

Summary of Change Decisions

Reform of Vocational Education



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Introduction

Ma te ako, ma te mahi, ka ora
Through learning and work, we shall prosper

Purpose of this document

The purpose of this document is to help learners, workers, parents, employers, business, industry and people working in vocational education understand the Government's decisions to reform the vocational education system and what it means for them and for New Zealand.

What is the Reform of Vocational Education?

The purpose of the Reform of Vocational Education is to create a cohesive vocational education system with employers, learners, regions and communities at its centre. It is one of four 'big reviews' that form part of the Government's Education Work Programme.

Vocational education is education and training that has a special emphasis on the skills needed to do a particular job, or work in a specific industry. More precisely, in this work, vocational education is defined as:

- » all industry training (involving trainees and apprentices), funded under the Industry Training Fund, and
- » off-the-job education funded via the Student Achievement Component (SAC) at New Zealand Qualifications Framework 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.

There are nearly 250,000 vocational learners, learning in work as trainees and apprentices, or studying with institutes of technology and polytechnics (ITPs), wānanga, or private training establishments (PTEs).

Vocational education occurs in workplaces, online and on campus. It helps New Zealanders build the skills, knowledge and capabilities they need to adapt and succeed in a changing world. It can improve people's resilience, job security, and life outcomes, and reduce social and economic inequality. It can connect communities and regions and support them to achieve economic development goals.

What's happened so far?

In February 2019, the Minister of Education launched a consultation on three proposals to fundamentally reform vocational education. These proposals involved changes to the roles, structures and funding of all vocational education organisations.

This consultation followed the national Kōrero Mātauranga / Education Conversation launched in 2018, and two reviews: the Vocational Education and Training (VET) system review and the ITP Roadmap 2020. A **factsheet** outlining these is available on the **Kōrero Mātauranga website**.

During the consultation we received 2,904 submissions, and met more than 5,000 people in approximately 190 conversations. What we heard has been fundamental to shaping the change programme for vocational education that has now been agreed. More information is available in **What we heard: Summary of public consultation and engagement**.

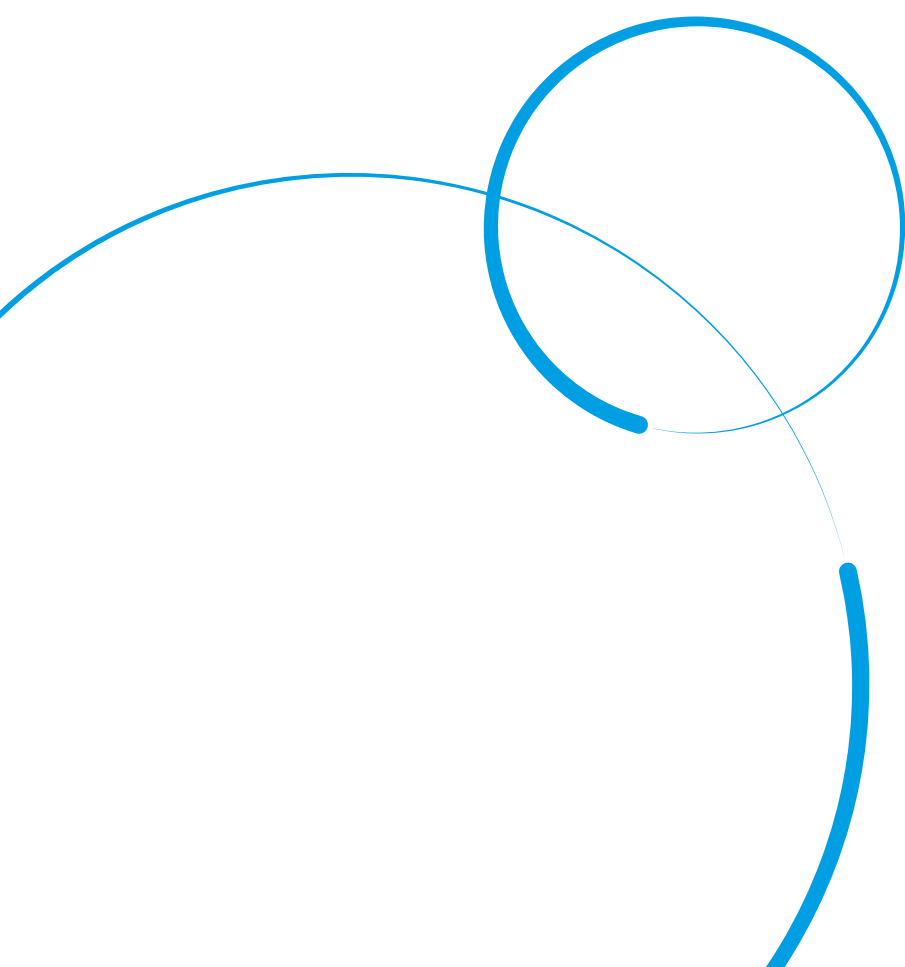
The Reform of Vocational Education represents the most significant set of changes for the tertiary education sector in more than 25 years. The level of engagement we received – from stakeholders of diverse cultures, occupations, educational backgrounds, regions, genders and walks of life – demonstrated just how important these changes are to New Zealand, both now and for the future.

What happens now?

The Ministry of Education and the Tertiary Education Commission (TEC) will now work through relevant legislative changes and with Māori, employers, learners, industry and the education sector to continue the design and implementation that will deliver on the Government's vision.

For further information about these changes, please visit:

<https://conversation.education.govt.nz/conversations/reform-of-vocational-education/>



The Vision – A unified system for all vocational education

What has the Government decided?

New Zealand needs one vocational education system that meets the needs of employers and learners today and ensures that New Zealand is ready for future skills requirements and expectations of learners and employers.

To do this, in the future:

- » public vocational education will be available throughout all regions of New Zealand via a single New Zealand Institute of Skills & Technology (working name), and through wānanga and private training establishments;
- » one funding system will encourage education and training that meets the needs of learners, communities and employers;
- » all organisations involved in vocational education will have clear roles and will uphold and enhance Māori-Crown partnerships.

New Zealand needs to be ready for a fast-changing future of skills, learning and work

A single, strong vocational education system will help improve well-being for all New Zealanders and support a growing economy that works for everyone.

The world of work is changing significantly, and vocational education needs to adapt to stay ahead of these changes. We expect around one-third of jobs in New Zealand will be significantly affected by automation. Today people over the age of 65 are three times more likely to have jobs than in 2001. The trends driving the future of work will change the skills needed in all jobs, see people changing jobs and careers more frequently over the course of their working lives, and see people working beyond the traditional retirement age.

People with no or lower qualifications are most likely to see their jobs become increasingly automated, and many may find it difficult to adapt to new jobs and new technologies. Workers will need to either upskill to do new aspects of a job, or reskill to adapt to technological change or to new fields.

