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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

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In Confidence

Office of the Minister of Education

Chair, Cabinet

REFORM OF VOCATIONAL EDUCATION – KEY DECISIONS

Proposal

1. This paper seeks to reform New Zealand's Vocational Education system, following public consultation.
2. This paper proposes to move from a system where vocational education is primarily split between eleven industry training organisations (ITOs) supporting work-based training and sixteen institutes of technology (ITPs) delivering provider-based training, to an integrated model where around four to seven industry-governed workforce development councils (WDCs) have oversight of all vocational education, which is primarily delivered or supported by a single institution spread across a range of regional campuses.
3. Provisionally titled the New Zealand Institute of Skills and Technology, this institution would support workplace-based training as well as deliver education and training in provider-based settings. Its statutory Charter would guarantee continued provision in the regions, while Regional Leadership Groups (RLGs) would ensure regional skills needs are met. Wānanga and private training establishments (PTEs) would continue to be important contributors to the system.
4. A companion paper sets out fiscal implications and seeks agreement to initial appropriations to support the reforms.
5. Two public-facing 'change documents' (near-final drafts), a summary of submissions, a Regulatory Impact Assessment, and a Programme Business Case are all attached to this paper.

Executive Summary

6. Vocational education is education and training that has a special emphasis on the skills, knowledge and attributes required to perform specific roles or to work in industries.
7. We need a strong, unified, sustainable vocational education system that delivers the skills that learners¹, employers and communities need to thrive. Some parts of our current vocational education system are very high performing, and we need to retain and build on these strengths, but the system as a whole is poorly positioned to serve New Zealand's future needs. It is in urgent need of reform.
8. This paper therefore proposes a fundamental overhaul of the structure of New Zealand's vocational education system. At present, vocational education is primarily split between eleven industry training organisations (ITOs), supporting work-based training, and sixteen institutes of technology (ITPs), delivering training outside of the workplace,

¹ "Learners" refers both to students at providers (institutes of technology and polytechnics, wānanga, and private training establishments), and to trainees and apprentices supported by industry training organisations.

complemented by wānanga and PTEs. These two parts of our current vocational education system each have their own funding system.

9. This paper seeks agreement to establish an integrated model where around four to seven industry-governed workforce development councils (WDCs)² have oversight of all vocational education. Vocational education would be primarily delivered or supported by a single institution spread across a range of regional campuses, provisionally titled the New Zealand Institute of Skills and Technology (the Institute). The Institute would support workplace-based training as well as deliver education and training in provider-based settings, bringing together the best of each system. This would be underpinned by a single unified funding system. The WDCs would have comprehensive responsibilities for leadership, advising on funding decisions, standard setting, assessment of learning, and employer brokerage.
10. Wānanga and private training establishments would continue to be important providers of vocational education.
11. The new vocational education system would also include:
 - 11.1. Regional Leadership Groups (RLGs) to oversee and advise on the regional skills system
 - 11.2. Centres of Vocational Excellence (CoVEs) to act as a focus for collaboration across the sector to drive excellent teaching and learning
 - 11.3. A group called Te Taumata Aronui to ensure that the Reform of Vocational Education reflects the Government's commitment to Māori-Crown partnerships.
12. The new system will provide employers with vocational education that better meets their skills needs, more support for their employees as they are engaged in training, and more consistency in vocational education across the country. Over time this is likely to increase the numbers of employers who are engaged in vocational education.
13. Learners will receive more support while they are training, and vocational education that is more relevant to work. They will be able to move more easily between regions and between work-based and provider-based training, and be able to continue training more easily if their employment situation changes.
14. The consultation process has led to refinements to the previous reform proposals.
15. ITPs would be transitioned to subsidiary companies initially, which would minimise initial disruption to ITP activities compared with folding all ITPs into the Institute from day one.
16. To get the right balance between a coherent and coordinated national system and responding effectively to local needs, a statutory Charter would require the Institute to maintain provision in the regional centres where the main campuses of the 16 ITPs are based. The Institute would also be required to:
 - 16.1. spend existing reserves (above a set limit) on the regions in which they had been accumulated by the relevant legacy ITPs
 - 16.2. be cautious about changes to the ongoing use of the current ITP brands
 - 16.3. not have a Wellington or Auckland head office.

² WDCs were described during the previous consultation period as Industry Skills Bodies (ISBs).

17. To ensure that the transition of the role of supporting work-based learning is carefully managed and funded, it is proposed that holding organisations formed from the existing ITOs would be able to continue to operate current arrangements for supporting work-based training up until the end of 2022.
18. This would give employers who are satisfied with their current support the assurance that the transition will be carefully managed over a three-year period to minimise any disruption to services. It would also provide a more structured transition, easing pressure on both ITOs and the Institute, and would give Cabinet the opportunity to assure itself that providers are migrating towards the sort of organisation that can appropriately manage both provider-based and work-based training, before confirming the final transition.
19. In addition, a concern was raised by industry stakeholders about whether the proposed investment advice from WDCs would effectively influence TEC decisions. The role has been strengthened so that WDCs can direct TEC on key elements of investment decisions within a fixed funding envelope. Allowance has also been made for WDCs to continue to provide some brokerage functions to employers.
20. The changes proposed here are substantial. They require legislative change, significant organisational change for ITPs and other vocational education training providers, replacing ITOs with WDCs, and a redesign of the funding system. Implementation needs to be sequenced, with an initial focus on establishing new industry bodies and the new Institute. Responsibility for industry training would transfer over the next three years to the Institute and other education providers. There are significant costs and risks to manage.
21. However, the costs and risks of not acting are more significant. There is no risk- or cost-free path to strengthening the ITP sector, or to reshaping our vocational education system for the challenges and opportunities it must meet. The financial instability and structural issues within the current model mean the status quo is not sustainable. While this change will be disruptive, it will strengthen the vocational education system for the long term.

Background

Overview of Vocational Education

22. Vocational education focuses on preparing learners for the world of work.
23. Vocational education has a special emphasis on the skills, knowledge and attributes required to perform a specific role or to work in a specific industry.³
24. Vocational education is a key part of the skills pipeline. Businesses access skills through the education and welfare systems or import them through the immigration system.
25. Vocational education falls into two largely separate systems. It is currently primarily split between:

³ For this work, vocational education is defined as all industry training (involving trainees and apprentice), funded under the Industry Training Fund, and provider-based education funded via the Student Achievement Component (SAC) at NZQF Levels 3 to 7, excluding degree study, te reo and tikanga Māori, English for Speakers of Other Languages, university provision and other non-formal provision.

- 25.1. eleven industry training organisations (ITOs) who set industry standards and develop vocational qualifications while also being tasked with supporting work-based training⁴
- 25.2. sixteen institutes of technology and polytechnics (ITPs), which deliver the majority of vocational education outside of the workplace, complemented by three wānanga (with a focus on mātauranga Māori) that provide some vocational education and over 200 PTEs that also deliver vocational education⁵.

Table 1: Vocational education in New Zealand in 2017

Subsector	Number of domestic vocational education learners	Equivalent full-time ⁶ domestic vocational education learners	Government funding for vocational education tuition subsidies
ITOs	138,000	44,000	\$176 million
ITPs	65,000	31,000	\$271 million
Wānanga	13,000	9,000	\$55 million
PTEs	32,000	16,000	\$130 million

26. Vocational education is also delivered in schools and in partnerships between secondary schools and tertiary providers. The National Certificate of Education Achievement (NCEA) provides vocational education credentials in both secondary school and tertiary education. While the scope of the proposed reforms is primarily aimed at the tertiary education sector, it will affect secondary schools as well, including by strengthening pathways and transitions between schools and tertiary education organisations (TEOs).

ITPs offer vocational education and more

27. ITPs are major providers of vocational education, but they also provide foundation education, degrees and postgraduate qualifications both for New Zealanders and international students. They teach te reo Māori, tikanga Māori, and ESOL. This provision does not fall within the definition of vocational education, but it is within the scope of the ITP sector reform set out in this paper.
28. In 2017, ITPs had approximately 120,000 domestic learners (59,000 equivalent full-time students). Just over half of these learners were in vocational education. There were also 18,000 international students at ITPs.

Public consultation on reforms earlier in 2019

29. In January, Cabinet agreed to public consultation on an initial set of proposals for the Reform of Vocational Education [CAB-19-MIN-0009]. Public consultation was conducted from 13 February to 5 April. More than 5,000 people attended events and meetings, and 2,904 submissions were received. A wide range of stakeholders and organisations provided feedback, and their views have informed the proposals in this paper. More information is available in Annex 4, "What we heard: Summary of public consultation and engagement".

⁴ Legislation for industry training is contained in the Industry Training and Apprenticeships Act 1992.

⁵ Legislation for provider-based vocational education is contained in the Education Act 1989.

⁶ For ITOs, this figure reflects Standard Training Measures (STMs; a measure of full-time equivalency in industry training). For providers, these figures reflect Equivalent Full-Time Students (EFTS; a measure of full-time equivalency for provider-based tertiary education).

Rationale for Change

We need to address a serious skills shortage across a number of industry sectors

30. New Zealand is experiencing persistent and widespread skills shortages that highlight imperfections in the vocational skills supply-chain.
31. According to the New Zealand Institute of Economic Research's Quarterly Survey of Business Opinion (July 2019), a net 50% of businesses reported having trouble finding skilled labour. This has been steadily increasing since 2009. Of those employers surveyed, 71% said there is, or will soon be, a skills shortage in their industry sector.

We need to be ready for a fast-changing future of skills, learning and work

32. The world of work is changing significantly, and the vocational education system needs to adapt to these changes. The OECD has estimated that around one-third of jobs in New Zealand are likely to be significantly affected by automation. And, the labour force participation of people over the age of 65 has tripled since 2001. The trends driving the Future of Work will change the skills needed in all jobs, and will see people changing jobs and careers more frequently over the course of their working lives.

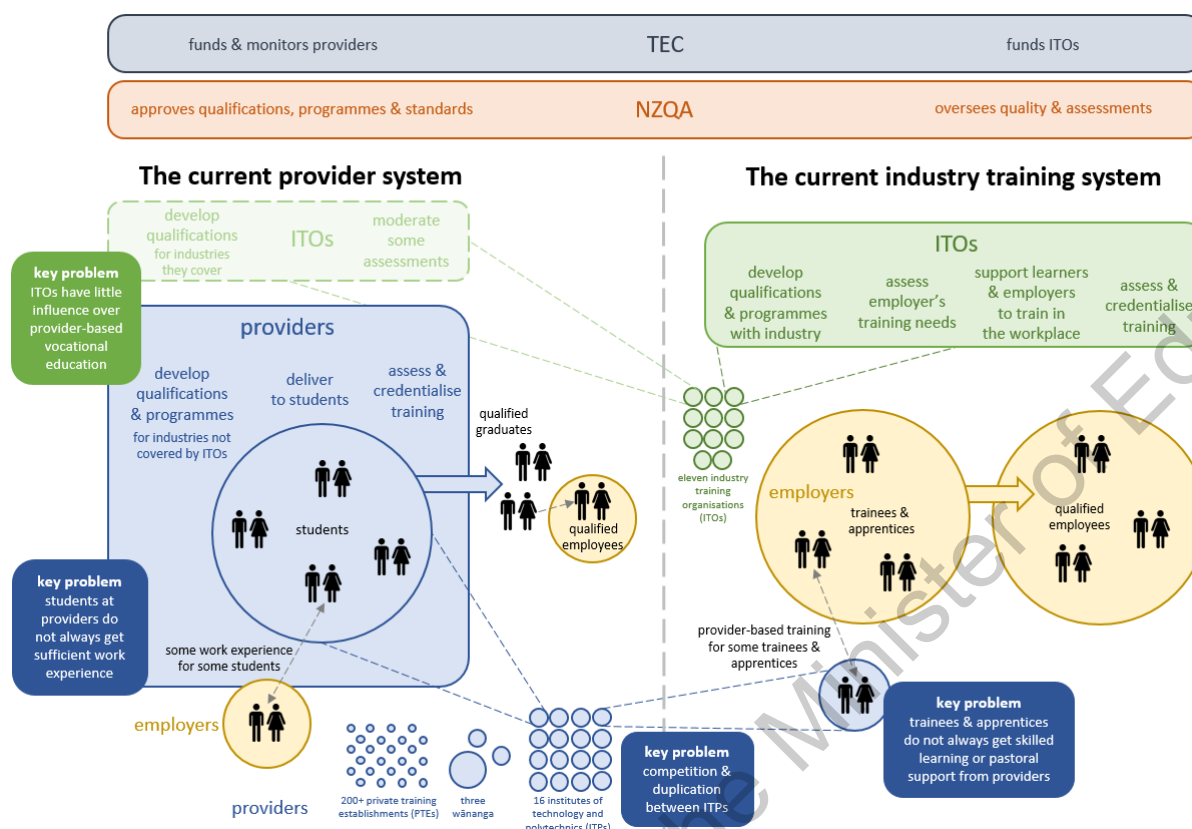
Work-integrated learning is becoming more common

33. Work-integrated learning will become an increasingly important part of the vocational education system. It gives people the opportunity to earn while they learn, and to gain an education that is more directly relevant to the changing needs of employers.
34. To support this move towards work-integrated learning, we must ensure that appropriate support is available to learners, employers, and educators, that there is a reliable high-quality assessment process, and that delivery is cost-effective.

The current vocational education system is split, and it does not always meet the needs of learners, employers or regions

35. As described above (paragraph 25), we currently have two vocational education systems, each with its own funding system (refer to the diagram in Figure 1 overleaf). Over time, these two systems have drifted apart, with the result that the needs of industry and learners are not coherently addressed. The problems that arise from this include the following:
 - 35.1. Learners are confused about how to enter the system and progress within it, particularly between on- and off-job training options, including when they get a job or move region.
 - 35.2. Employers are concerned that provider-based learners are not acquiring the technical and/or employability skills to function in the workplace, and that learners are often kept in off-job learning for longer than they need to be.
 - 35.3. Work-based learners do not always get the pedagogical support and pastoral care that they need to succeed.
36. Industry sets standards that are optional for providers. Industry has little influence over provider-based programmes and assessment, although it sets graduate outcomes in qualifications; this disconnect means graduates are not always work-ready. Industry has no say over the Tertiary Education Commission's (TEC) investment in programmes.

