system. Reprioritise funding for work-based learning to fund standards setting. Incentivise ITPs to engage with regional industries to support retention of workers, and to maximise the benefits of international education for regions.

List of all questions

Proposal 1: Creating a healthy ITP network that responds to regional needs

1. Do you agree with the consultation document's statements on the importance of ITPs? Why or why not?
2. What do you consider to be the main benefits and risks of reconfiguring the ITP sector?
3. Do you support creating a federation model for some ITPs? Why or why not?
4. What are the minimum programmes and roles that need to be delivered by the new ITP sector for your region?
5. What are the critical factors needed (including functions and governance arrangements) to best support a federal model?

Proposal 2: Establishing an industry-led system for standards-setting and industry training

6. Which option do you prefer overall? Why?
7. What are the main features and functions that Industry Training Boards (Option A) need to be successful?
8. Under Option A, how important is it that Industry Training Boards' and non-Industry Training Boards' be able to arrange industry training? Why?
9. What are the main features and functions that industry standards-setters (Option B) need to be successful?
10. Are there any key features of the Workforce Development Councils that need to be retained in the new system?
11. Are there any key features of how the previous Industry Training Organisations worked that should be re-introduced in the new system?
12. What are the possible benefits and risks of having a short moratorium on new industry training providers while the new system is set up?

Proposal 3: A funding system that supports stronger vocational education

13. To what extent do you support the proposed funding shifts for 2026?
14. What benefits and risks need to be taken into account in these changes?
15. How should standards setting be funded to ensure a viable and high-quality system?
16. How should the funding system best recognise and incentivise the role that ITPs play in engaging with industry, supporting regional development and/or attracting more international students to regions?
17. What role should non-volume-based funding play, and how should this be allocated?

Concluding questions

18. Could there be benefits or drawbacks for different types of students (e.g. Māori, Pacific, rural, disabled, and students with additional learning support needs) under these proposals?
19. Could there be benefits or drawbacks from these proposals for particular industries or types of businesses?
20. Are there other ideas, models, or decisions for redesigning the vocational education system that the Government should consider?



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He mea tārai e mātou te mātaurangakia rangatira ai, kia mana taurite ai ōna huanga.

We shape an education system that delivers equitable and excellent outcomes.

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