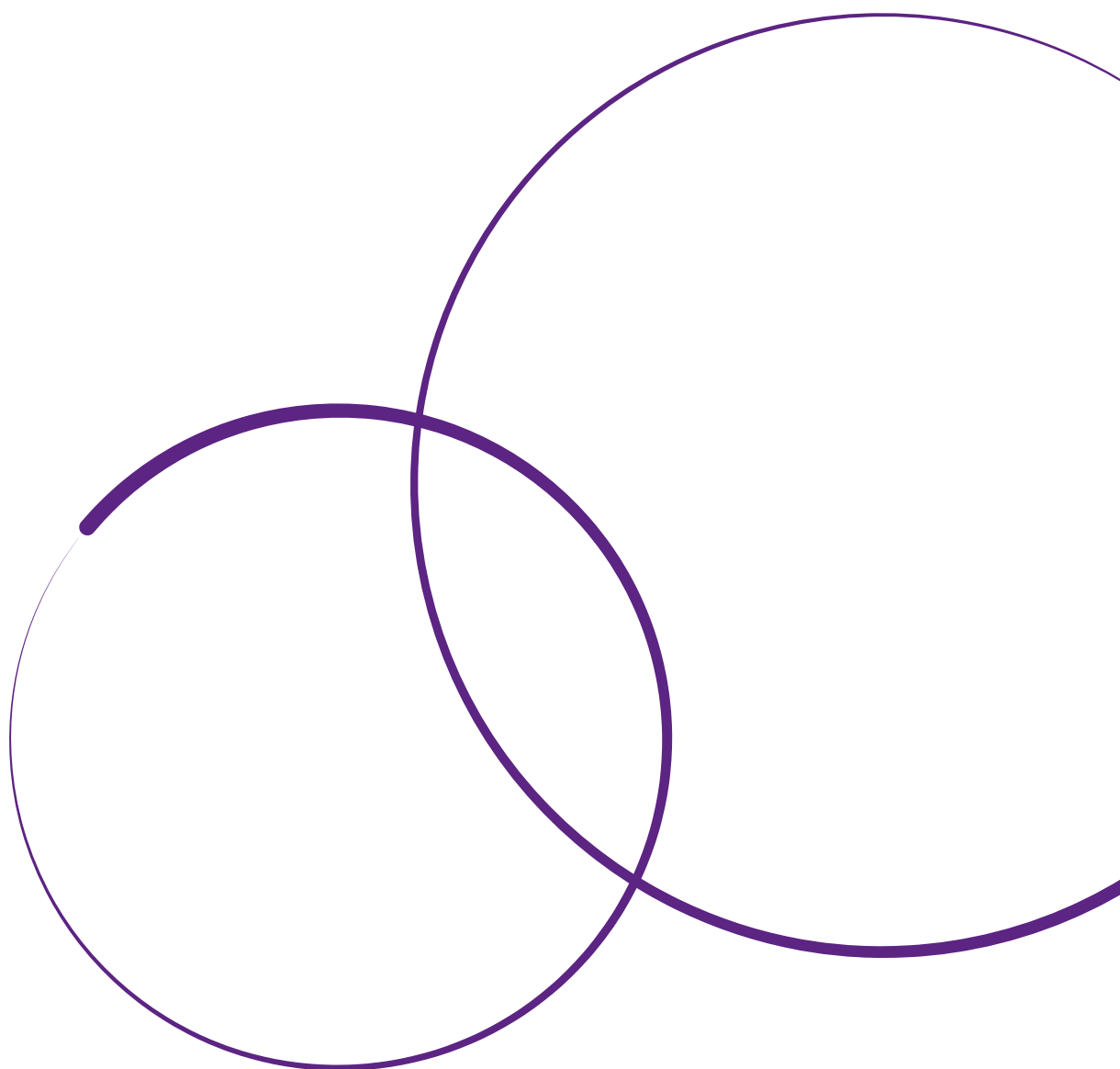
Work-integrated learning will become an increasingly important part of the vocational education system. It gives people the opportunity to earn while they learn, and to gain an education that is more directly relevant to the changing needs of employers.

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 objective of these changes is a strong, unified, sustainable vocational education system that delivers the skills that learners, employers and communities need to thrive.

One vocational education system will:

- » **give all learners the education and training they need** for the workplace
- » **prioritise learners who the system currently doesn't serve well**, especially Māori, Pacific peoples, disabled people and people with low levels of previous education
- » **give employers greater access to a skilled, work-ready workforce** across all regions of New Zealand
- » **give industry** the lead in ensuring New Zealand's workforce is fit for today's needs and tomorrow's expectations
- » **ensure all the regions** of New Zealand have collaborative, flexible, innovative and sustainable providers
- » **build on New Zealand's reputation internationally** as a great place to study
- » **be culturally responsive** to learners at work and on campus, particularly to Māori and Pacific people
- » **help young people more easily transition** from secondary school to good jobs with training or to high quality and relevant online or on-campus learning
- » **support all people to continue employment** by ensuring they always have the new, relevant skills that employers need through retraining, upskilling and reskilling
- » **help whānau** by ensuring that everyone in the family who is able to earn can, even while they continue learning new skills to help them advance into more rewarding jobs.



Why do things need to change?

There are four big challenges with our current system

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

New Zealand is experiencing persistent and widespread skills shortages that highlight imperfections in the 'supply-chain' for vocational skills.

According to the New Zealand Institute of Economic Research's Quarterly Survey of Business Opinion (June 2019), a net 43% of businesses are having trouble finding skilled labour. This has been steadily increasing since 2009.

2. The current vocational education system is split, and doesn't always meet the needs of learners, employers or regions.

We currently have two vocational education systems: an industry training system for apprentices and trainees through 11 industry training organisations (ITOs), and another for students enrolled with providers, across 16 institutes of technology and polytechnics (ITPs), or in one of the three wānanga or more than 200 specialty private training establishments (PTEs). ITOs support on-the-job training, and providers deliver primarily off-the-job training, each with its own system of government funding.

Over time, these two systems have drifted apart. The problems that arise from this include:

- » People are uncertain about how to begin training or learning and how to progress, particularly when moving between on-the-job and off-the-job learning options, including when they get a job or move region
- » Employers are concerned that people learning off-the-job are not acquiring the technical or employability skills to succeed in the workplace, and that learners are often kept in off-the-job learning for longer than they need to be
- » People learning on-the-job aren't always getting all the right support with their learning and their pastoral needs and this frustrates both learners and employers.

Many employers don't engage in training and apprenticeships because they find the system too complex and they think it's too costly for them. For some industries, there isn't the high-quality, work-focused learning they need.

The system needs organisations that consider the needs of both learners and employers at the same time, otherwise neither learners nor employers get what they need.

Ma te whakatōpu haere i ngā wharekura, ma te aro tahi ki ngā tauira me nga kaituku mahi, ka angitū.

The system is not designed with the needs of everyone in mind

The system also needs organisations that prioritise the needs of learners who are traditionally underserved by the education system. Māori, Pacific and people with disabilities are more likely to be enrolled in lower-level vocational education qualifications and have poorer employment outcomes. This needs to change, particularly as Māori and Pacific peoples will form a growing part of the working-age population in the future. Māori and Pacific students often can't access culturally-responsive learning. People with disabilities and those without good school results often don't get the support they need. People in rural areas and smaller towns may not have access to vocational education at all.

Vocational education can do better for all learners.

3. Employers have told us the lack of industry input into off-the-job learning is frustrating

ITOs were originally conceived of as standard-setting bodies, but in reality, their ability to influence and shape off-the-job delivery and support to ensure that it meets the needs of their industry. Even though ITOs represent industry, they do not have either regulatory or funding levers to ensure providers get it right. This gap in their powers was put in place in order to manage conflicts of interest that might encourage them to use their standard-setting powers to strengthen their competitive position with providers.

Other employers tell us that ITOs don't meet their needs. In some cases, they describe poor service or a lack of responsiveness from 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.

We need a single system of funding so that all have clear roles to ensure that learners will have the right skills available to employers, at the right time, in the right place.