Figure 1: The current divided vocational education system



37. We need organisations that consider the needs of both learners and employers at the same time, otherwise neither learners nor employers get what they need.
38. We also need organisations that prioritise the needs of learners who are traditionally underserved by the education system. Māori, Pacific and disabled learners⁷ are more likely to be enrolled in lower-level qualifications and have poorer employment outcomes. This needs to change, particularly as Māori and Pacific will form a growing part of the working-age population in the future.
39. These issues are driven both by structure and funding. The roles of organisations work against collaboration, and the funding system is polarising, with separate funds and very little funding specifically for traditionally underserved learners.

Employers have told us the lack of industry input into provider-based learning is frustrating

40. ITOs were originally conceived of as standard-setting bodies, but in reality, their ability to influence and shape provider-based delivery to ensure that it meets the needs of their industry is modest. ITOs do not have either regulatory or funding levers to ensure providers get it right, due to the need to constrain ITOs' roles to manage conflicts of interest that encourage them to use their standard-setting powers to strengthen their competitive position with providers. And, some employers tell us that ITOs do not meet their needs. In some cases, they describe poor service or a lack of responsiveness from

⁷ This suite of papers uses the same definition of "disabled people" as the New Zealand Disability Strategy: "Disabled people are people who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others."

their ITO. In other areas, there is no ITO due to gaps in industry coverage, such as information and communications technology (ICT), management, and creative arts.

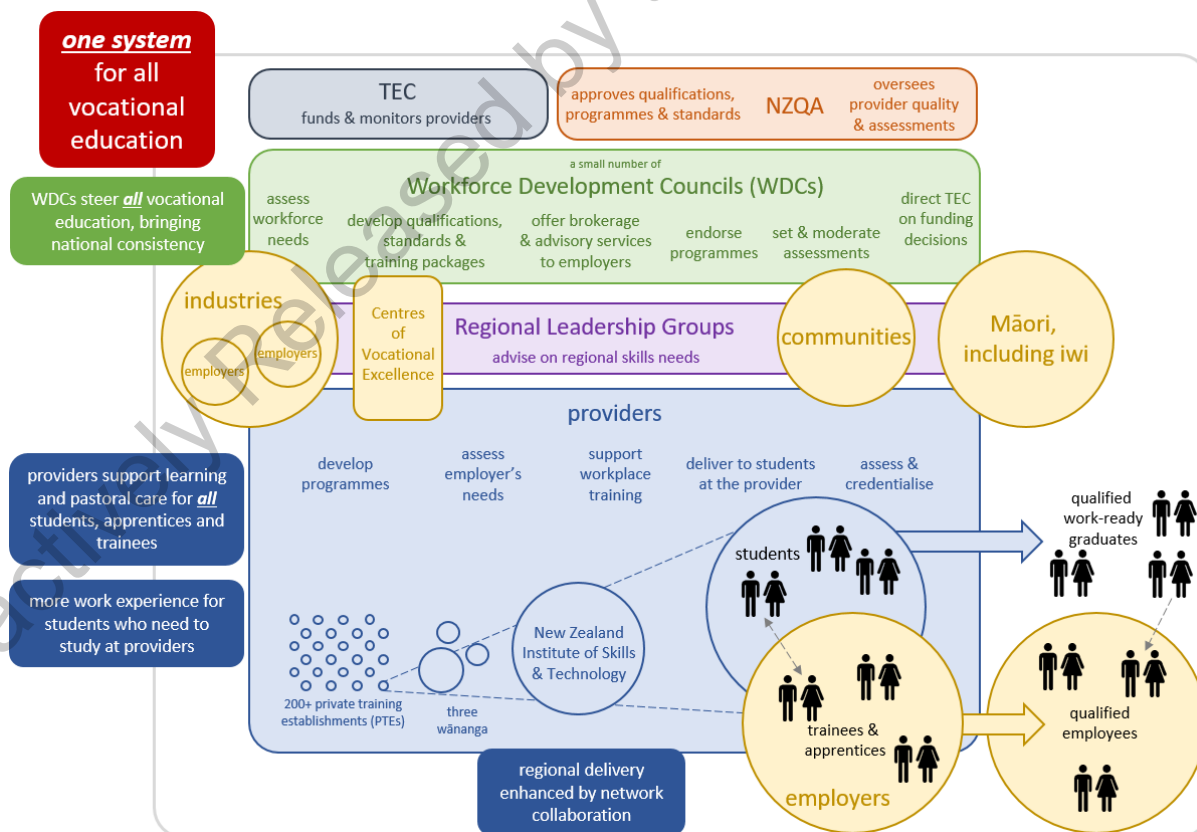
ITPs are facing a number of challenges

41. Some ITPs have continued to experience growth and are high-performing institutions. But others have suffered from falling domestic enrolments in recent years. This has been due to a number of factors, including a strong labour market, government education and funding policy changes, and increased competition. Many ITP costs have not fallen in line with their declining enrolments, largely due to the fixed nature of many costs.
42. ITPs' communities expect them to continue to offer a broad range of locally relevant programmes, which all contribute to driving higher fixed costs. As a result, several ITPs are now under considerable financial stress, some are already in crisis, and more will become so if nothing changes.
43. The 16 regional ITPs also compete, with a number of them supplementing their regional provision by attracting out of region and international learners, not necessarily by best meeting the needs of their local communities and working collaboratively as a national network of providers. This needs to change, and while ITPs are an important part of our international education industry it is not good for them to rely on this market for viability.

Overview of the Proposed New System

44. We need a unified vocational education system with strong industry leadership and collaboration between organisations (Figure 2).

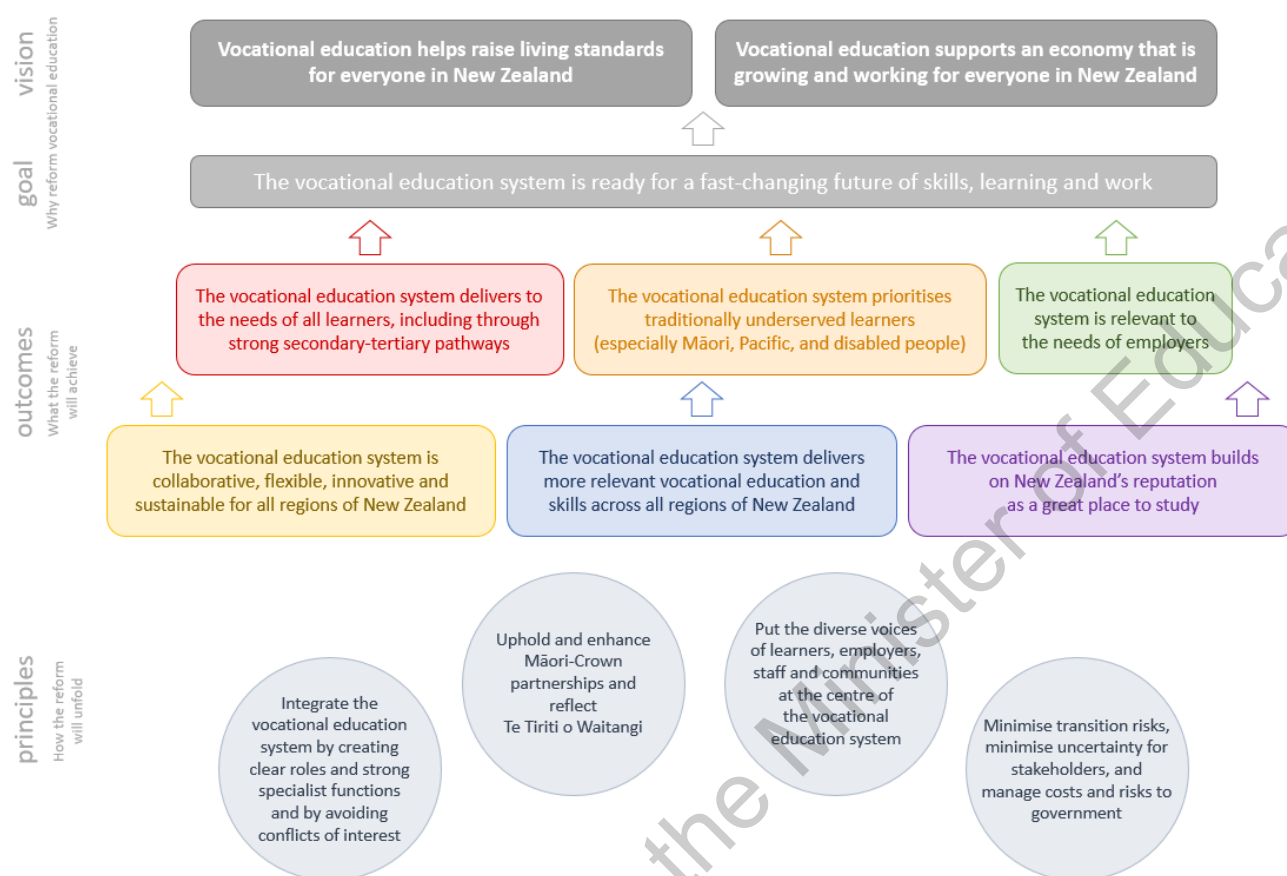
Figure 2: A unified vocational education system



45. There are seven key changes that will drive the improvements we need in the system:
- 45.1. *Create a New Zealand Institute of Skills & Technology⁸*: A unified, sustainable, public network of regionally accessible vocational education, bringing together the existing 16 ITPs.
 - 45.2. *Create Workforce Development Councils (WDCs) with leadership across the whole vocational education system*: These would be around four to seven industry-governed bodies, which would give industry greater control over all aspects of vocational education.
 - 45.3. *Shift the role of supporting workplace learning from ITOs to providers*: the Institute and other providers would support workplace-based training as well as delivering education and training in provider-based settings, to achieve seamless integration between the settings and to be well connected with the needs of industry.
 - 45.4. *Establish Regional Leadership Groups*: RLGs would provide advice about the skills needs of their regions to the TEC, WDCs, and local vocational education providers. TEC would take their advice into account when making investment decisions.
 - 45.5. *Establish Centres of Vocational Excellence*: CoVEs would play a key role in driving innovation and excellence in vocational teaching and learning in areas of strategic importance to New Zealand by strengthening links with industry and communities. CoVEs would bring together the Institute, other providers, WDCs, industry experts, and leading researchers to grow excellent vocational education provision and share high-quality curriculum and programme design across the system.
 - 45.6. *Te Taumata Aronui*: a group to ensure that the Reform of Vocational Education reflects the Government's commitment to Māori-Crown partnerships.
 - 45.7. *Unifying the vocational education funding system*: A unified funding system would apply to all provider-based and work-integrated education at certificate and diploma qualification levels 3 to 7 (excluding degree study) and all industry training.
46. The majority of vocational education provision would be offered through a single national institute. This could be accessed via: a network of regional campuses, a network of support for work-based training, and a network of online delivery based on capability at The Open Polytechnic, the Southern Institute of Technology, ITPs involved in the TANZ eCampus platform, and at other ITPs involved in e-learning. Wānanga and PTEs would continue to be important contributors to the system.
47. All providers would now involve industry, through the WDCs, in programme development, and programmes would need to be endorsed by industry. Industry would also be involved in CoVEs and would moderate all assessment, including setting capstone assessments as required.
48. The way these elements would come together as a new system is shown in the diagram in Figure 2. This new system will deliver strong outcomes for employers, learners, communities and New Zealand. Figure 3 overleaf sets out the intended outcomes of the Reform of Vocational Education.

⁸ This continues to be a working title.

Figure 3: Outcomes Framework for the Reform of Vocational Education



49. The seven key changes would address the rationale for change (paragraphs 30-43), as follows:
- 49.1. An increased leadership role for industry will help with achieving national consistency in graduate outcomes and improve the relevancy of provision as vocational education providers will require strong links with employers. This will help to address skills shortages and also address the concern of many employers about the lack of industry input into provider-based learning.
 - 49.2. RLGs, representing a range of regional stakeholders, will have influence over providers in their region. Providers will also no longer be competing to attract out of region learners. This will address concerns about the lack of alignment of education provision with the regional needs of employers, regional economic development goals and the aspirations of Māori, which will also mean the system is better-placed to deal with regional skill shortages.
 - 49.3. Provider-based and workplace-based training will no longer be managed through separate systems. This will address concerns from learners about the split vocational education system, and respond to the trends towards work-integrated learning.
 - 49.4. People will be able to gain credentials and qualifications at any time in order to upskill, reskill and maintain learning. Their local education provider will have stronger incentives to maintain contact with them right through their career, and employers will see greater value in investing in training that is always aligned to the needs of industry. This will help us to be ready for a fast-changing future of

skills, learning and work. It will also address the challenges faced by people in the workforce, or who are displaced from the workplace (particularly older adults), in upskilling, reskilling and maintaining learning throughout their careers.

- 49.5. The proposals will strengthen the consistency and availability of provision across the country and help address the ITP sector's current challenges.
 - 49.6. A unified funding system will also offer a range of opportunities to help ensure the vocational education system is responsive to the diverse needs of all learners, including those in employment. This will address concerns that the split vocational education system does not always meet the needs of learners. Many people in the workplace, including those with disabilities, are not currently receiving the support they need to achieve the qualifications that they are pursuing.
50. Refer to the Reform of Vocational Education Programme Business Case (Annex 6) for detail on economic benefits.

The New Zealand Institute of Skills & Technology

- 51. We need a unified, sustainable, public network of regionally accessible tertiary education, particularly vocational education, but also including foundation education and degree and post-graduate education.
- 52. To achieve this, this paper seeks Cabinet's agreement to create the New Zealand Institute of Skills & Technology (the Institute). This new organisation would have the necessary capabilities to support work-based learning, while also bringing together the existing 16 ITPs. It would be a consolidated organisation that makes strategic use of capital, achieves greater efficiency in programme design, development and delivery, and reduces the duplication of functions within the current vocational education network.
- 53. This would be a major change for the 16 current ITPs and for their 120,000 domestic students and 18,000 international students.
- 54. The Institute would be the cornerstone of a sustainable system of vocational education provision. Its national network would enable students and employers to transition seamlessly between delivery sites and educational modes, so that the Institute could be a true long-term skills training partner to firms, operating both regionally and nationally.
- 55. Regional and local campuses would focus on delivering high-quality and relevant services to learners, employers and communities across all of New Zealand, guided by the advice of regional leaders (rather than competing with each other for enrolments). The services of the whole Institute would help the regions respond comprehensively to regional need. This includes a stronger focus on the groups that have been underserved to date, such as Māori, Pacific, and disabled learners.
- 56. The new Institute would also be a degree-granting provider and a provider of foundation learning, and would have a greater ability to create pathways through the system. This would continue the valuable role that ITPs currently have in foundation and degree-level provision and provide greater certainty that existing arrangements will be protected. It would strengthen the pathways through the system and the links between workplaces and degree-level study over time because of the workplace focus of the proposed Institute.

Balancing the Institute's regional and national roles

Feedback from consultation: New Zealand Institute of Skills and Technology

57. The consultation process (see inset box) raised concerns about getting the right balance between a coherent and coordinated national system and responding effectively to local needs. Concerns were also raised about the loss of regional autonomy. These concerns tended to be strongest from the more successful and stable ITPs (some of which, it is worth noting, also tend to have higher levels of enrolments from outside of their region).
58. The views of these submitters have been carefully considered, and have informed the proposed design of the Institute, as set out in this section.
59. In terms of the day one structure, there was a choice between establishing subsidiaries within the Institute or a consolidated Institute. At present, the 16 ITPs all operate largely independently, and use a manner of different systems, processes, methods, accreditations and brands.
60. The approach proposed is establishing the Institute with 16 subsidiaries for up to two years, as a transition measure, and enabling the Minister to decide whether to extend the life of any or all subsidiaries on advice of the Institute. This would contribute to:
- 60.1. *ensuring continuity for learners on day one of the Institute stand up*, through having legacy brands, accreditations, qualifications and powers to award qualifications contained within individual subsidiaries
 - 60.2. *avoiding unintentional financial distress* as a result of unknown financial arrangements within the Institute
 - 60.3. *providing the cleanest possible lift and shift process*, minimising the transition risk to stakeholders.
61. This would constitute a significant change for the current 16 ITPs at a governance level. Their Councils would be disestablished from day one, and replaced with a subsidiary board appointed by the national Council. Appointments would be designed to best facilitate the transition needed, while balancing this with the needs for continuity as the change process unfolds. Subsidiary boards could provide some continuity of members with existing councils and it will be required that around half of the members of subsidiary boards will be regional representatives, thereby assuring ITPs and their

48% of unique submissions supported the Institute (although, including form and campaign submissions particularly from the Stand Up for SIT (Southland Institute of Technology) campaign, only 20% of submissions were in support).

Support came from across the sector, including a majority of submissions from the education sector (e.g. education bodies, and staff and student unions), industry and ITOs.

Opposing submissions were mainly from industry, members of the public, and some parts of the education system (including a minority of ITPs).

Those who opposed it focussed on the risks of the change, the strengths of some current ITPs (and argued that the ITP structural reforms should not be imposed on high-performing institutions), and the value of regional autonomy.

communities that their interests will have a strong voice in the development of, and transition to, the Institute.

62. In addition, transitioning ITPs to subsidiary companies would minimise initial disruption to ITP activities compared with folding all ITPs into the Institute from day one. Learners would experience little change during this phase of the transition, and business-as-usual activities would continue uninterrupted.
63. While this subsidiary model is initially intended as a transitional measure, the Institute may decide to use subsidiary companies in some form as part of its permanent structure, in the same way that many TEIs currently do.
64. Consultation has also led to three other key refinements to this proposal:
 - 64.1. Concerns from regions about retaining access to reserves, where these have been built up over time and have involved the cooperation of the wider community, will be addressed through a policy whereby existing reserves (above a set limit) are spent on the regions in which they had been accumulated by the relevant legacy ITPs. Any cash reserves that are retained would still be consolidated through the central balance sheet of the Institute, but would only be able to be drawn upon for projects and capital expenditure in the relevant region that have been approved by the Institute head office, within specific operating parameters (see page 16 of Annex 3 for more details).
 - 64.2. Existing qualifications will be grandparented under individual current ITP brands, and there will be an expectation that the Institute will take a cautious and relationship-based approach to any changes to the ongoing use of the current brands.
 - 64.3. A duty in statute for the Institute's Council to ensure that the Institute has effective local and national stakeholder engagement processes (this should include arrangements for pacific community and business voices, disabled learners and others), and gives appropriate consideration to international learners and their potential contribution to regions.
65. It is also proposed to confirm that, as signalled in the proposals for consultation:
 - 65.1. The Institute would need to give effect to a statutory Charter which will include a focus on regional responsiveness and require it to continue to maintain provision in the regional centres where the main campuses of the 16 ITPs are based.
 - 65.2. Regional Leadership Groups (see paragraph 119) would hold the regional campuses of the Institute to account, alongside other providers, for collectively meeting the needs of their local communities.
 - 65.3. The Institute would not have a Wellington or Auckland head office (in fact the head office functions may be distributed across multiple locations), and the Chief Executive's office would not be based in Wellington or Auckland.
66. In terms of the Institute's overall business model, four possible options were analysed:

Option	Description
Option A: Create an Institute with a small, thin head office that focuses on managing the performance of its subsidiary ITPs	<ul style="list-style-type: none"> A small, thin head office for the Institute would be established, and the existing 16 ITPs brought together as subsidiaries to the new organisation. The Institute would focus primarily on managing the performance of its subsidiaries, and this approach most closely supports the earned autonomy model preferred by some submitters. The head office would directly employ the chief executives of regional operations, and would have strong reach-in powers to the regional operations if they were not performing well.
Option B: Similar to Option A except with fewer regional operations and centralised programme design	<ul style="list-style-type: none"> Similar to Option A, except that over a short period of time the regional operations would be consolidated down to a smaller number of regional operations, likely between 6 and 8 regional operations. In addition, the head office would become responsible for programme design and development, and the regional operations would choose from a 'menu' of programmes and courses.
Option C: Create an Institute with a head office that has a stronger degree of control over its operations but still with a substantive regional presence and delegations	<ul style="list-style-type: none"> The head office would have a stronger degree of control over the regional operations. There would, however, still be a substantive regional presence, and the heads of regional operations would be provided with sufficient financial delegations to be empowered and make decisions on behalf of their communities. The head office would be responsible for setting strategy, and reducing duplication in areas such as consistent programme design and development. It also would focus on reducing duplication in back-office systems, and developing consistent and integrated strategies on items such as capital and ICT investment, ensuring that the regional operations took a network-wide view to investments.
Option D: Create a heavily consolidated Institute where most activities are performed centrally	<ul style="list-style-type: none"> Most activities would be consolidated in a single entity, and there would be less substantive local or regional operations. The entity would deliver in the regions, but the management team present in the regions would be far smaller than the current state. Regions would also likely have less budgetary control and decision rights, with no distinction between the centre and 'regions'.

67. This analysis is set out in greater detail in the Programme Business Case (Annex 6). The conclusion reached is that Option C is the preferred option because it likely creates the best balance between consistency, efficiency, and devolved decision making.
68. Option D is the least preferred as the risk to transition, high likelihood that it would not deliver value to the regions, and significant ICT integration complexity means it unlikely to deliver the changes sought as part of the reform programme.
69. However, Option C is also preferred to Options A and B because these options offer poor value for money and do not make substantive enough changes to the sustainability of ITP operations to outweigh the costs of change.

70. With a change process as complex and far-reaching as this, it is not realistic or prudent to try to lock everything down in advance, before even an establishment unit is formed. The risks and mitigating measures associated with the Institute's transition are discussed in paragraphs 157-161.
71. There will, however, continue to be a degree of autonomy at regional level. The Institute will determine its own internal structure and business model, including which activities are consolidated and how, and including the way it organises the number and boundaries of its delivery regions.
72. Nevertheless, the statutory framework that Government establishes and the accountabilities that the Minister places on the Institute will have a significant influence. These will be based on Option C as the assumed target end state for the Institute, but with a day one position closer to Option A.

Other proposed features of the Institute

73. An Establishment Board would be formed as soon as practicable (technically as a ministerial advisory group supported by a unit within the Ministry of Education). This Board and unit would have powers to begin establishment work, spend funding under delegation from the Secretary for Education, and operate a process, independent of the Minister, to appoint the designate Chief Executive of the Institute in line with the process for appointing a tertiary education institute Chief Executive set out in current legislation. The designate Chair, Deputy Chair and Council members of the Institute would form the Establishment Board. I will be bringing a paper to the Appointments and Honours Committee with a proposed membership for the Establishment Board.
74. Once in place, the Establishment Board would be working swiftly, so it would be important to have strong reporting to Ministers. I would issue a letter of expectations to the Establishment Board, and I would expect to receive weekly progress reports from the Board.
75. The Establishment Board would consult with stakeholders and advise on an appropriate name for the Institute. The working name "New Zealand Institute of Skills & Technology" would continue to be used in the meantime, including in the legislation, as introduced.
76. The Institute would be established as a new and unique tertiary education institution, rather than as an ITP. However, the Institute and its Crown entity subsidiaries would still be able use the protected terms 'polytechnic' and 'institute of technology' to describe themselves. The statutory provision to establish any new polytechnics in the future would be removed, since the Institute will be their replacement.
77. There is a need to balance appropriate independence with the need to use national resources efficiently, the national interest and the demands of accountability. For the proposed Institute to gain buy-in from the members of the sector and industry that is needed for it to be successful, it would be important that it is at arm's length from government. The Institute's leadership would have to be accountable for decisions around the design of its business model, and the ongoing operation and management of the Institute should have a reasonable level of autonomy. However, its unique place as a national institution means that there would need to be less institutional independence in the form of additional accountability mechanisms, as set out in the following paragraphs. The Institute and its subsidiaries would however have the same academic freedom

principles as other institutions⁹ but not the same statutory protection of institutional autonomy.

78. All Council members would be appointed by the Minister, apart from one student and one staff member elected by the committees representing students of the Institute and staff of the Institute respectively (see paragraph 83). The Minister would also appoint the Chair and Deputy Chair. The Council would have between 8 and 12 members in a steady state organisation, but the Establishment Board is likely to be smaller.
79. A charter for the Institute would be set out in legislation, providing an enduring guarantee that the Institute and successive Governments will continue to preserve a strong network of regional campuses and delivery, and that the Institute will support learners effectively and be responsive to the needs of industries, community and Māori. The Council of the Institute would be expected to give effect to the provisions in the charter and report as to how it is doing so through its accountability documents.
80. The new Institute would be required to produce a statement of intent and a statement of performance expectations, in keeping with other Crown Entities. The Minister would issue a letter of expectations to guide the Institute's strategic direction. In addition to these accountability mechanisms, it would be important to have strong monitoring and intervention frameworks in place to ensure that the Crown has sufficient oversight of the Institute's major financial decision-making. It would also be important to ensure that the Institute and monitoring agencies can manage potential risks while also ensuring that monitoring activities do not choke innovation.
81. Tertiary education institutions must have an academic board to advise them on academic matters. Workplace delivery would be included in the description of the advice the Academic Board of the Institute should provide to the Council.
82. For a national Institute, it will be also important that the public, staff and students have an assurance that regional staff and student voices are considered by the Council in its decision making, and that advice on how to work in partnerships with Māori is considered and actioned.
83. In order to enable students and staff to have a voice in Council decision-making, the Council of the Institute will be required establish a committees of students and staff of the Institute. These committees would consist of members of staff and students representing at a minimum each substantial regional division of the institute. The members of each committee would be elected by the staff and students of the relevant regional divisions. The Council would determine, in consultation with students and staff, the number of members of each committee.
84. The Council of the Institute would also be required to appoint a Board to support the Council to work in partnerships with Māori. The Board would be a Committee of the Council, made up of members both internal and external to the Institute. The size and composition of the Board would be determined by the Council in consultation with Māori.
85. The committees and the Board would provide advice to the Council to inform its decision-making, and the Council would be required to consider solicited or unsolicited advice it received from them. The Council would also be required to consult these bodies

⁹ s 9(2)(f)(iv)

on significant matters such as the strategic direction of the Institute, major structural changes and other significant decisions.

86. A commitment to Māori-Crown partnerships would also be included as part of the legislative provisions for the Institute. The appointment process for the Institute's Council would also ensure that potential Councillors have the skills, knowledge and experience to support Māori needs. The Council would also be required to appoint a Board to advise on how the Institute works with Māori to improve outcomes for Māori learners and communities.
87. The Education Act 1989 currently allows the Minister to set funding rules for TEC in respect of a subsector (such as ITPs) but not an individual provider. Since the Institute would be a unique institutional type, it would be excluded from this restriction.
88. The Minister would have the legislative power to determine the administrative regions of the Institute, if needed, to manage the interests of the wider system, but this power will be held in reserve, with no plans to use it in the foreseeable future.

Workforce development councils (WDCs) with leadership across the whole vocational education system

89. We need to give industry greater control over all aspects of vocational education to make the system responsive to employers' needs and to the changing world of work.
90. To achieve this, I seek Cabinet's agreement to establish a small number (around four to seven) of industry-governed workforce development councils (WDCs) based around sector groupings. These would have comprehensive responsibilities for leadership, advising on funding decisions, standard setting and assessment of learning, but would not be responsible for directly supporting workplace learning, as ITOs currently are. The latter role would shift to the Institute and other providers.
91. The WDCs would have a wide area of coverage established through direction from government. The structure of WDC coverage would be based on sector groupings, which is the approach that other jurisdictions tend to use. A collaborative process would be undertaken with industry to confirm coverage options. However, a useful starting point for that discussion would be the six sector groupings identified through the 'Vocational Pathways' developed through a partnership between the Ministry of Education and the Industry Training Federation between 2010 and 2014:
 - 91.1. Construction and Infrastructure
 - 91.2. Manufacturing and Technology
 - 91.3. Primary Industries
 - 91.4. Services Industries
 - 91.5. Social and Community Services
 - 91.6. Creative Industries.
92. Current ITO coverage includes gaps and distributed coverage of some industries; for example, in information technology or many of the creative arts. Under the new system, the government would allocate responsibility to WDCs to address coverage issues. Some care would be taken to ensure genuine industry engagement in these new areas of coverage (and corresponding capability within the WDCs).

93. There could be an opportunity for the proposed WDCs to share some services (e.g. qualifications and standards-development expertise, or promotional design). This would require universal support by the WDCs in order to be feasible.