4. ITPs are facing a number of challenges

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 and 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.

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.

ITPs are public institutions meant to ensure that vocational education is available throughout New Zealand. However, rather than being a system that shares programmes, resources, costs, risk and other organisational and system elements, ITPs are separate public entities that need to sustain themselves independently. The financial problems of ITPs affect the whole public vocational education system and mean the focus is on crises and competition, rather than teaching and learning and what's needed for the future.

All regions deserve to be backed to succeed; there's strength in combining forces to support each other.

What will one system look like?

Te'u le Va – Navigate the Space

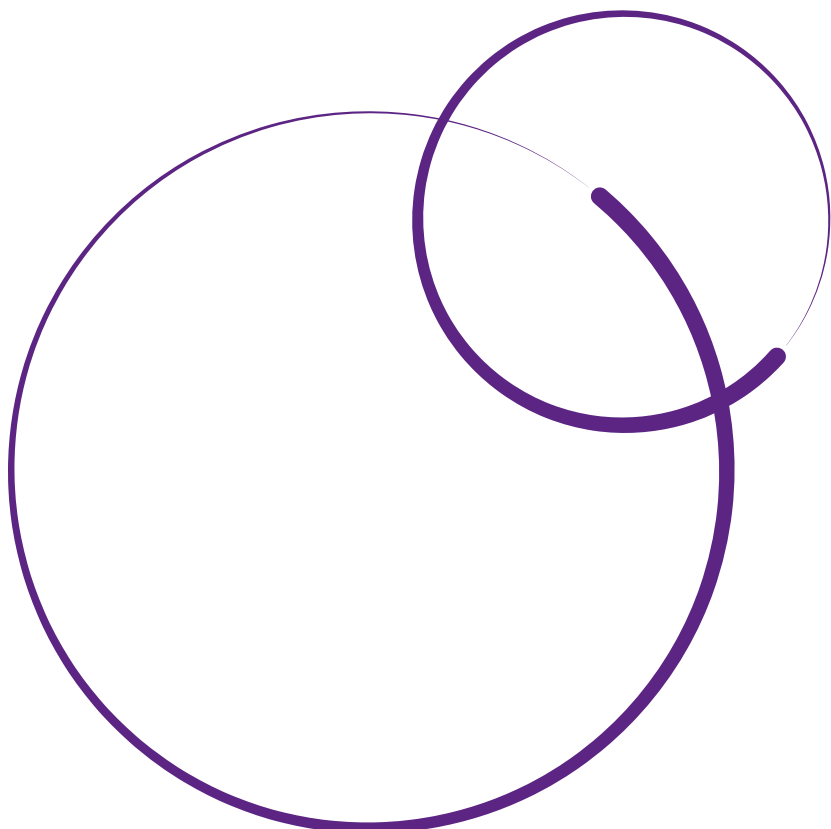
Everyone will have a clear role, with much more industry and employer influence

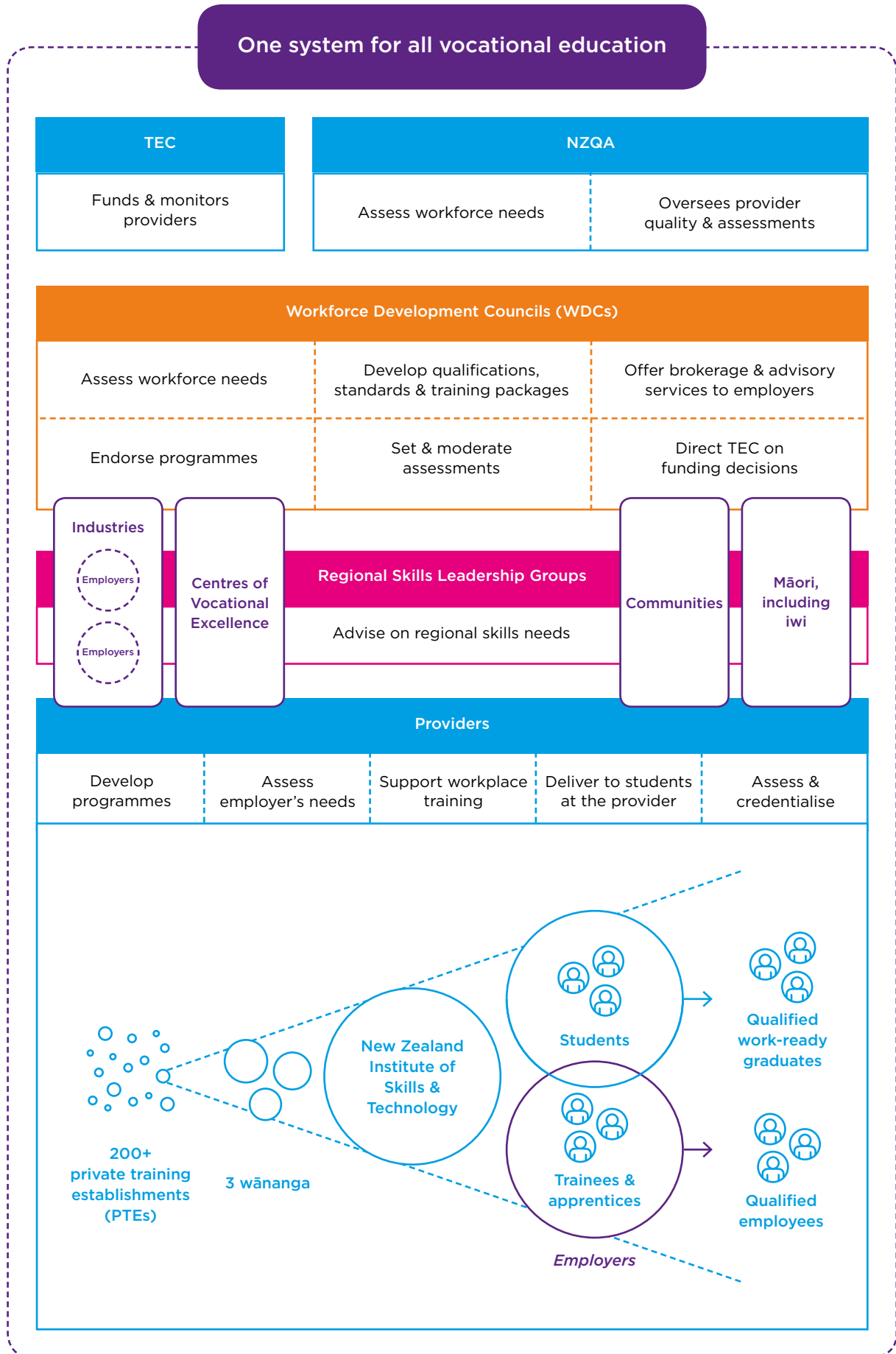
A stronger role for industry and other stakeholders

We heard that industry has felt restrained by the limits placed on them in the current system. Employers have also told us that newly qualified workers from different providers often have learned very different things.

The diagram below is what is envisioned for one system for all vocational education. This is how the system will work for industry, employers, learners and communities in the future:

Employers want a system where all learning produces consistent and predictable skillsets. Industry has welcomed the proposal on industry skills bodies, which will now be called **workforce development councils**, to take a leadership role on what's most needed for New Zealand's workforce overall. They acknowledge that with this global perspective also comes the responsibility to engage with **communities, Centres of Vocational Excellence** and **regional leadership groups** on what skills are needed locally now and in the future. **Māori-Crown partnerships** will be reflected throughout the system from national collaboration and leadership to local solutions and responsibility to deliver for Māori.