Managing the transition of the supporting workplace learning role

94. With this change, work-based training would continue to occur mainly in the workplace, but support for trainees and apprentices would come from providers instead of ITOs. This would encourage more work-based training and support learners to enter work more quickly.
95. The consultation process (see also inset box) raised significant concerns from ITOs and employers currently involved in industry training about what they saw as industry losing this role. It would be a major change for approximately 140,000 trainees and apprentices working for 25,000 employers.
96. I have engaged closely with these concerns, and met with a number of ITO leaders and some employer representatives. However, I consider that the benefits, supported by a strong and careful transition, outweigh these concerns.
97. We need to strengthen connections between providers and employers, so that all learners are work-ready upon completing their qualifications. We also need to ensure that all learners have strong learning and pastoral support from providers, whether they are studying at providers, or training in the workplace. Finally, we need to avoid a potential conflict of interest that would occur if WDCs were to retain the role of supporting work-based learning while also having enhanced standard-setting powers, thereby enabling them to set standards that could favour their own interests in supporting work-based learning.
98. In response to ITO, industry and employer concerns, a number of refinements to the initial proposal are proposed to ensure that the transition of the role of supporting work-based learning from ITOs to education providers is carefully managed and funded.
99. In particular, it is proposed that holding organisations formed from the existing ITOs would be able to continue to operate current arrangements for supporting work-based training up until the end of 2022. This would give employers who are satisfied with their

Feedback from consultation: Workforce Development Councils / Industry Skills Bodies

The majority of submissions (57%) supported the proposal to shift the role of supporting workplace learning from ITOs to providers.

Those more likely to be in support included education sector bodies, education sector workers, unions and student associations, parents, students, apprentices and trainees. Some employers and industry groups also supported it.

However, ITOs and many industry groups and employers opposed it. All ITOs raised very strong concerns that this proposal would reduce the quality and responsiveness of work-based training, leading to a reduction in training volumes.

Most stakeholders were supportive of WDCs having a leadership role across the whole vocational education system. For example, 92% of submissions supported a skills leadership role for WDCs.

The lowest support for the proposed roles was the WDC endorsement of programmes, at 60% of stakeholders. Support particularly came from industry, ITOs, and many staff and leaders of education providers.

Where opposition was voiced, it mainly came from education providers, including PTEs, based on concerns about WDCs' ability to fairly take into account all the needs of learners, regions and providers.

current support the assurance that the transition will be carefully managed over a three-year period to minimise any disruption to services.

100. This staged approach has a number of advantages:
 - 100.1. ITOs are given time to prepare for handing over work-based learning to providers and can be funded to assist providers in making the transition.
 - 100.2. It provides a more structured process for the Government to ensure a well-managed transition that will maintain engagement by industry in structured training.
 - 100.3. It recognises that the leadership of the Institute will have a major change process with the consolidation of the 16 ITPs, and defers them having direct responsibility for supporting work-based learning.
 - 100.4. It acknowledges the concerns raised by some ITOs and employers about whether, emerging from the ITP sector, the Institute will initially have the necessary capability and culture to successfully support work-based training, including an orientation towards workplaces.
101. In relation to the last point, Cabinet will have an opportunity further down the track to confirm the final transition of capability housed in the holding organisations, before they transfer to providers, to assure itself that providers are migrating towards the sort of organisation that can appropriately manage both provider-based and work-based training.
102. A key purpose of holding organisations would be to protect the interests of employers during the transition period. They would enable a phased and well-managed transition of ITO functions to WDCs and providers.
103. These holding organisations would receive statutory 'recognition' by the responsible Minister to undertake ITO functions. This would not be the same recognition process that ITOs must currently go through, and the specific functions a holding organisation is recognised for may be tailored on a case by case basis (e.g. the holding organisation may represent more than one of the existing ITOs).
104. At the point when an industry is covered by a WDC for the standards-setting functions, the holding organisation would lose its 'standards-setting' function for that industry, but would continue with the standard-setting function for other industries within its area of coverage.
105. The supporting work-based training function would transfer from a holding organisation to the Institute and/or other providers, by arrangement, at some point during the transition period – i.e. from when legislation comes into force until the end of 2022. While every attempt will be made to transition all of a organisation's supporting work-based training function at the same time, this may not always be possible (depending on provider capability). Therefore, in this situation a holding organisation may transfer some of its supporting work-based training functions to a provider, while continuing to support training for other industries within its area of coverage.
106. s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
[REDACTED]

107. Where a holding organisation is recognised to deliver many of the same functions as an existing ITO (or ITOs), that organisation will be able to continue to brand themselves as that ITOs (or those ITOs) for the period of transition.
108. A holding organisation would cease to be recognised by the Minister when all standard setting functions have transferred from that holding organisation to appropriate WDCs, and all supporting work-based training functions have transferred from that holding organisation to appropriate providers.
109. Two other refinement have been made in response to feedback during the consultation.
110. Firstly, a concern was raised by industry stakeholders about whether the proposed investment advice from WDCs would effectively influence TEC decisions. The role has been strengthened so that WDCs can direct TEC on key elements of investment decisions within a fixed funding envelope (see paragraph 112.4). WDCs could also assist TEC in evaluating the performance of providers against those investments.
111. Secondly, there was a concern that WDCs would not be able to maintain regular contact with employers. In response to this concern, I have expanded the scope of the role of WDCs with the potential for WDCs to continue to provide some brokerage functions, within the scope of their TEC-approved skills leadership plan (see para 112.3).

Other proposed features of WDCs

112. WDCs would have the following roles:
- 112.1. skills leadership: identify future industry skills needs, and advocate for those needs to be met through their work with industry, schools, providers, regions and government
 - 112.2. standard setting: set skills standards and develop qualifications, and endorse programmes developed by providers, including developing training packages where appropriate. These changes would ensure that industry requirements are consistently applied throughout vocational education. This role includes the ability to set a core curriculum or training packages in programmes
 - 112.3. employer brokerage: provide employers with brokerage and advisory services within the range of activities approved by TEC as related to their leadership role (but not to deliver qualifications or credentials)
 - 112.4. investment advice: direct TEC on the skill mix required for each industry, within a fixed funding envelope set by TEC. TEC would give direct effect to that advice. WDCs would also provide advice on TEC's overall purchase. As this approach matures it is possible that WDCs could directly purchase vocational education on behalf of employers
 - 112.5. assessment: moderate assessments and set capstone assessments¹⁰ as required, to ensure that learners have met the required standard when they are awarded a qualification. In some cases WDCs would work with occupational regulators who have a statutory authority to conduct capstone assessments.
113. WDCs would be established as not-for-profit statutory entities, required to consider national and regional interests alongside the needs of industry. It is proposed that they

¹⁰ A capstone assessment is an end-of-study assessment (practical, written, or a combination) that requires learners to demonstrate that they have acquired the skills and competencies required for their qualification.

be called Workforce Development Councils in statute rather than the working name of Industry Skills Bodies used during consultation.

114. The aim is that most WDCs would be established inside six months of legislation passing, in order to allow industry to expand its role earlier in the establishment of the new vocational education system.
115. WDCs would receive funding from the TEC. WDCs would be required to develop skills leadership plans. They would be required to submit these plans to TEC, keep these up to date, and deliver on them in order to continue to receive government funding.
116. The governance structure and interventions framework for WDCs would be designed with industry, based on the principle that WDCs are to be industry-driven organisations.
117. WDCs would be subject to annual audits and would be required to report on their activities annually. WDCs would also be subject to appropriate NZQA external quality assurance and monitoring that is fit for purpose. A provision in statute would provide for either NZQA or TEC to conduct a review or require an independent audit of finances or require specific information or a report as needed. The responsible Minister would have the power to remove any WDC governance members if there is just cause (based on the interventions framework designed with industry).
118. There is some interaction between the standard setting responsibilities of WDCs and the standards for mātauranga Māori programmes in wānanga and other providers. Wānanga will nevertheless be enabled to remain outside WDCs' standard-setting, other than where they are moving into the role of supporting work-based learning.

Regional Leadership Groups (RLGs)

119. Regional Leadership Groups will support the regional skills system, including providing advice to the Tertiary Education Commission, Workforce Development Councils, and local vocational education providers. TEC would be required to take their advice into account when making investment decisions.
120. The Labour Market group of Ministers (Ministers of Immigration, Education, Employment and for Social Development and Seniors) have driven the development of RLGs, which the Ministry of Business, Innovation and Employment consulted on as part of proposed temporary migration changes alongside consultation on vocational education reform. These Ministers are reporting to Social Wellbeing Committee in July 2019 about the establishment of Regional Leadership Groups.

Centres of Vocational Excellence (CoVEs)

121. CoVEs would drive innovation and excellence in teaching and learning and improve links to industry and communities. They would be established by the Institute or wānanga in areas of study of particular importance to New Zealand. Their coverage could be pan-sector (e.g. primary sector), industry-wide (e.g. agriculture) or specific (e.g. viticulture). They could potentially also cover key types of educational delivery (e.g. kaupapa Māori delivery) and include applied research. It is envisaged that CoVEs would be located across the country.

122. s18(d)

Te Taumata Aronui

123. It is essential to ensure that the Reform of Vocational Education reflects the Government's commitment to Māori-Crown partnerships. A partnership approach would prioritise Māori learners across the vocational education system, and recognise that Māori are significant employers with social and economic goals, with an estimated national Māori asset base valued at over \$50 billion.
124. To ensure these opportunities are consistently taken up through the Reform of Vocational Education, I propose to establish a group, with a placeholder name of the 'Te Taumata Aronui'¹¹, to focus on tertiary education, including its interface with the schooling sector. The first task for this group could be to engage with the programme board for the Reform of Vocational Education, education agency chief executives, and Ministers. Specifically, it could provide advice about how the vocational education system could:
- 124.1. reflect Māori Crown partnerships
 - 124.2. ensure that the system improves outcomes for Māori learners and supports Māori employers
 - 124.3. align with other relevant components of the Education Work Programme (e.g. Ka Hikitia)
 - 124.4. support Māori economic and social development strategies.
125. I seek Cabinet's support to establish this group. If agreed, we will put out a call for nominations as soon as possible. I will report back to the Appointment and Honours Committee with intended appointments, in consultation with the Minister for Māori Crown Relations. Officials will also continue to work at a regional level with Māori.

Unifying the vocational education funding system

126. Our current dual funding approach for work-based and provider-based learning fails to deliver the high-quality, well-integrated and sustainable vocational education system we need.
127. The public consultation found strong support for the development of a new unified funding system. A unified funding system would encourage greater integration of provider-based and work-based learning, ensure learners can access more work-relevant and tailored support, and enable new models of education delivery which are more responsive to employer and industry demand.
128. To achieve this, I propose to develop a unified funding system to apply to all provider-based and work-integrated education at certificate and diploma qualification levels 3 to 7 (excluding degree study) and all industry training.
129. The unified funding system would be designed in line with the following principles:
- 129.1. reward and encourage the delivery of high-quality education and training which meets the needs of learners, communities and employers
 - 129.2. support access to work-based education and training and encourage the growth of work-integrated delivery models

¹¹ Taumata relating to a summit and Aronui relating to the traditional basket/kete of advanced knowledge

- 129.3. supply strategically important delivery to meet national priorities, address regional labour-market demand, and be highly responsive to employer skill needs
- 129.4. allocate funding through simple and transparent funding mechanisms which ensure provider accountability, and provide for greater stability as a platform to invest in innovation and growth.
130. The work would focus on the development of three new funding design components:
- 130.1. *a new funding category system* to set funding categories for different modes or types of tuition/training with different underlying costs, and the relative funding weight to assign to each category
- 130.2. *a new learner-based funding approach* to recognise the higher costs of delivery that responds to a range of students'/trainees' needs, and to incentivise improved system performance for traditionally underserved learners (especially Māori, Pacific and disabled learners)
- 130.3. *a new funding approach for strategically important delivery* to support national priorities and to increase responsiveness to regional labour-market demand. This could include sector-specific funding for wānanga and/or the Institute.
131. The design work would be informed by end-user perspectives, including those of employers, Māori, Pacific peoples and disabled learners. More technical and operational advice would be informed by sector experts to ensure that funding reforms result in the behaviour shifts we are seeking from TEOs. I intend to report back to Cabinet in February 2020 to seek agreement to initial policy design and phasing options for the development and implementation of the unified funding system.
132. The work would include a review of funding for te reo Māori and mātauranga Māori over the same period. This would contribute to the objectives of Maihi Karauna s 9(2)(f)(iv)
- Officials would co-design solutions with the wānanga to ensure the funding system reflects and supports the kaupapa Māori approach of these providers. Any new funding rates would apply to te reo Māori and mātauranga Māori delivery across the whole tertiary education sector.
133. It would take time to develop, design and fully implement a new unified funding system. In this interim period, while the new funding system is developed, providers would face some uncertainty about long-term funding arrangements. Related reforms, including transferring support for work-based learning to tertiary education providers, would need to occur within the constraints of the current funding system.
134. This work would be carried out in alignment with four related work areas:
- 134.1. *Foundation learning*: Officials will explore how elements of the unified funding system could apply to provider-based foundation learning (e.g. a stronger learner-based funding component), alongside related reforms to address the recommendations of the Welfare Expert Advisory Group.
- 134.2. *Secondary-tertiary linkages*: Officials will review how we fund secondary-tertiary learning arrangements, to increase access to initial vocational education through dual enrolments in school and tertiary education.
- 134.3. *Employer incentives*: Many industry groups, ITOs and employers also raised the need for training incentives either through grants to employers or training levies.

These have the potential to increase employer engagement in vocational education. Future of Work Ministers have sought advice on this matter, and Treasury provided initial exploratory work to them in June.

- 134.4. *Student fees*: The unified funding system will also be developed in alignment with work to consider changes to student fee regulation and fees free entitlements.