One institute with campuses around the country

The Government is committed to ensuring that high quality vocational education will be available to all regions. To do this, we're bringing together the existing 16 institutes of technology and polytechnics to operate as a national campus network.

This change will give New Zealand a coherent and coordinated national system that also responds effectively to local needs.

This institute will draw upon the successes of the strongest ITPs and the local authorities that have supported them, and apply these lessons to all regions, for everyone's greater benefit. We can get the balance right between a coherent and coordinated national system and what regions and communities cherish that makes their relationship with their ITP exceptional.

Bringing on-the-job and off-the-job training together

The new system will bring down the barriers between training in a classroom and training in a workplace, so that people can move easily between the two, even within a single programme of study.

As workforce development councils take the place of ITOs, the role of supporting apprenticeships and other on-the-job training will move to the Institute and other providers (wānanga and private training establishments). This will create tighter connections between these trainees and those doing off-the-job training, and will give them access to the same range of learning and pastoral support.

It won't change employers' role in training staff, rather the change in responsibility to providers should enhance the support that employers receive in training. This will remove the undesirable competition that most agree exists between the two current systems and remove disruption to learners moving between study and work.

Unifying the vocational education funding system

Industry and providers both told us that the current funding system needs fixing. The current system rewards ITOs and providers for keeping learners in their form of learning for as long as possible. Everyone agrees that a system that rewards 'doing the right thing' for employers and learners would be much better. We also heard that the current system isn't as flexible or adaptable as it needs to be for the costs of different types of learners, locations and ways of learning. It assumes providers will operate large class sizes, which doesn't serve learners and employers in small rural areas of New Zealand.

To get the consistent skillset that employers want in newly qualified workers, the government agencies in the education system also need to work together and with industry. The TEC will work with industry to agree on the specifics of what providers will be funded to support and deliver.

The **New Zealand Qualifications Authority (NZQA)** will work with industry to agree on qualifications and programmes, and oversee provider quality and assessments.

When good practice in workplace learning and maintaining strong employer relationships is spread throughout a stable vocational education system that's available to everyone and is focused on the right things, all learners and employers in all industries and all regions will benefit.

How should the system change?

Based on feedback received during the consultation on the Government's proposals to reform the vocational education system in New Zealand, seven key changes have been identified.

1. Create a New Zealand Institute of Skills & Technology

What we heard

We heard that many communities value what their ITPs do, and they want the best of their work to continue. People also said they understand that the financial problems of many ITPs mean they can't continue as they are.

We also heard that people see ITPs competing with each other, leaving some ITPs struggling with too few students and not enough choice of courses. We heard that employers often don't see ITP graduates as having the skills needed to do the job.

Māori and Pacific communities and businesses told us that they often don't feel ITPs offer them learning that responds to their culture and skills needs.

How the Institute will respond

The Institute will be a new kind of organisation that provides workplace, on-campus and online learning, in a way that is culturally responsive. It will be a unified, sustainable, public network that supports on-the-job learning, bringing together the existing 16 ITPs to operate as a national campus network. The New Zealand Institute of Skills & Technology, or the Institute, for now, while we consult on its official name.

The Institute will have a new focus and culture, different from the 16 ITPs that are integrated into it. It will mean that all the regions are able to share resources, support each other and share accountability to deliver high performance. It will be required to work closely with employers to fundamentally change how learning and support is delivered through all modes – on-line, campus-based and at employers' places of business. It will need to standardise programmes and reorganise its functions so that it can focus resources on delivery to support learners across the country. It will also need to draw on the best of existing practice, in particular so it can offer culturally responsive teaching and learning. It will work collaboratively with other education providers, especially wānanga and PTEs to deliver and support vocational education across New Zealand.

The Institute's national office will be responsible for setting strategy, reducing duplication in areas such as consistent programme design and development, and ensuring that the regional operations take a network-wide view to investments. At the same time, all subsidiary entities will have sufficient financial delegations to be empowered to make decisions on behalf of their communities.

In 2019, we will set up an Establishment Unit to prepare for the new Institute which will be set up in 2020. In the meantime, the current ITPs and ITOs will continue as they are, so that learners and employers can continue to learn and to train staff.

► See **['The New Zealand Institute of Skills & Technology, in detail'](#)** on page 21 for further information.

2. Create workforce development councils (WDCs) with leadership across the whole vocational education system

What we heard

We have heard that learners and employers can find the current system confusing and inconsistent. We heard that to have effective vocational education, industry needs a say in what providers teach and that on-campus students don't always learn the skills they need to be ready for the world of work. We heard for some employers there is no industry coverage for their training needs.

We heard from some employers that the industry training system works well for them, and that they want to keep what works while also improving what doesn't. At the same time, the system needs to cover all industries and enable more employers to access workplace training.

How WDCs will respond

WDCs will be industry-governed statutory entities, which will give industry greater control over all aspects of vocational education. In the consultation proposals, these were referred to as Industry Skills Bodies. We heard that this name fell short of describing their proposed role.

We will work with industry to set up approximately four to seven WDCs from 2020 onwards to cover most industries. Wānanga will remain outside WDCs' standard-setting, other than where they support on-the-job learning.

WDCs will get to decide whether programmes are fit for purpose, whether those programmes are on-the-job programmes (like an apprenticeship), taught on-campus or online at a provider, or a combination of any of these three. Unless a programme has the WDC's confidence – effectively, industry's confidence – it won't be approved and won't be funded. They will also provide advice to the Tertiary Education Commission on its funding decisions more generally and will get to determine the mix of training in their industries.

WDCs will also have the power to require programmes of study to have a 'capstone assessment'. This is an external assessment, overseen by the workforce development council, so that everyone can be sure that qualification-holders in that area meet a standard that is acceptable to industry.

WDCs will provide skills leadership for their industry and, like today's ITOs, they will sometimes provide employers with brokerage and advisory services. But, given their powerful oversight role, they won't be directly involved in running apprenticeships and other on-the-job training themselves.

► See '[**Workforce development councils and the shift in support for workplace learning to providers, in detail**](#)' on page 28 for further information.



3. Establish Regional Skills Leadership Groups (RSLGs)

What we heard

We heard that communities value their current relationships and don't want to disrupt them. In some regions, disruption has already occurred and employers need people with new skills and retraining for people who need to reskill.

We heard that many Māori learners and businesses don't see the system as delivering to their needs. We heard that many employers are frustrated that they can't find the skilled employees they need locally.

How RSLGs will respond

The overarching purpose of RSLGs will be to facilitate dialogue about regional labour market needs that builds coordinated decision-making at a regional level to encourage businesses, training providers and other local actors to work together towards a high-skills labour market.

RSLGs will provide advice about the skills needs of their regions to the TEC, WDCs and local vocational education providers. TEC will be required to take their advice into account when making investment decisions.

RSLGs will work across education, immigration and welfare systems to help deliver on regional economic development strategies that work for everyone. More detail will be available in a separate publication.

4. Shift the role of supporting workplace learning from ITOs to providers

What we heard

We have been told that learners aren't always getting the skills to do the job, and are often kept in off-the-job learning for longer than they need to be. We heard that some apprentices and trainees aren't getting the culturally competent support they need.

We also heard some students at ITPs want greater access to work experience and to employer networks to help them understand better the world of work and get the connections they need to secure employment.