Implications of the reforms

Improving outcomes for all learners

135. The proposed reforms will give all learners a more coordinated, inclusive experience that is based on strong connections between education and employment, and strong cultural competency. The reforms create an opportunity to use funding and structural changes to create a vocational education system that is more responsive and delivers better outcomes, particularly for those underserved by the current system. There will be significant opportunities in the next phase of work for officials to engage with learner groups who are underserved by the current system.
136. A more integrated vocational education system will better suit Pacific learners, families and communities, many of whom prefer to work and earn money to support their family, rather than studying full-time. The new governance and management arrangements for the Institute will set expectations that it is governed and operated in a way that understands the different Pacific cultural contexts, and the importance of their identities, languages and cultures to support strengthened education and employment outcomes for Pacific learners. This will also ensure that transparency expectations and stronger accountability for Pacific learner success are embedded into the new system.
137. The new system can build on current programmes which operate in a way that best meets the needs of Pacific learners and improve their outcomes. For example, it will better enable more 'end-to-end' (i.e. education-to-employment) arrangements, similar to the Māori and Pasifika Trades Training consortia approach.
138. Disabled learners and people with additional learning support needs would benefit from an integrated vocational education system, where learners studying at a provider will have more exposure to workplaces and employer networks and will be better supported during transitions between in-class and workplace learning. This will help address issues of unequal access to employer networks for disabled learners and assist during transitional periods (both into study and employment). An integrated system will give employers more experience with disabled people, which over time will help to breakdown pre-existing negative attitudes.

Implications for education providers

139. The implications for ITPs, ITOs and wānanga are discussed above; this section addresses the implications for other education providers.
140. These reforms will be important for secondary schools. The Reform of Vocational Education will create a joined up system in which schools and TEOs are better linked to each other and to the world of work. There are opportunities through the reforms, alongside the wider Education Work Programme, including the NCEA Change Package and the Careers System Strategy, to strengthen the industry-derived learning that senior secondary students undertake. This includes creating more deliberate and effective pathways for school students into higher-level vocational education in tertiary settings

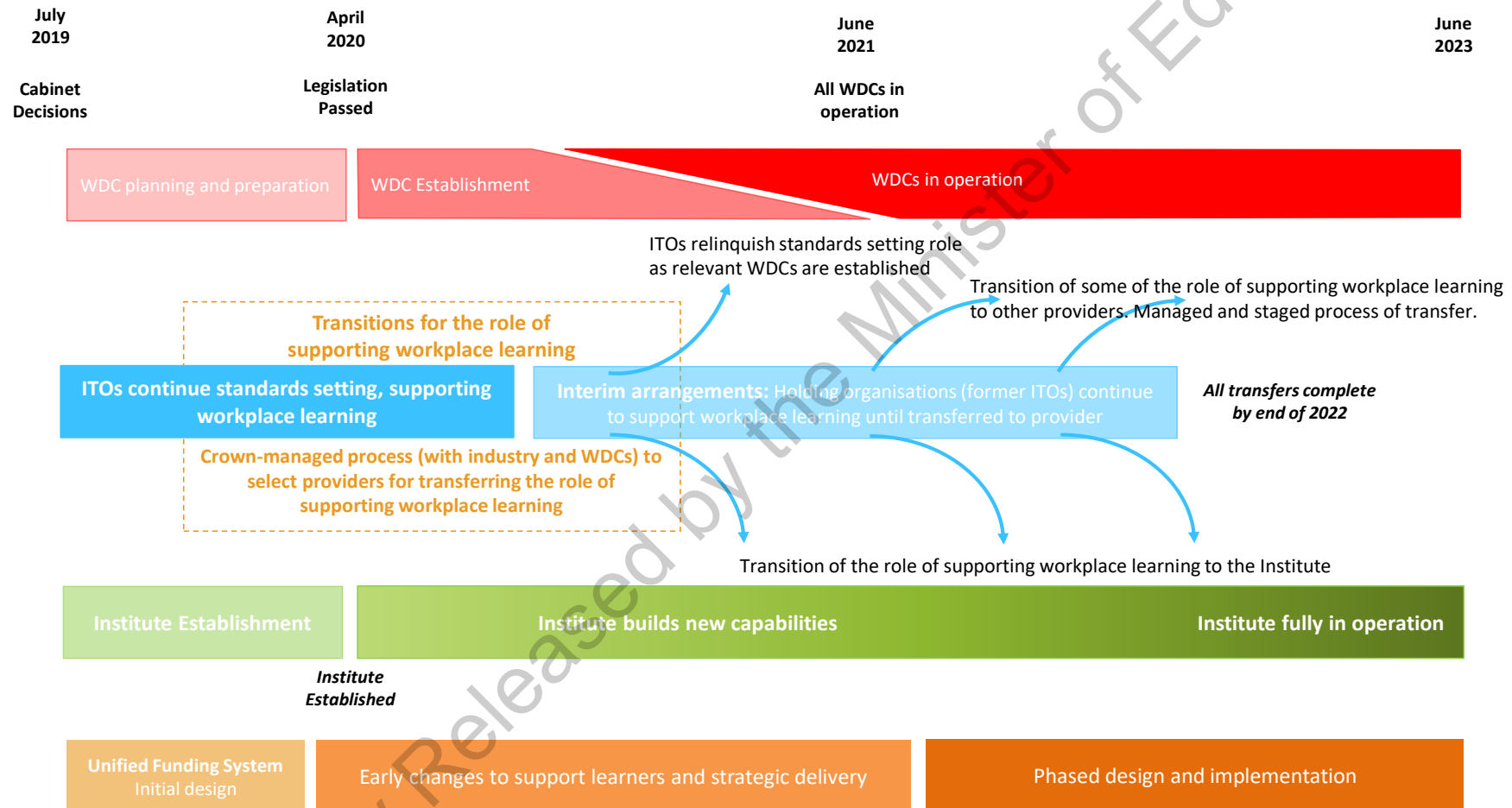
and the workforce. It will be important that Trades Academies and Gateway programmes are maintained during the transition.

141. As noted above (paragraph 134.2), officials will review how we fund secondary-tertiary learning arrangements to increase access to initial vocational education through dual enrolments in school and tertiary education.
142. Private Training Establishments (PTEs) provide vocational education to around 32,000 students. In the new system, PTEs will share responsibility with other providers for supporting work-based learning. This offers a significant opportunity for PTEs that wish to take on this expanded role. PTEs will work with the new WDCs as they develop programmes and will need WDC endorsement before a programme is approved by NZQA.
143. While universities will not be significantly affected by the reforms, they have expressed interest in aspects of the new system, in particular, support for more work-based learning. There may be opportunities for universities to collaborate with WDCs or to draw lessons from the unified funding system. The funding reforms will also apply to university delivery at qualification levels 3 to 7 (this is estimated at 3% of current equivalent full-time students). Officials will also explore opportunities to apply lessons from the unified funding system to higher education.
144. The new Institute will support international education by raising the standing of vocational education in New Zealand to more effectively market New Zealand internationally. It could also support a more even distribution of international learners across the regions. This will build on New Zealand's already strong reputation as a high-quality, safe and caring country for international students to study, live and work.

Timeframe and process for transition – the Institute and WDCs

145. If agreed, the changes will require a carefully staged transition over a number of years, in order to ensure stability and certainty for learners and employers and to support capability and goodwill in TEOs. Figure 4 overleaf sets out the key stages of the transition. Key elements of this are:
 - 145.1. the transfer of responsibilities from ITOs to WDCs and providers, starting once new legislation is in place, with establishment of WDCs completed within 2020/21, and a phased transition of responsibilities for trainees and apprentices completed by the end of 2022
 - 145.2. the establishment of the Institute and subsidiaries (that will have a life of up to two years, but extendable by the Minister) by 1 April 2020, supported by an establishment unit to begin later in 2019. New instruments would be in place (including a Charter) to establish expected new ways of working
 - 145.3. some initial changes to funding from 2021, with full design and implementation phased over a number of years.

Figure 4: Transition arrangements for the Reform of Vocational Education



Risks and mitigations

146. The changes set out in this paper represent significant change. There are significant risks with reforms on this scale, and it is important to have strong mitigation strategies in place.
147. This section sets out key risks and mitigations, and more risks are set out in Annex 1.

A key risk is that training volumes drop

148. It is very difficult to predict the effects of system-level reforms of this scale and scope. In the longer term, successful implementation of the reforms could see growth in participation, but there is a real risk that before and during the transition period, participation in vocational education could decrease, especially in shorter and lower-level work-based programmes.
149. The main drivers of a drop in training volumes would be uncertainty and/or a lack of confidence from employers who are already engaged in industry training. If employers struggle to understand the changing system or do not have confidence in the capability of providers to undertake the role of supporting work-based learning, they will be less likely to seek training opportunities for their staff. Another driver of a drop in training volumes could be a misconception among employers that the changes will result in less work-based learning and more provider-based learning. If employers think that engaging in training means that their staff will be out of the workplace more, they may have concerns that their productivity would drop.
150. It is likely that volumes of higher-level, longer vocational education programmes (i.e. apprenticeships and provider-based enrolments) would be more stable during the transition. However, if there are significant problems or delays with implementation, the fall in training volumes could be more severe, widespread, and/or longer lasting.

There are four key mitigations to address this risk

151. *Mitigation one: A broad communications and engagement strategy for all employers* – via industry groups, Chambers of Commerce, Economic Development Agencies, large employers, etc. – would set out the details of the changes, explain the long-term benefits of the changes, and encourage employers to work with officials and Ministers to shape the system to meet their needs.
152. *Mitigation two: A targeted communications and engagement strategy for employers already engaged in industry training* would, in addition to the above, focus specifically on addressing employer uncertainty and lack of confidence in the changes. It would:
- 152.1. be clear about exactly what employers could expect at various stages in the process, including minimal up-front change
 - 152.2. encourage employers to continue to train employees already in industry training and to continue to sign up future employees in industry training
 - 152.3. set out plans for working with employers, ITOs and providers to phase the transition of supporting work-based training from ITOs to providers, and to work very closely with ITOs and providers to build providers' capability to undertake this role
 - 152.4. correct some myths that employers have about the changes, including that the role of supporting work-based learning would shift directly to providers once

legislation was passed, that this role would shift only to the Institute (rather than to wānanga and PTEs as well), or that the changes would result in less work-based training (more provider-based training).

153. *Mitigation three: A phased approach through to the end of 2022 for transitioning the role of supporting work-based learning from ITOs to providers* would have a number of benefits (see paragraph 100). Particularly important to the phasing is being clear upfront that the role of supporting work-based learning will only transfer to providers once those providers have demonstrated that they have the necessary capability to undertake this role (see paragraph 101).
154. *Mitigation four: Working closely with ITOs to design and implement the changes* would help to design the system and changes to meet employers' training needs, and keep existing capability in the system (i.e. supporting key ITO staff support, and transition to employment at providers). This would help to ensure employers providers will have the capabilities to meet their needs
155. To date, many ITOs have opposed the proposal to shift the role of supporting work-based learning to providers, as already noted. Once the reforms are announced, it will be crucial to engage closely with ITOs to emphasise how important they are to the success of the changes, and to support them to work with providers and officials.
156. Part of supporting ITOs during the transition will involve funding them to work with providers to support providers to build their capability (see paragraph 100.1).

A key risk is that ITPs do not work together to support and progress change

157. Continued opposition from some vocal ITPs and their communities, particularly where the ITPs are high performing, means that there is a risk that ITPs do not work together as a network to progress change and to achieve a higher-performing system overall. Key to the success of creating the Institute is spreading the successes of high-performing ITPs throughout all regions, so that all learners have high-quality vocational education and training. If high-performing ITPs continue to oppose change, they may not be willing to help other regions learn from their successes.
158. There are three key mitigations that could address this risk.
159. First, it will be important for communications and engagement with these ITPs to acknowledge their strong opposition to the changes and to explain how their feedback has shaped the changes (e.g. ring-fencing assets for use in-region). Communications and engagement will also have to be very clear about the strong leadership role that high-performing ITPs can have across the Institute in shaping its programmes and delivery. And, communications and engagement should be targeted directly to these ITPs to acknowledge their specific positions in the system.
160. Second, transitioning ITPs to subsidiary companies in the first phase of transition would minimise initial disruption to ITP activities (as opposed to folding all ITPs into the Institute from day one). Learners would experience little change during this phase of the transition, and business-as-usual activities would continue uninterrupted.
161. Third, subsidiary boards could provide some continuity between current ITPs and the Institute. Subsidiary boards would replace ITPs' current councils. They would have two key functions: overseeing each of the 16 subsidiary companies (former ITPs), and working together and with the Institute Council to progress towards the integration of the subsidiaries into the Institute. Subsidiary boards could provide some continuity of members with existing councils and it will be required that around half of the members of

subsidiary boards will be regional representatives, thereby assuring ITPs and their communities that their interests will have a strong voice in the development of, and transition to, the Institute.

A key mitigation for all risks is phasing the transitions

162. A key mitigation for a number of the risks with these reforms is a phased and managed approach to transitioning from the current vocational education system to the future system. Phasing will allow change to be gradual and well planned, with stakeholders and government working together to ensure the success of the reforms. It means that complex changes can be broken into more manageable steps, and communications can be clear about what is happening at every step of the way. Phasing also means that funding can be drawn-down from the contingency in stages, thereby giving Cabinet greater oversight of spending throughout the process (refer to Paper 2 for details).
163. This phased approach is supported by the proposed investments set out in Paper 2 (alongside reprioritisation). These investments will support careful planning, stakeholder engagement, and in particular sufficient support for establishing new organisations.
164. A managed approach means that Government will have oversight of the entire process, with key decisions made by Ministers or Cabinet as appropriate. An example would be enabling Cabinet to make the final decision on when to transition of the role of supporting work-based learning from ITOs (as holding companies) to providers, thereby ensuring that providers have adequate capability to undertake this role for learners and employers. Another example is my intention to issue a letter of expectations to the Establishment Board of the Institute and to require them to report weekly to me on their progress.

Consultation

165. The following agencies were consulted in preparing this suite of papers:

Department of Corrections	Ministry of Pacific Peoples
Department of Internal Affairs	Ministry of Social Development
Education New Zealand	New Zealand Qualifications Authority
Education Review Office	Office for Disability Issues
Ministry for Primary Industries	State Services Commission
Ministry for Women	Tertiary Education Commission
Ministry of Culture and Heritage	Te Puni Kōkiri
Ministry of Health	The Treasury
Ministry of Business, Innovation & Employment	
Te Arawhiti – The Office for Māori Crown Relations	

166. The Department of Prime Minister & Cabinet was informed during the preparation of this suite of papers.

Financial Implications

167. For information on the financial implications of the Reform of Vocational Education, refer to Paper 2, “Reform of Vocational Education – Fiscal Implications”.