How the role shift will respond

The new system will bring break down the barriers between training in a classroom and training in a workplace, so that people can move easily between the two, even within a single programme of study. The Institute, wānanga and PTEs will deliver and support education and training both off-the-job and on-the-job to achieve seamless integration between both settings and to be well connected with the needs of industry. Providers will:

- » Work with employers to meet their workplace training needs
- » Support apprentices and trainees while at work with their learning and pastoral needs
- » Continue to support students enrolling directly
- » Assess all learners against industry standards
- » Develop programmes and deliver training packages based on the industry needs identified by WDCs to suit the needs of employers and learners
- » Ensure learning is culturally relevant for all learners.

► See '**Workforce development councils and the shift in support for workplace learning to providers, in detail**' on page 28 for further information.

5. Establish Centres of Vocational Excellence (CoVEs)

What we heard

The concept of CoVEs was widely supported in the consultation. People could envision CoVEs driving innovation and excellence across the system.

How CoVEs will respond

CoVEs will drive innovation and excellence in teaching and learning and improve links to industry and communities. They will be established 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 and support, such as kaupapa Māori delivery, and include applied research.

CoVEs will bring together the Institute, other providers, WDCs and other industry and regional stakeholders to enable all vocational education organisations to access the best of what is available nationally. A CoVE could be hosted regionally by the Institute or by a wānanga. CoVEs will be located across the country and could be hosted regionally by the Institute or a wānanga.

The first pilot CoVEs will be established in the 2019/20 Fiscal year. The Government intends to fund one to three pilot CoVEs, to learn from prior to considering further investment in new areas.

▶ See '[Centres of Vocational Excellence, in detail](#)' on page 32 for further information.

6. Te Taumata Aronui

The Reform of Vocational Education needs to reflect 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.

To ensure these opportunities are consistently taken up through the Reform of Vocational Education, a group, with a placeholder name of the 'Te Taumata Aronui', will be established to focus on tertiary education, including its interface with the schooling sector.

The first task for this group could be to provide advice about how the vocational education system could:

- » reflect Māori Crown partnerships
- » ensure that the system improves outcomes for Māori learners
- » align with other relevant components of the Education Work Programme (e.g. Ka Hikitia)
- » support Māori economic and social development strategies.

7. Unifying the vocational education funding system

What we heard

Nearly everyone agreed that the funding system needs fundamental change. The system we have had for more than 25 years has created many of the current problems in the vocational education system.

We heard that the system doesn't recognise the costs to providers of supporting different types of learners, locations and ways of learning. It assumes providers will operate large class sizes, and creates incentives for keeping learners off the job for longer than they need. At the same time, it has also meant that some industry training has moved away from high-quality, transferable learning.

We heard that the rules that come with funding are complicated and often inflexible, and stop providers innovating and delivering to a wider range of needs.

How a unified funding system will respond

A unified funding system will encourage greater integration of off-the-job and on-the-job learning, ensure learners can access more work-relevant and tailored support, and enable new models of education delivery and support which are more responsive to employer and industry demand.

We will work with all system stakeholders to develop, design and implement the new funding system to apply to all off-the-job and on-the job education at certificate and diploma qualification levels 3-7 (excluding degree study) and all industry training.

The unified funding system should:

- » reward and encourage the delivery of high-quality education and training which meets the needs of all learners, communities and employers
- » support access to on-the-job education and training and encourage the growth of work-integrated delivery and support models
- » supply strategically important delivery to meet national priorities, address regional labour-market demand, and be highly responsive to employer skill needs
- » 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.

We will engage with stakeholders to explore three new funding approaches:

- » 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
- » A new learner-based funding approach to recognise the higher costs of delivery and support that responds to a range of learner needs, and to incentivise improved system performance for traditionally underserved learners (especially Māori, Pacific and people with disabilities)
- » 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.

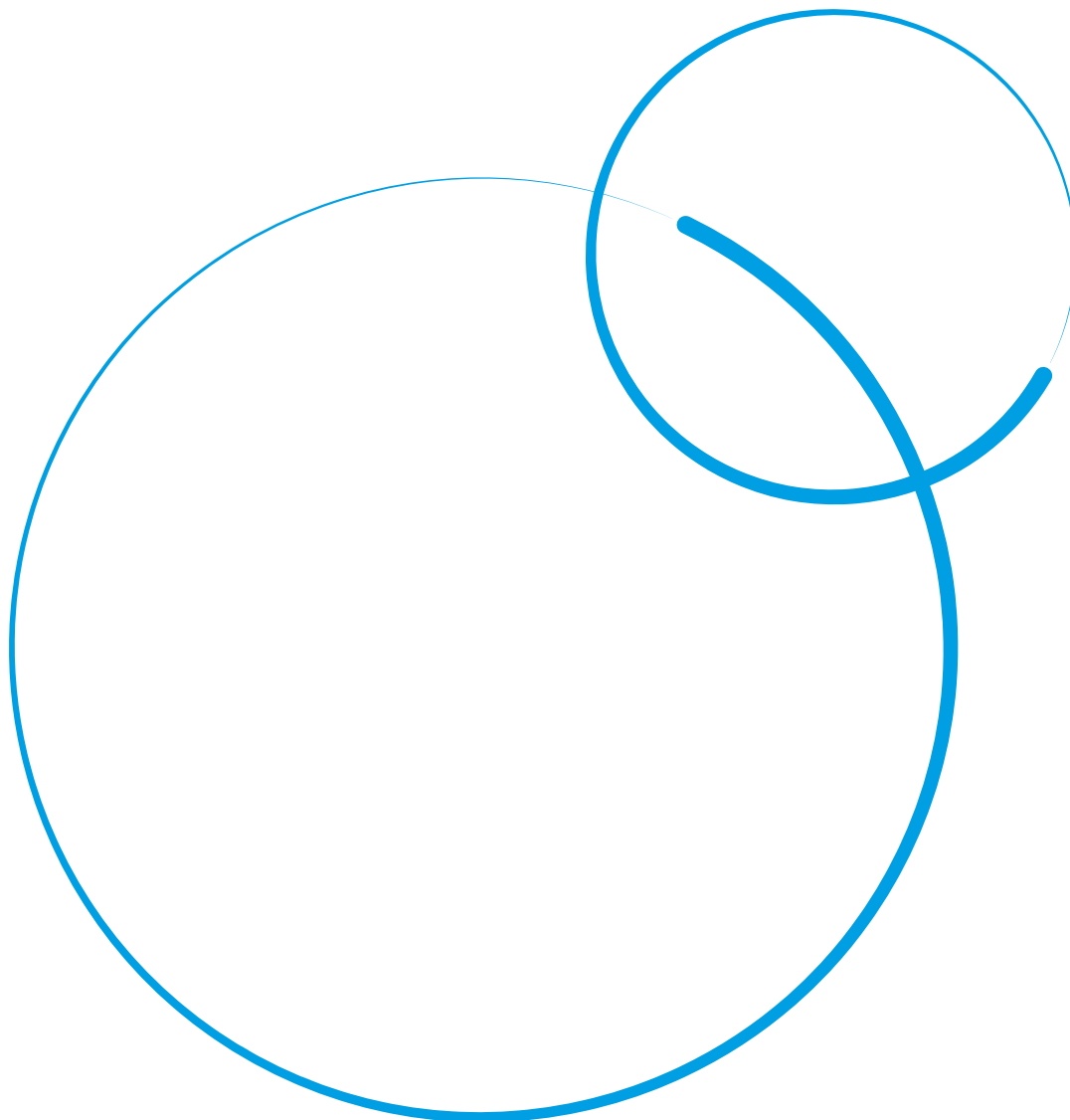
The design work would be informed by end-user perspectives, including those of employers, Māori, Pacific peoples and disabled learners. More technical and operational advice would be informed by sector experts to ensure that funding reforms result in the behaviour shifts we are seeking from TEOs.

Funding for strategically important delivery

We will also review funding rates for te reo Māori and mātauranga Māori as part of our work to develop the new funding system. This will involve co-design with the wānanga to ensure the funding system reflects and supports high-quality delivery and 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.

The new funding system will be a work-in-progress over the next 2-3 years. Elements of the new funding system are likely to be introduced from 2021 onwards.

The funding system is a crucial element of the Reform programme. Without it, New Zealand will not get the outcomes it needs from the system.



What's next?

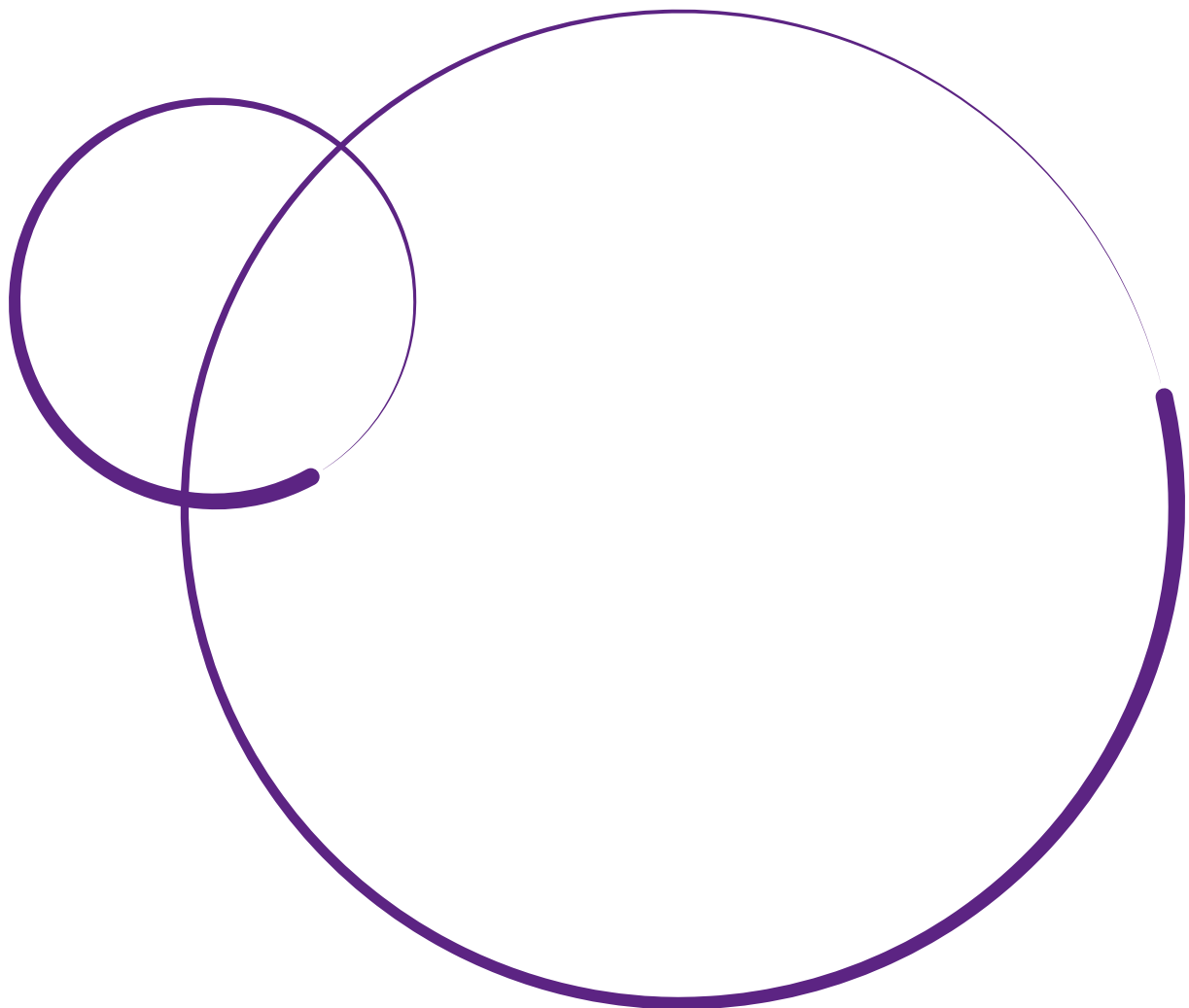
The Reform of Vocational Education started with reviews in 2018. It continued with the consultation on the Government's proposals for the system, and hasn't stopped.

Ongoing engagement is crucial.

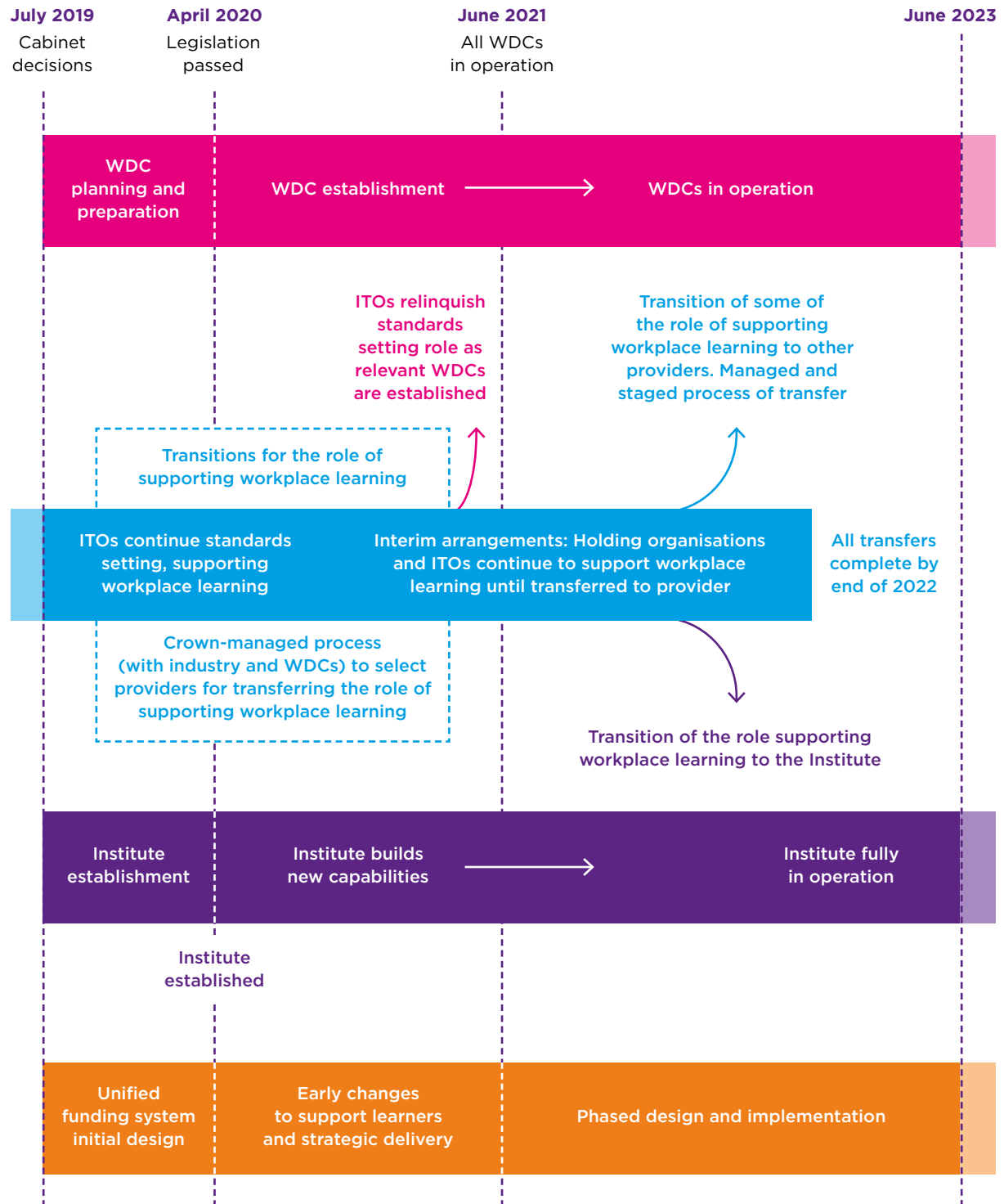
The Reform will only be successful with stakeholder input into transition and implementation.