Legislative Implications

168. The proposals in this paper will require legislative amendment to have legal effect. I propose to include the necessary amendments in a Vocational Education Legislation Bill. This Bill currently holds a priority two category (must be passed in the year) in the 2019 Legislation Programme. I seek Cabinet's agreement to change this to a priority four category (to be referred to a select committee in the year).
169. I am seeking authority to issue instructions to Parliamentary Counsel Office for the necessary amendments. Drafting recommendations are subject to Parliamentary Counsel's directions concerning how best to express each recommendation in legislation.
170. Over the course of the legislative drafting period, it will be necessary for further decisions to be made regarding the detail of these legislative proposals. The decisions will need to be made quickly, given the legislative timeline. I am therefore requesting that Cabinet authorise the Minister of Education to make the necessary decisions on any issues of detail that may arise during the drafting process without further reference to Cabinet, subject to the decisions being consistent with the policy decisions in this paper.
171. The Act would bind the Crown.

Impact Analysis

172. A Quality Assurance Panel led by the Regulatory Quality Team at the Treasury with representatives from the Ministry of Education has reviewed the Regulatory Impact Assessment (RIA) "Reform of Vocational Education" produced by the Ministry of Education and dated 24 June 2019. The Panel considers that it partially meets the Quality Assurance criteria.
173. The Panel considers that although the RIA is complex it is relatively concise. There is a clear problem definition and compelling case for change. The RIA outlines the trade-offs around the high-level decisions to implement the preferred package. While there are potentially significant benefits, there are also high costs and risks during the transition period.
174. However, the Panel does not find the RIA fully convincing and complete at this stage. The costs are subject to some uncertainty and the monetised value of the benefits appears highly indicative. The costs are uncertain because the detailed design and implementation of the preferred package is yet to be done.
175. The panel notes that an implementation business case will be submitted to Cabinet, and that the Ministry of Education will involve stakeholders in design and implementation, including through formal advisory groups. It is important that this further detailed work is done to address implementation risks and to provide better information on expected costs and benefits to inform subsequent ministerial decisions.

Human Rights

176. There are no direct human rights implications stemming from the policy decisions in this Cabinet paper. I agree with the Human Rights Commission in its submission during the consultation period that these reforms have the potential to support vulnerable groups and lift the quality of life for all New Zealanders. I have reflected this in the Outcomes Framework for the reform (see Figure 3).

Gender Implications

177. The proposals in this paper create opportunities to address the low participation of women in some traditional trades (like plumbing and building). Better access to pastoral support and stronger connections between providers and employers may make it easier for women to enter traditional trades. A more accessible and responsive vocational education system will improve opportunities and access to up-skilling and re-skilling for women who are not well served by the current system. A strong network of high-quality regional provision across New Zealand will be important for women with family obligations, who may be less able to travel to access vocational and tertiary education.
178. The Government has committed to increasing women's participation to 50% on state sector boards and committees. Establishing the Institute, and appointing members to its governing body, presents an opportunity to demonstrate the Government's commitment to this goal.

Disability Perspective

179. See also paragraph 138.
180. In January, the Office for Disability Issues (ODI) recommended that inclusiveness be designed into the vocational education system [CAB-19-MIN-0009]. The New Zealand Disability Strategy has outcomes specific to education ('we get an excellent education and achieve our potential throughout our lives') and employment and economic security ('we have security in our economic situation and can achieve our full potential'), as well as underlying principles and approaches that will be taken into account as the reform continues to progress.
181. During public consultation, officials engaged with disabled learners, learners with additional learning support needs, their whānau, and stakeholders in the disability sector. Based on this feedback, officials are advising me about how the vocational education system could be designed to improve outcomes for disabled people.
182. I will direct officials to continue to work and engage with disabled learners, their whānau, and key stakeholders in the disability sector, to help ensure that the new system has the core design principle of inclusiveness – to ensure the new system better recognises, values, and supports the diversity of all learner needs, including disabled learners and people with additional learning support needs.

Publicity

183. There will be considerable interest from sector stakeholders and media in Cabinet's decisions for reform. I intend to announce Cabinet's decisions around the end of July or beginning of August with the release of the 'change documents' in Annexes 2 and 3 (with minor edits as needed). I am considering a livestreamed public announcement in order to reach the widest range of stakeholders around the country (including Māori, employers, ITO and ITP managers and staff, etc.), followed by a press conference at Parliament.
184. I intend to inform ITO and ITP leadership (and other key stakeholders) by teleconference immediately prior to the public announcement to allow them to prepare messages for their staff and learners.
185. Officials are preparing targeted information for different stakeholder groups (students, apprentices and trainees, staff, etc.), so they understand what to expect.

186. I expect the proposals to attract significant media attention. I will work to ensure that media engagement across government is coordinated and that it conveys the Government's priorities that led to these proposals.

Proactive Release

187. I propose to release this paper and its annexes proactively. Release will be subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Education recommends that Cabinet:

1. **note** that in January 2019, Cabinet agreed on an initial set of proposals for the Reform of Vocational Education being released for public consultation [CAB-19-MIN-0009], which was conducted from 13 February to 5 April
2. **note** that more than 5,000 people attended events and meetings, and 2,904 submissions were received as part of the consultation, and that these views have informed a refined set of reform proposals
3. **agree** that the objective of the changes below is a strong, unified, sustainable vocational education system that delivers the skills that learners, employers and communities need to thrive

Agreed that part of the objective in rec 3 is meeting the needs of learners who have traditionally been under-served by the education system such as Maori, Pacific, and disabled learners, particularly as Maori and Pacific will form a growing part of the working-age population in the future.

The New Zealand Institute of Skills & Technology

4. **agree** to establish the New Zealand Institute of Skills & Technology (the Institute) as a unique tertiary education institution in the Education Act 1989 alongside universities and wānanga
5. **note** that the Institute will also be a tertiary education institution Crown Entity for the purposes of the Crown Entities Act 2004
6. **agree** to convert, as a transition measure, the 16 current institutes of technology and polytechnics to subsidiary companies of the Institute for a life of up to two years, extendable by the Minister, with the intention of their incorporation into the Institute
7. **note** that while this subsidiary model is initially intended as a transitional measure, the Institute may decide to use subsidiary companies in some form as part of its permanent structure, in the same way that many TEIs currently do
8. **invite** the Minister of Education to report back on the form of the Institute and its subsidiaries after two years, notifying Cabinet of any decision to extend the subsidiary structure
9. **agree** that the Institute be responsible for a range of education and training, including vocational, foundation, and degree-level and above provision, and have a strong focus on workplace delivery, and that in addition it has functions of:

- 9.1. meeting the needs of the regions of New Zealand, their learners, industries, employers and communities, utilising the national network of its programmes and activities
- 9.2. working to deliver industry standards set by WDCs
- 9.3. working closely with Māori and iwi partners and stakeholders to improve outcomes for Māori learners and communities
- 9.4. making connections with schools and other tertiary education organisations to improve the outcomes from the education system as a whole
10. **agree** to the following requirements on the Institute:
 - 10.1. to set a policy whereby existing reserves from previous institutes of technology and polytechnics (above a set limit) would be consolidated through the central balance sheet of the Institute, but would only be able to be drawn upon for projects and capital expenditure in the relevant region that have been approved by the Institute head office (within specific operating parameters).
 - 10.2. to take a cautious and relationship-based approach to any changes to the ongoing use of the current ITP brands
 - 10.3. a duty in statute for the Institute's Council to ensure that the Institute has effective local and national stakeholder engagement processes, and gives appropriate consideration to international learners and their potential contribution to regions
 - 10.4. not have a Wellington or Auckland head office (head office functions may be distributed across multiple locations), nor to base the Chief Executive's office in Wellington or Auckland
 - 10.5. around half of the members of subsidiary boards will be regional representatives.
11. **agree** that existing qualifications will be grandparented under individual current ITP brands
12. **note** that the Minister of Education intends to commence the process for appointing a Chair, a Deputy Chair and Board Members for the Institute (to be designate members until the Institute is established) and will report to the Appointments and Honours Committee as is customary for a tertiary education institute's council appointments
13. **agree** that the designate Chair, Deputy Chair and Council members of the Institute will form an Establishment Board as a ministerial advisory group for the Institute as soon as practicable, which will be supported by a unit within the Ministry of Education, with powers to begin establishment work and spend funding under delegation
14. **agree** that the Establishment Board lead an independent process ahead of the establishment of the Institute in accordance with the provisions in the State Sector Act 1988 for the selection of the Institute Chief Executive Designate
15. **note** that the 'Establishment Board' will advise the Minister of Education on an appropriate name for the Institute
16. **note** that the Minister of Education intends to issue a letter of expectations to the Establishment Board and to request weekly progress updates from the Board once it is in place
17. **agree** that the Institute and its Crown entity subsidiaries will be able use the protected terms 'polytechnic' and 'institute of technology' to describe themselves

18. **agree that** the statutory provision to establish polytechnics in the future be removed, since the Institute will be their replacement
19. **agree** that the Institute and its subsidiaries will have the same academic freedom principles as other institutions, but not the same statutory protection of institutional autonomy
20. **agree** that the **Council** of the Institute will have:
 - 20.1. between 8 and 12 members
 - 20.2. all members appointed by the Minister of Education, apart from one student and one staff member elected by the committees representing students of the Institute and staff of the Institute respectively (see recommendation 25)
 - 20.3. the Chair and Deputy Chair appointed by the Minister of Education
21. **agree** that a charter for the Institute be set out in legislation, that the Institute must give effect to, providing an enduring guarantee that:
 - 21.1. the Institute and successive Governments will continue to preserve a strong network of regional campuses and delivery
 - 21.2. the Institute will support learners effectively and be responsive to the needs of industries, community and Māori
22. **agree** that the Institute will have a statement of intent and a statement of performance expectations, in accordance with relevant provisions in Part 4 of the Crown Entities Act 2004
23. **agree** that the Institute will comply with relevant subsidiary provisions in sub-part 3 of Part 2 of the Crown Entities Act 2004 to support transparency and accountability of the Institute's Council in relation to its subsidiaries
24. **agree** to tailor provisions relating to statutory interventions, monitoring, and capital and financial decision-making to take into account the Institute's charter and the unique risks it poses to its stakeholders and to the Crown
25. **agree** to the following requirements to enable students and staff to have a voice in Council decision-making:
 - 25.1. the Council of the Institute should establish committees of the students and staff of the Institute
 - 25.2. the committees should consist of members of staff and students representing at a minimum each substantial regional division of the Institute
 - 25.3. the Council should determine, in consultation with students and staff, the number of members of each committee
 - 25.4. the members of each committee should be elected by the staff and students of the relevant regional divisions
 - 25.5. the committees should provide advice to the Council to inform its decision-making, and the Council should be required to consider solicited or unsolicited advice from the student and staff committees

- 25.6. the Council would need to consult these committees on significant matters such as the strategic direction of the Institute, major structural changes and other significant decisions.
26. **agree** that the Council of the institute be required to appoint a Board to support the Council to work in partnership with Māori, that:
- 26.1. is a committee of the Council
 - 26.2. is made up of members internal to the Institute and external
 - 26.3. has a size and composition the Council must determine in consultation with Māori
 - 26.4. provides advice to the Council with a requirement on the Council to seek and consider its advice.
27. **agree** that the Institute will be required to work in a way that reflects the Government's commitment to Crown-Māori partnerships
28. **agree** that the Institute be excluded from the restriction in the Education Act 1989 that precludes the Minister from setting funding mechanisms and conditions in respect of an individual provider
29. **agree** that the Minister of Education have the legislative power to determine the administrative regions of the Institute, if needed to manage the interests of the wider system

Workforce Development Councils

30. **agree** to establish a small number (about four to seven) of Workforce Development Councils (as not-for-profit statutory entities) based around sector groupings, to take on the following functions:
- 30.1. provide skills leadership
 - 30.2. set skills standards and develop qualifications, and endorse programmes developed by providers, including developing training packages where appropriate
 - 30.3. provide employers with brokerage and advisory services within the range of activities approved by TEC as related to their leadership role
 - 30.4. determine the mix of training within a fixed funding envelope determined by the TEC and provide investment advice to TEC
 - 30.5. moderate assessment against the skills standards and set capstone assessments as required
31. **agree** to shift the role of supporting employers and work-based learners from industry training organisations to providers, with a transition period through to the end of 2022
32. **agree** that holding organisations would be formed from ITOs and recognised by the responsible Minister to undertake ITOs' functions and in particular
- 32.1. standards-setting' functions for industries in its coverage, until the point when each industry is covered by a WDC for the standards-setting functions, and

- 32.2. supporting work-based training functions until these transferred to a provider or providers, by arrangement, at some point during the transition period – i.e. from when legislation comes into force until the end of 2022.
33. **note** that this would give employers who are satisfied with their current support the assurance that the transition will be carefully managed over a three-year period to minimise any disruption to services
34. **note** s 9(2)(f)(iv) [REDACTED]
35. **invite** the Minister of Education to report to Cabinet by the end of 2022 to seek confirmation for the final transition of capability housed in the holding organisations, before they transfer to providers
36. **note** that, where a holding organisation is recognised to deliver many of the same functions as an existing ITO (or ITOs), that organisation will be able to continue to brand themselves as that ITOs (or those ITOs) for the period of transition.
37. **note** that a holding organisation would cease to be recognised by the Minister when all standard setting functions have transferred from that holding organisation to appropriate WDCs, and all supporting work-based training functions have transferred from that holding organisation to appropriate providers.
38. **agree** to amend legislation to provide TEC with the power to fund WDCs as organisations under the Education Act 1989, and according to an agreed skills leadership plan, which must be periodically updated
39. **agree** to enable NZQA and TEC to monitor WDCs as follows:
- 39.1. appropriate external quality assurance and monitoring by NZQA so they remain fit for purpose
- 39.2. ability to conduct a review or require an independent audit of finances or to require specific information or a specific report by NZQA or TEC as required
40. **agree** that the responsible Minister has the ability to remove any governing member of a WDC if there is just cause, in line with the interventions framework designed with industry
41. **agree** that wānanga be enabled to remain outside WDCs' standard-setting, other than where they are moving into the role of supporting work-based learning