A Stakeholder Advisory Group will be formed to provide advice to officials, the Establishment Unit, and others working on the reforms.

This will include stakeholders with different experiences and viewpoints, for example, employers, industry, learners, Māori, Pacific, disabled learners and staff.



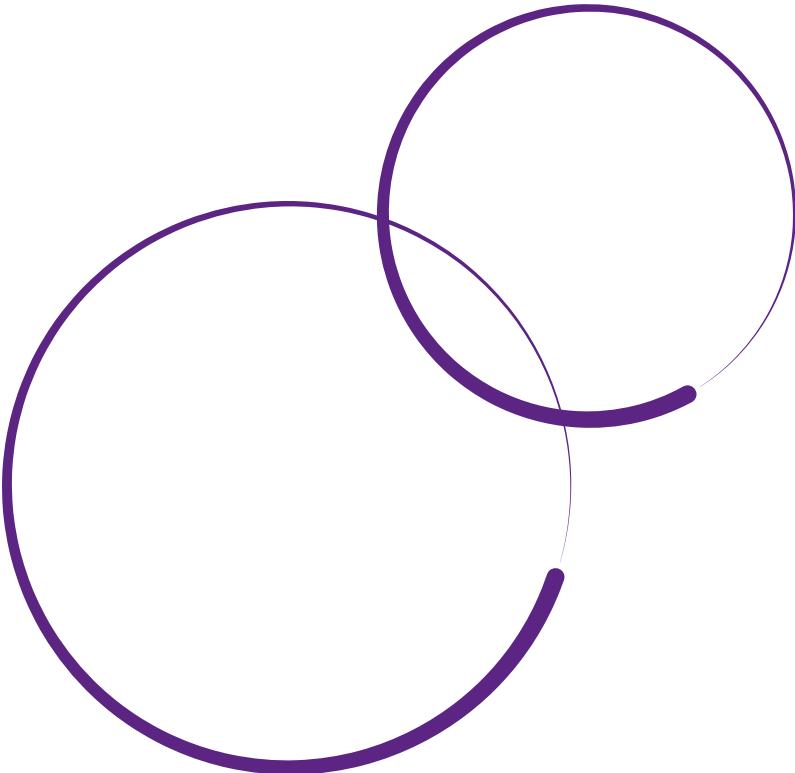
The timeline below shows what we expect to happen and when.



The legislative process

The scheduled process for legislation is noted below. Timeframes may change subject to Parliamentary processes.

Legislation Timeline	
August	Cabinet legislation committee
	Cabinet approval for Introduction
	Introduction
	1st Reading of Bill (referral to select committee)
September – March	Select Committee process
	2nd Reading
	Committee of the Whole House
	3rd Reading
End of March	Royal assent (the Act comes into force)
1 April 2020	Institution stand up with transitions in place



The New Zealand Institute of Skills & Technology, in detail

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.

To achieve this, the Government has decided to create the New Zealand Institute of Skills & Technology (the Institute). This new organisation will have the necessary capabilities to support on-the-job learning, while also bringing together the existing 16 ITPs.

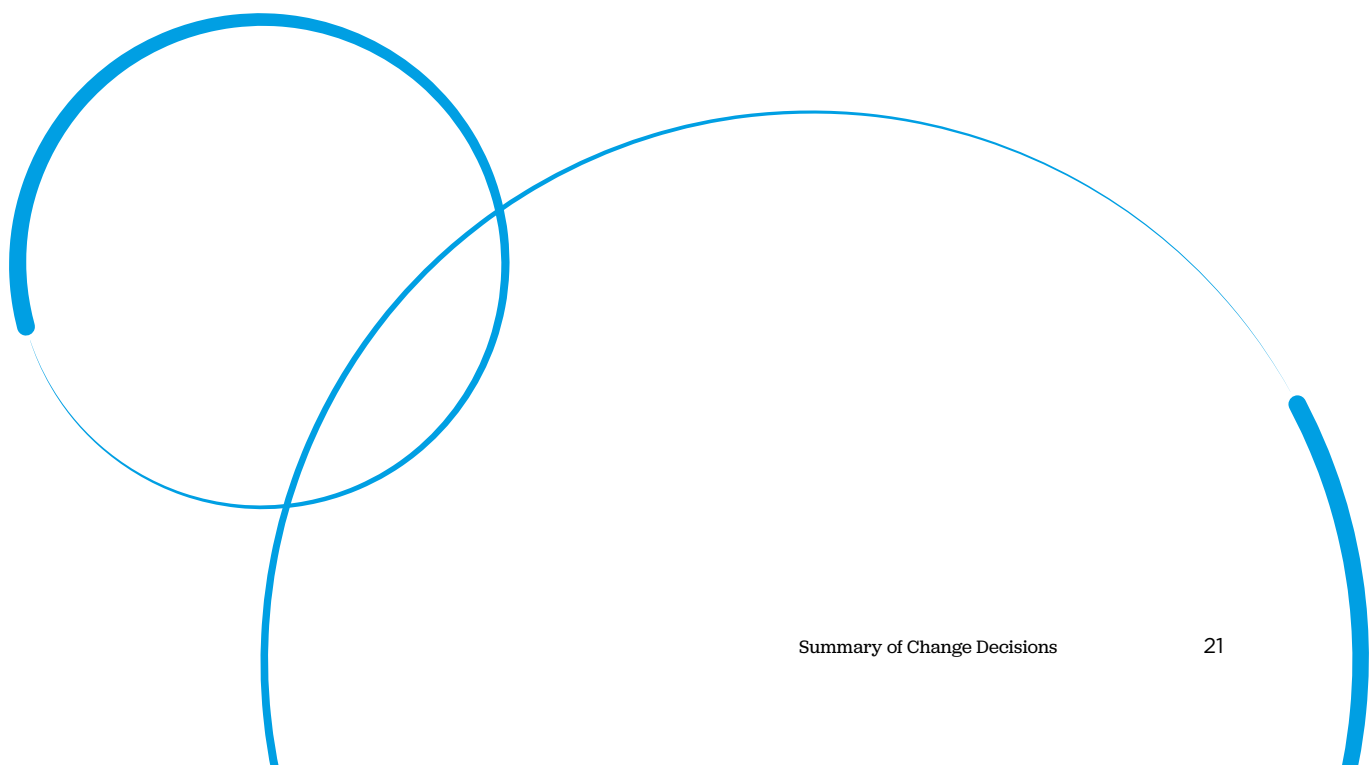
It will be a consolidated organisation that makes strategic use of capital, achieves greater efficiency in programme design, development and delivery, and reduces the duplication of functions within the current vocational education network.