Establish Regional Leadership Groups

42. **note** that Regional Leadership Groups will support the regional skills system, including providing advice to the Tertiary Education Commission, Workforce Development Councils, and local vocational education providers
43. **note** the Ministers of Employment, Education, Immigration and for Social Development and Seniors are reporting to Social Wellbeing Committee in July 2019 about the establishment of Regional Leadership Groups

Establish Centres of Vocational Excellence

44. **agree** that Centres of Vocational Excellence would be established by the Institute and/or wānanga to support excellence in areas of vocational study of strategic importance to New Zealand

45. **note** s18(d)

Te Taumata Aronui

46. **agree** to establish a group, with a placeholder name of Te Taumata Aronui, to ensure that the Reform of Vocational Education reflects the Government's commitment to Māori-Crown partnerships
47. **note** that the Minister of Education will report back to the Appointments and Honours Committee with the intended appointments, in consultation with the Minister of Māori-Crown Relations

Unify the vocational education funding system

48. **agree** to develop a unified funding system to apply to all provider-based and work-integrated education at certificate and diploma qualification levels 3 to 7 (excluding degree study) and all industry training
49. **agree** to the following design principles to guide the development of a unified funding system – the unified funding system should:
- 49.1. reward and encourage the delivery of high-quality education and training which meets the needs of all learners, communities and employers
 - 49.2. support access to work-based education and training and encourage the growth of work-integrated delivery models
 - 49.3. supply strategically important delivery to meet national priorities, address regional labour-market demand, and be highly responsive to employer skill needs
 - 49.4. allocate funding through simple and transparent funding mechanisms which ensure provider accountability, and provide for greater stability as a platform to invest in innovation and growth
50. **note** that officials will work with end-users and sector experts to explore three new funding approaches: a new funding category system, a new learner-based funding approach, and a new approach for strategically important delivery
51. **note** that the Minister of Education has directed officials to review funding for te reo Māori and mātauranga Māori funding rates, as part of the work to develop the unified funding system

Transition arrangements

52. **note** that the new arrangements will be implemented over a number of years, beginning with legislative change to establish the Institute in April 2020 and Workforce Development Councils in 2020/21
53. **note** that the transfer of responsibilities for supporting work-based learners, and the design of the unified funding system, will be phased over several years, with some elements in place from 2021

Noted that engagement and work will continue with disabled learners, their whanau, and key stakeholders in the disability sector, to ensure that the new system has the core design principle of inclusiveness – to ensure the new system better recognises, values, and supports the diversity of all learner needs, including disabled learners and people with additional support needs.

Financial implications

54. **note** that financial implications are set out in paper 2, “Reform of Vocational Education – Fiscal Implications”

Legislative implications

55. **note** that the Bill to give effect to these changes currently holds a priority two category (must be passed in the year) in the 2019 Legislation Programme
56. **agree** to change this to a priority four category (to be referred to a select committee in the year)
57. **authorise** the Minister of Education to make decisions on the details of the changes, for the purpose of drafting legislation, without any further reference to Cabinet, subject to these details being consistent with the policy intent set out in this Cabinet paper; without limitation, these decisions may relate to constitution and governance, content and application of the charter, monitoring, risk management and interventions including the matters set out in the following table:

Detailed policy decisions
Create a New Zealand Institute of Skills & Technology – including but not limited to
A final name for the Institute
Details of the Institute’s charter
Details of the constitution of, and appointments to, the Institute’s Council, including the process for meeting Crown Māori relationship expectations surrounding Council appointments
Details of changes to existing statutory interventions and monitoring framework as apply to the Institute and its subsidiaries
Details of changes to the framework for approving capital (including borrowing, disposals and capital acquisitions) to the Institute and subsidiaries
Technical issues with regard to Agency roles, e.g. (but not restricted to) the NZQA (e.g. in an external quality assurance role for the Institute) and TEC
Redefine roles for industry bodies and education providers – including but not limited to
Giving the Minister of Education the power to establish individual WDCs
Details of outputs WDCs must produce to receive funding
Details of the scope of WDC roles and the scope and form of WDC advice to TEC
Details of how external quality assurance applies to WDCs
Enabling industry training organisations (ITOs) to transfer surplus funds or reserves to holding organisations and/or WDCs
Adjusting TEC’s roles to take into account its relationships with WDCs, including but not limited to: <ul style="list-style-type: none"> requiring TEC to act on WDC determinations, within a fixed funding envelope determined by the TEC, on the mix of provision for each industry with their coverage and have regard to their advice when assessing and approving providers’ investment plans enabling TEC to, over time, delegate decisions on the purchase of vocational education programmes to the relevant WDC enabling TEC to set requirements related to the skills leadership plans WDCs will produce

Enabling NZQA to set rules for WDCs in relation to their key functions
Transferring the ability of ITOs to charge a levy under the Industry Training and Apprenticeships Act to WDCs
Incorporate the provisions of the Industry Training and Apprenticeships Act (as amended) into the Education Act, and repeal the former Act
Transitions – including but not limited to
Details enabling the function of supporting work-based learning to be performed by holding organisations (from the former ITOs) for a period during the transition of those functions to providers
Enabling the Minister of Education to transfer responsibility for trainees' and apprenticeships' training agreements from a recognised ITO to a specified holding organisation or a specified provider during the transition period
Details of the use of a holding company or companies for the purposes of continuing to fund industry to support workplace learning that will protect the interests of employers during the transition period
Details of industry coverage and governance of WDCs following discussion with industry bodies
Technical details on the timing of transition of supporting work-based learning
Technical details required to ensure continuity of services during transition of supporting work-based learning
Details establishing existing ITPs as subsidiaries to the Institute (aligned with the current sector)
Any legislative implications of the transitional approach between the existing ITP system and the Institute and its subsidiaries (e.g. to maintain administrative approvals and existing legal agreements)
Any restrictions or requirements on the composition of transitional subsidiary boards
Treatments of visa status of international students (involving Immigration New Zealand) of the Institute and its subsidiaries
Consequential matters resulting from the overall legislative proposals

58. **agree** that the Minister can also make decisions about any consequential amendments necessary to give effect to the policy intent, and any transitional arrangements that are required for implementation
59. **authorise** the Ministry of Education to issue drafting instructions to the Parliamentary Counsel Office to implement the above recommendations in this paper
60. **note** that drafting recommendations are subject to Parliamentary Counsel directions concerning how best to express each recommendation in the legislation
61. **note** that the Minister of Education will provide a breakdown of the detailed decisions taken in accordance with recommendations 57-59 when the final draft of the Bill to give effect to these changes is presented to Cabinet for approval for introduction

Publicity

62. **note** that the Minister of Education intends to announce Cabinet's decisions around the end of July or beginning of August 2019, with the release of the attached 'change documents' (with minor edits as needed).

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

Annex 1: Select key risks and mitigations

Risks	Mitigations
<i>General risks and mitigations</i>	
Costs of change are higher than anticipated and/or the necessary funding for reform is unavailable	Officials continue to develop detailed costings and advise Ministers about anticipated costs
Implementation is more disruptive or takes longer than anticipated	Comprehensive communication strategy to support employers and learners through the change Deliver implementation in stages, such that each stage is realistic about what can be achieved Ensure investment in the reform programme is sufficient and timely to enable efficient implementation
Māori/iwi do not feel that the proposals honour the Māori-Crown partnerships, including through the proposed governance and advisory structure for the reform programme and for the Institute	Create a group called Te Taumata Aronui (see paragraph 123) that provides advice directly to Ministers and education agency Chief Executives about how to ensure that the reforms honour Māori-Crown partnerships Institute design builds in Māori partnership all levels (e.g. Charter, skills of the Council, advisory Board) Ensure that the intent to design the system to reflect the Māori-Crown partnerships is well communicated and upheld
The system does not prioritise the needs of the most vulnerable New Zealanders and their educational and employment outcomes do not improve (refer to the Human Rights section at paragraph 176)	Prioritise the needs of vulnerable New Zealanders in all aspects of the reform and the vocational education system Build in TEC's learner success approach to the establishment of the Institute Use "directional" instruments such as a Charter, Statement of Intent, letters of expectations and funding to guide the Institute to prioritise the needs of vulnerable New Zealanders

Risks	Mitigations
s 9(2)(f)(iv)	
Staff at ITOs and providers are concerned about job losses, leading to a loss of valuable capability across the vocational education system if staff at ITOs and providers exit the system because of uncertainty about their jobs	Emphasise in messages to staff that redeployment and retraining will be encouraged and redundancies minimised Dedicated investment for redeployment and retraining Create a Stakeholder Advisory Group to advise officials, with members representing staff interests
The proposals create uncertainty in the international student market	International education stakeholders are actively informed throughout the process Implementation processes address the needs of international learners and stakeholders
<i>Redefined roles for industry bodies and education providers: risks and mitigations</i>	
ITOs and some employers continue to oppose shifting support for work-based learning from ITOs to providers	Emphasise the expanded roles for WDCs in leadership, investment, and standard-setting Work closely with ITOs on a managed transition
Providers and WDCs are slow to build capability and relationships for their new roles, leading to employer and learner disengagement	Work closely with ITOs on a managed transition Phase the transfer of work-based learning responsibilities in line with provider capabilities See mitigation strategy below regarding using “directional” instruments to guide the priorities of the Institute
<i>Create a New Zealand Institute of Skills & Technology</i>	
<i>A mitigation strategy for most risks related to the Institute involves using “directional” instruments such as a Charter, Statement of Intent and letter of expectations to guide the Institute</i>	
The Institute is overly centralised and less responsive to local and regional skills needs due to a remote, centralised national leadership...	Establish RLGs to represent regional interests to the Institute and TEC Retain legacy assets that communities contributed to within the regional branch of the Institute Keep decision making about educational delivery as close to source of delivery as is functionally possible
...OR the Institute is too devolved and fails to achieve greater consistency and scale economies across regions	Use “directional” instruments as above to guide the priorities of the Institute
The Institute is a dominant ‘single point of failure’: if significant performance problems arise, the Crown could have to invest significantly to address them	Increased government monitoring and intervention to address performance risks, including when risks occur in one part of the organisation (rather than having to wait until they are organisation-wide)

Risks	Mitigations
Integration of the role of supporting work-based learning and the operations of the 16 current ITPs takes longer, costs more or achieves less than expected	<p>Staged approach to integration, allowing for stable interim levels of integration</p> <p>Appropriate funding of change and integration costs</p> <p>Appointment of skilled and experienced individuals to governance and management positions</p>

Annex 2: Short-form 'change document for public engagement (near-final draft)

Refer to enclosed document

Annex 3: Long-form 'change document for detailed engagement (near-final draft)

Refer to enclosed document

Annex 4: What we heard: Summary of public consultation and engagement

Refer to enclosed document

Annex 5: Regulatory Impact Assessment

Refer to enclosed document

Annex 6: Programme Business Case

Refer to enclosed document



Cabinet Social Wellbeing Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Reform of Vocational Education - Key Decisions

Portfolio

Education

On 26 June 2019, the Cabinet Social Wellbeing Committee **referred** the submission under SWC-19-SUB-0080 to Cabinet on 22 July 2019 for further consideration.

Gerrard Carter
Committee Secretary

Present:

Rt Hon Jacinda Ardern
Rt Hon Winston Peters
Hon Phil Twyford
Hon Chris Hipkins
Hon Andrew Little
Hon Dr David Clark
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Tracey Martin (Chair)
Hon Peeni Henare
Jan Logie, MP

Officials present from:

Office of the Prime Minister
Office of the Chair
Office of the Deputy Chair
Officials Committee for SWC

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Minister of Education



Cabinet

Minute of Decision

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Reform of Vocational Education - Key Decisions

Portfolio **Education**

On 22 July 2019, following reference from the Cabinet Social Wellbeing Committee (SWC), Cabinet:

Background

- 1 **noted** that in January 2019, Cabinet agreed on an initial set of proposals for the Reform of Vocational Education being released for public consultation which was conducted from 13 February to 5 April 2019 [CAB-19-MIN-0009];
- 2 **noted** that more than 5,000 people attended events and meetings, and 2,904 submissions were received as part of the consultation, and that these views have informed a refined set of reform proposals;
- 3 **agreed** that the objective of the changes below is a strong, unified, sustainable vocational education system that delivers the skills that learners, employers and communities need to thrive;
- 4 **agreed** that part of the objective in paragraph 3 above is meeting the needs of learners who have traditionally been underserved by the education system such as Māori, Pacific and disabled learners, particularly as Māori and Pacific will form a growing part of the working-age population in the future;

The New Zealand Institute of Skills & Technology

- 5 **agreed** to establish the New Zealand Institute of Skills and Technology (the Institute) as a unique tertiary education institution in the Education Act 1989 alongside universities and wānanga;
- 6 **noted** that the Institute will also be a tertiary education institution Crown Entity for the purposes of the Crown Entities Act 2004;
- 7 **agreed** to convert, as a transition measure, the 16 current institutes of technology and polytechnics (ITPs) to subsidiary companies of the Institute for a life of up to two years, extendable by the Minister of Education (the Minister), with the intention of their incorporation into the Institute;
- 8 **noted** that while this subsidiary model is initially intended as a transitional measure, the Institute may decide to use subsidiary companies in some form as part of its permanent structure, in the same way that many tertiary education institutions (TEIs) currently do;

- 9 **invited** the Minister to report back on the form of the Institute and its subsidiaries after two years, notifying Cabinet of any decision to extend the subsidiary structure;
- 10 **agreed** that the Institute be responsible for a range of education and training, including vocational, foundation, and degree-level and above provision, and have a strong focus on workplace delivery, and that in addition it has functions of:
- 10.1 meeting the needs of the regions of New Zealand, their learners, industries, employers and communities, utilising the national network of its programmes and activities;
 - 10.2 working to deliver industry standards set by workforce development councils;
 - 10.3 working closely with Māori and iwi partners and stakeholders to improve outcomes for Māori learners and communities;
 - 10.4 making connections with schools and other tertiary education organisations to improve the outcomes from the education system as a whole;
- 11 **agreed** to the following requirements on the Institute:
- 11.1 to set a policy whereby existing reserves from previous ITPs (above a set limit) would be consolidated through the central balance sheet of the Institute, but would only be able to be drawn upon for projects and capital expenditure in the relevant region that have been approved by the Institute head office (within specific operating parameters).
 - 11.2 to take a cautious and relationship-based approach to any changes to the ongoing use of the current ITP brands;
 - 11.3 a duty in statute for the Institute's Council to ensure that the Institute has effective local and national stakeholder engagement processes, and gives appropriate consideration to international learners and their potential contribution to regions;
 - 11.4 not have a Wellington or Auckland head office (head office functions may be distributed across multiple locations), nor to base the Chief Executive's office in Wellington or Auckland;
 - 11.5 around half of the members of subsidiary boards will be regional representatives;
- 12 **agreed** that existing qualifications will be grandparented under individual current ITP brands;
- 13 **noted** that the Minister intends to commence the process for appointing a Chair, a Deputy Chair and Board Members for the Institute (to be designate members until the Institute is established) and will report to the Cabinet Appointments and Honours Committee as is customary for a tertiary education institute's council appointments;
- 14 **agreed** that the designate Chair, Deputy Chair and Council members of the Institute will form an Establishment Board as a ministerial advisory group for the Institute as soon as practicable, which will be supported by a unit within the Ministry of Education, with powers to begin establishment work and spend funding under delegation;
- 15 **agreed** that the Establishment Board lead an independent process ahead of the establishment of the Institute in accordance with the provisions in the State Sector Act 1988 for the selection of the Institute Chief Executive Designate;

- 16 **noted** that the ‘Establishment Board’ will advise the Minister on an appropriate name for the Institute;
- 17 **noted** that the Minister intends to issue a letter of expectations to the Establishment Board and to request weekly progress updates from the Board once it is in place;
- 18 **agreed** that the Institute and its Crown entity subsidiaries will be able use the protected terms ‘polytechnic’ and ‘institute of technology’ to describe themselves;
- 19 **agreed** that the statutory provision to establish polytechnics in the future be removed, since the Institute will be their replacement;
- 20 **agreed** that the Institute and its subsidiaries will have the same academic freedom principles as other institutions, but not the same statutory protection of institutional autonomy;
- 21 **agreed** that the Council of the Institute will have:
- 21.1 between 8 and 12 members;
 - 21.2 all members appointed by the Minister of Education, apart from one student and one staff member elected by the committees representing students of the Institute and staff of the Institute respectively (see paragraph 26 below);
 - 21.3 the Chair and Deputy Chair appointed by the Minister;
- 22 **agreed** that a charter for the Institute be set out in legislation, that the Institute must give effect to, providing an enduring guarantee that:
- 22.1 the Institute and successive governments will continue to preserve a strong network of regional campuses and delivery;
 - 22.2 the Institute will support learners effectively and be responsive to the needs of industries, community and Māori;
- 23 **agreed** that the Institute will have a statement of intent and a statement of performance expectations, in accordance with relevant provisions in Part 4 of the Crown Entities Act 2004;
- 24 **agreed** that the Institute will comply with relevant subsidiary provisions in sub-part 3 of Part 2 of the Crown Entities Act 2004 to support transparency and accountability of the Institute’s Council in relation to its subsidiaries;
- 25 **agreed** to tailor provisions relating to statutory interventions, monitoring, and capital and financial decision-making to take into account the Institute’s charter and the unique risks it poses to its stakeholders and to the Crown;
- 26 **agreed** to the following requirements to enable students and staff to have a voice in Council decision-making:
- 26.1 the Council of the Institute should establish committees of the students and staff of the Institute;
 - 26.2 the committees should consist of members of staff and students representing at a minimum each substantial regional division of the Institute;
 - 26.3 the Council should determine, in consultation with students and staff, the number of members of each committee;

- 26.4 the members of each committee should be elected by the staff and students of the relevant regional divisions;
- 26.5 the committees should provide advice to the Council to inform its decision-making, and the Council should be required to consider solicited or unsolicited advice from the student and staff committees;
- 26.6 the Council would need to consult these committees on significant matters such as the strategic direction of the Institute, major structural changes and other significant decisions;
- 27 **agreed** that the Council of the Institute be required to appoint a Board to support the Council to work in partnership with Māori, that:
- 27.1 is a committee of the Council;
- 27.2 is made up of members internal to the Institute and external;
- 27.3 has a size and composition the Council must determine in consultation with Māori;
- 27.4 provides advice to the Council with a requirement on the Council to seek and consider its advice;
- 28 **agreed** that the Institute will be required to work in a way that reflects the Government's commitment to Crown-Māori partnerships;
- 29 **agreed** that the Institute be excluded from the restriction in the Education Act 1989 that precludes the Minister from setting funding mechanisms and conditions in respect of an individual provider;
- 30 **agreed** that the Minister have the legislative power to determine the administrative regions of the Institute, if needed to manage the interests of the wider system;

Workforce Development Councils

- 31 **agreed** to establish a small number (about four to seven) of Workforce Development Councils (WDCs) (as not-for-profit statutory entities) based around sector groupings, to take on the following functions:
- 31.1 provide skills leadership;
- 31.2 set skills standards and develop qualifications, and endorse programmes developed by providers, including developing training packages where appropriate;
- 31.3 provide employers with brokerage and advisory services within the range of activities approved by the Tertiary Education Commission (TEC) as related to their leadership role;
- 31.4 determine the mix of training within a fixed funding envelope determined by TEC and provide investment advice to TEC;
- 31.5 moderate assessment against the skills standards and set capstone assessments as required;
- 32 **agreed** to shift the role of supporting employers and work-based learners from industry training organisations to providers, with a transition period through to the end of 2022;

- 33 **agreed** that holding organisations would be formed from Industry Training Organisations (ITOs) and recognised by the responsible Minister to undertake ITOs' functions and in particular:
- 33.1 standards-setting' functions for industries in its coverage, until the point when each industry is covered by a WDC for the standards-setting functions; and
- 33.2 supporting work-based training functions until these transferred to a provider or providers, by arrangement, at some point during the transition period – i.e. from when legislation comes into force until the end of 2022;
- 34 **noted** that this would give employers who are satisfied with their current support the assurance that the transition will be carefully managed over a three-year period to minimise any disruption to services;
- 35 **noted** s 9(2)(f)(iv) [REDACTED]
- 36 **invited** the Minister of Education to report to Cabinet by the end of 2022 to seek confirmation for the final transition of capability housed in the holding organisations, before they transfer to providers;
- 37 **noted** that, where a holding organisation is recognised to deliver many of the same functions as an existing ITO (or ITOs), that organisation will be able to continue to brand themselves as that ITO (or those ITOs) for the period of transition;
- 38 **noted** that a holding organisation would cease to be recognised by the Minister when all standard setting functions have transferred from that holding organisation to appropriate WDCs, and all supporting work-based training functions have transferred from that holding organisation to appropriate providers.
- 39 **agreed** to amend legislation to provide TEC with the power to fund WDCs as organisations under the Education Act 1989, and according to an agreed skills leadership plan, which must be periodically updated;
- 40 **agreed** to enable the New Zealand Qualifications Authority (NZQA) and TEC to monitor WDCs as follows:
- 40.1 appropriate external quality assurance and monitoring by NZQA so they remain fit for purpose
- 40.2 ability to conduct a review or require an independent audit of finances or to require specific information or a specific report by NZQA or TEC as required
- 41 **agreed** that the responsible Minister has the ability to remove any governing member of a WDC if there is just cause, in line with the interventions framework designed with industry
- 42 **agreed** that wānanga be enabled to remain outside WDCs' standard-setting, other than where they are moving into the role of supporting work-based learning

Establish Regional Leadership Groups

- 43 **noted** that Regional Leadership Groups will support the regional skills system, including providing advice to the TEC, WDCs, and local vocational education providers;
- 44 **noted** that a paper on the establishment of Regional Leadership Groups will be considered at SWC on 24 July 2019 [SWC-19-SUB-0087];

Establish Centres of Vocational Excellence

- 45 **agreed** that Centres of Vocational Excellence be established by the Institute and/or wānanga to support excellence in areas of vocational study of strategic importance to New Zealand;
- 46 **noted** s18(d)

Te Taumata Aronui

- 47 **agreed** to establish a group, with a placeholder name of Te Taumata Aronui, to ensure that the Reform of Vocational Education reflects the government's commitment to Māori-Crown partnerships;
- 48 **noted** that the Minister will report to the Cabinet Appointments and Honours Committee with the intended appointments, in consultation with the Minister for Māori Crown Relations: Te Arawhiti;

Unify the vocational education funding system

- 49 **agreed** to develop a unified funding system to apply to all provider-based and work-integrated education at certificate and diploma qualification levels 3 to 7 (excluding degree study) and all industry training;
- 50 **agreed** to the following design principles to guide the development of a unified funding system – the unified funding system should:
- 50.1 reward and encourage the delivery of high-quality education and training which meets the needs of all learners, communities and employers;
 - 50.2 support access to work-based education and training and encourage the growth of work-integrated delivery models;
 - 50.3 supply strategically important delivery to meet national priorities, address regional labour-market demand, and be highly responsive to employer skill needs;
 - 50.4 allocate funding through simple and transparent funding mechanisms which ensure provider accountability, and provide for greater stability as a platform to invest in innovation and growth;
- 51 **noted** that officials will work with end-users and sector experts to explore three new funding approaches: a new funding category system, a new learner-based funding approach, and a new approach for strategically important delivery;
- 52 **noted** that the Minister has directed officials to review funding for te reo Māori and mātauranga Māori funding rates, as part of the work to develop the unified funding system;

Transition arrangements

- 53 **noted** that the new arrangements will be implemented over a number of years, beginning with legislative change to establish the Institute in April 2020 and WDCs in 2020/21;
- 54 **noted** that the transfer of responsibilities for supporting work-based learners, and the design of the unified funding system, will be phased over several years, with some elements in place from 2021;

- 55 **noted** that engagement and work will continue with disabled learners, their whānau, and key stakeholders in the disability sector, to help ensure that the new system has the core design principle of inclusiveness – to ensure the new system better recognises, values, and supports the diversity of all learner needs, including disabled learners and people with additional learning support needs;

Financial implications

- 56 **noted** that on 22 July 2019 Cabinet took decisions on the financial implications of the proposals on the Reform of Vocational Education [CAB-19-MIN-0344];

Legislative implications

- 57 **noted** that the Bill to give effect to these changes currently holds a priority two category (must be passed in the year) in the 2019 Legislation Programme;
- 58 **agreed** to change this to a priority four category (to be referred to a select committee in the year);
- 59 **authorised** the Minister of Education to make decisions on the details of the changes, for the purpose of drafting legislation, without any further reference to Cabinet, subject to these details being consistent with the Cabinet's agreed-policy intent; without limitation, these decisions may relate to constitution and governance, content and application of the charter, monitoring, risk management and interventions including the matters set out in the following table:

Detailed policy decisions
<i>Create a New Zealand Institute of Skills & Technology – including but not limited to</i>
A final name for the Institute
Details of the Institute's charter
Details of the constitution of, and appointments to, the Institute's Council, including the process for meeting Crown Māori relationship expectations surrounding Council appointments
Details of changes to existing statutory interventions and monitoring framework as apply to the Institute and its subsidiaries
Details of changes to the framework for approving capital (including borrowing, disposals and capital acquisitions) to the Institute and subsidiaries
Technical issues with regard to Agency roles, e.g. (but not restricted to) the NZQA (e.g. in an external quality assurance role for the Institute) and TEC
<i>Redefine roles for industry bodies and education providers – including but not limited to</i>
Giving the Minister of Education the power to establish individual WDCs
Details of outputs WDCs must produce to receive funding
Details of the scope of WDC roles and the scope and form of WDC advice to TEC
Details of how external quality assurance applies to WDCs
Enabling industry training organisations (ITOs) to transfer surplus funds or reserves to holding organisations and/or WDCs

Adjusting TEC's roles to take into account its relationships with WDCs, including but not limited to: <ul style="list-style-type: none"> requiring TEC to act on WDC determinations, within a fixed funding envelope determined by the TEC, on the mix of provision for each industry with their coverage and have regard to their advice when assessing and approving providers' investment plans enabling TEC to, over time, delegate decisions on the purchase of vocational education programmes to the relevant WDC enabling TEC to set requirements related to the skills leadership plans WDCs will produce
Enabling NZQA to set rules for WDCs in relation to their key functions
Transferring the ability of ITOs to charge a levy under the Industry Training and Apprenticeships Act to WDCs
Incorporate the provisions of the Industry Training and Apprenticeships Act (as amended) into the Education Act, and repeal the former Act
Transitions – including but not limited to
Details enabling the function of supporting work-based learning to be performed by holding organisations (from the former ITOs) for a period during the transition of those functions to providers
Enabling the Minister of Education to transfer responsibility for trainees' and apprenticeships' training agreements from a recognised ITO to a specified holding organisation or a specified provider during the transition period
Details of the use of a holding company or companies for the purposes of continuing to fund industry to support workplace learning that will protect the interests of employers during the transition period
Details of industry coverage and governance of WDCs following discussion with industry bodies
Technical details on the timing of transition of supporting work-based learning
Technical details required to ensure continuity of services during transition of supporting work-based learning
Details establishing existing ITPs as subsidiaries to the Institute (aligned with the current sector)
Any legislative implications of the transitional approach between the existing ITP system and the Institute and its subsidiaries (e.g. to maintain administrative approvals and existing legal agreements)
Any restrictions or requirements on the composition of transitional subsidiary boards
Treatments of visa status of international students (involving Immigration New Zealand) of the Institute and its subsidiaries
Consequential matters resulting from the overall legislative proposals

- 60 **authorised** the Minister to take decisions on any consequential amendments necessary to give effect to the policy intent, and any transitional arrangements that are required for implementation;
- 61 **invited** the Minister to issue drafting instructions to the Parliamentary Counsel Office to implement the above proposals;
- 62 **noted** that drafting will be subject to the Parliamentary Counsel Office's directions concerning how best to express each decision in the legislation;
- 63 **noted** that the Minister will provide a breakdown of the detailed decisions taken in accordance with paragraphs 59-61 when the final draft of the Bill is submitted to Cabinet for approval for introduction;

Publicity

- 64 **noted** that the Minister intends to announce Cabinet's decisions around the end of July or beginning of August 2019, with the release of the change documents attached to the submission (with minor edits as needed).

Martin Bell
for Secretary of the Cabinet

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