Over time, this will be a major change for the 16 current ITPs and for their 120,000 domestic students and 18,000 international students.

The Institute will be the cornerstone of a sustainable system of vocational education provision. Its national network will enable students and employers to transition seamlessly between delivery sites and educational modes, so that the Institute can be a true long-term, skills training partner to firms operating both regionally and nationally.

Regional and local campuses will 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 will 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.

The new Institute will also be a degree-granting provider and a provider of foundation learning, and will have a greater ability to create pathways through the system. This will 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 will 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

The consultation process (see also 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. It is important that the Institute responds to local needs; this will require strong relationships and agreements at the local level.

Feedback from consultation: New Zealand Institute of Skills and Technology

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.

The views of these submitters have been carefully considered, and have informed the proposed design of the Institute, as set out below.

In terms of the day one structure, analysis suggests that the choice is 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.

The Government has decided to establish the Institute with 16 subsidiaries for up to two years, as a transition measure and enabling the Minister of Education to decide whether to extend the life of any or all subsidiaries on advice of the Institute. This will contribute to:

- » *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
- » *avoiding unintentional financial distress* as a result of unknown financial arrangements within the Institute
- » providing the cleanest possible lift and shift process, minimising the transition risk to stakeholders.

This will constitute a significant change for the current 16 ITPs. In particular, their Councils will be disestablished from day one, on 1 April 2020, and replaced with a subsidiary board appointed by the national Council. Appointments will 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 communities that their interests will have a strong voice in the development of, and transition to, the Institute.

In addition, transitioning ITPs to subsidiary companies will minimise initial disruption to ITP activities compared with folding all ITPs into the Institute from day one. Learners will experience little change during this phase of the transition, and business-as-usual activities will continue uninterrupted.

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.

Consultation has also lead to three other key refinements:

- » To address 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, the Institute will spend existing reserves (above a set limit) on the regions in which they had been accumulated by the relevant legacy organisation (See Appendix for further detail on this.)
- » 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.
- » 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.

Other changes will go ahead as proposed in consultation:

- » The Institute will 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 regions where the main campuses of the 16 ITPs are based.
- » Regional Skills Leadership Groups will hold the regional campuses of the Institute to account, alongside other providers, for collectively meeting the needs of their local communities
- » The Institute will not have a Wellington or Auckland national office (in fact the national office functions may be distributed across multiple locations), and the Chief Executive’s office will not be based in Wellington or Auckland.



In terms of the Institute’s overall business model, four possible options were analysed:

Option	Description
<p>Option A: Create an Institute with a small, thin head office that focuses on managing the performance of its subsidiary ITPs</p>	<p>A small, thin head office for the Institute would be established, and the existing 16 ITPs brought together as subsidiaries to the new organisation.</p> <p>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.</p> <p>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.</p>
<p>Option B: Similar to Option A except with fewer regional operations and centralised programme design</p>	<p>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.</p> <p>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.</p>
<p>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</p>	<p>The head office would have a stronger degree of control over the regional operations. There would, however, still be a substantive regional presence, and all subsidiary entities will be provided with sufficient financial delegations to be empowered and make decisions on behalf of their communities.</p> <p>The head office would be responsible for setting strategy, and reducing duplication in areas such as consistent programme design and development.</p> <p>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.</p>
<p>Option D: Create a heavily consolidated Institute where most activities are performed centrally</p>	<p>Most activities would be consolidated in a single entity, and there would be less substantive local or regional operations.</p> <p>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’.</p>

This analysis is set out in greater detail in the **Programme Business Case**. The conclusion Government reached was that Option C is the preferred option because it likely creates the best balance between consistency, efficiency, and devolved decision making.

Option D was 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.

However, Option C was 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.

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.

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.

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, from a day one position closer to Option A.

Other features of the Institute

An Establishment Board will 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 will 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 will form the Establishment Board. Once in place, the Establishment Board will be working swiftly, so it will be important to have strong reporting to Ministers. The Minister will issue a letter of expectations to the Establishment Board, and will expect to receive weekly progress reports from the Board.

The Establishment Board will consult with stakeholders and advise on an appropriate name for the Institute. The working name “New Zealand Institute of Skills & Technology” will continue to be used in the meantime, including in the legislation, as introduced.

The Institute will be established as a new and unique tertiary education institution, rather than as an ITP. However, the Institute and its Crown entity subsidiaries will 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 will be removed, since the Institute will be their replacement.

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 is important that it is at arm’s length from government. The Institute’s leadership will have to be accountable for decisions around the design of its business model, and the ongoing operation and management of the Institute should have the greatest level of autonomy possible. However, its unique place as a national institution means that there will need to be slightly less institutional independence in the form of additional accountability mechanisms, as set out in the following paragraphs. The Institute and its subsidiaries will however have the same academic freedom principles as other institutions but not the same statutory protection of institutional autonomy.

(The definition of academic freedom in the Act includes the freedom of an institution and its staff to teach and assess students in the manner they consider best promotes learning. This principle is sound from an academic quality perspective, but legislative drafting will need to ensure that it still allows the WDCs to play their intended role in moderating assessment by providers to industry standards.)

All Council members will 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 (as described below). The Minister will also appoint the Chair and Deputy Chair. The Council will have between 8 and 12 members.

A charter for the Institute will 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 will be expected to give effect to the provisions in the charter and report as to how it is doing so through its accountability documents.

The new Institute will be required to produce a statement of intent and a statement of performance expectations, in keeping with other Crown Entities. The Minister will issue a letter of expectations to guide the Institute's strategic direction. In addition to these accountability mechanisms, it will 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 will 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.

Tertiary education institutions must have an Academic Board to advise them on academic matters. Workplace delivery will be included in the description of the advice the Academic Board of the Institute should provide to the Council.

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.

In order to enable students and staff to have a voice in Council decision-making, the Council of the Institute will be required establish committees of students and staff of the Institute. These committees will consist of members of staff and students representing at a minimum each substantial regional division of the institute. The members of each committee will be elected by the staff and students of the relevant regional divisions. The Council will determine, in consultation with students and staff, the number of members of each committee.

The Council of the Institute will also be required to appoint a Board to support the Council to work in partnerships with Māori. The Board will be a Committee of the Council, made up of members both internal and external to the Institute. The size and composition of the Board will be determined by the Council in consultation with Māori.

The committees and the Board will provide advice to the Council to inform its decision-making, and the Council will be required to consider solicited or unsolicited advice it received from them. The Council would also be required to consult these bodies on significant matters such as the strategic direction of the Institute, major structural changes and other significant decisions.

A commitment to Māori-Crown partnerships will also be included as part of the legislative provisions for the Institute. The appointment process for the Institute's Council will also ensure that potential Councillors have the skills, knowledge and experience to support Māori needs. The Council will also be required to appoint a Board to advise on how the Institute works with Māori to improve outcomes for Māori learners and communities.

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 will be a unique institutional type, it will be excluded from this restriction.

The Minister will 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.

What will Day One look like for the Institute?

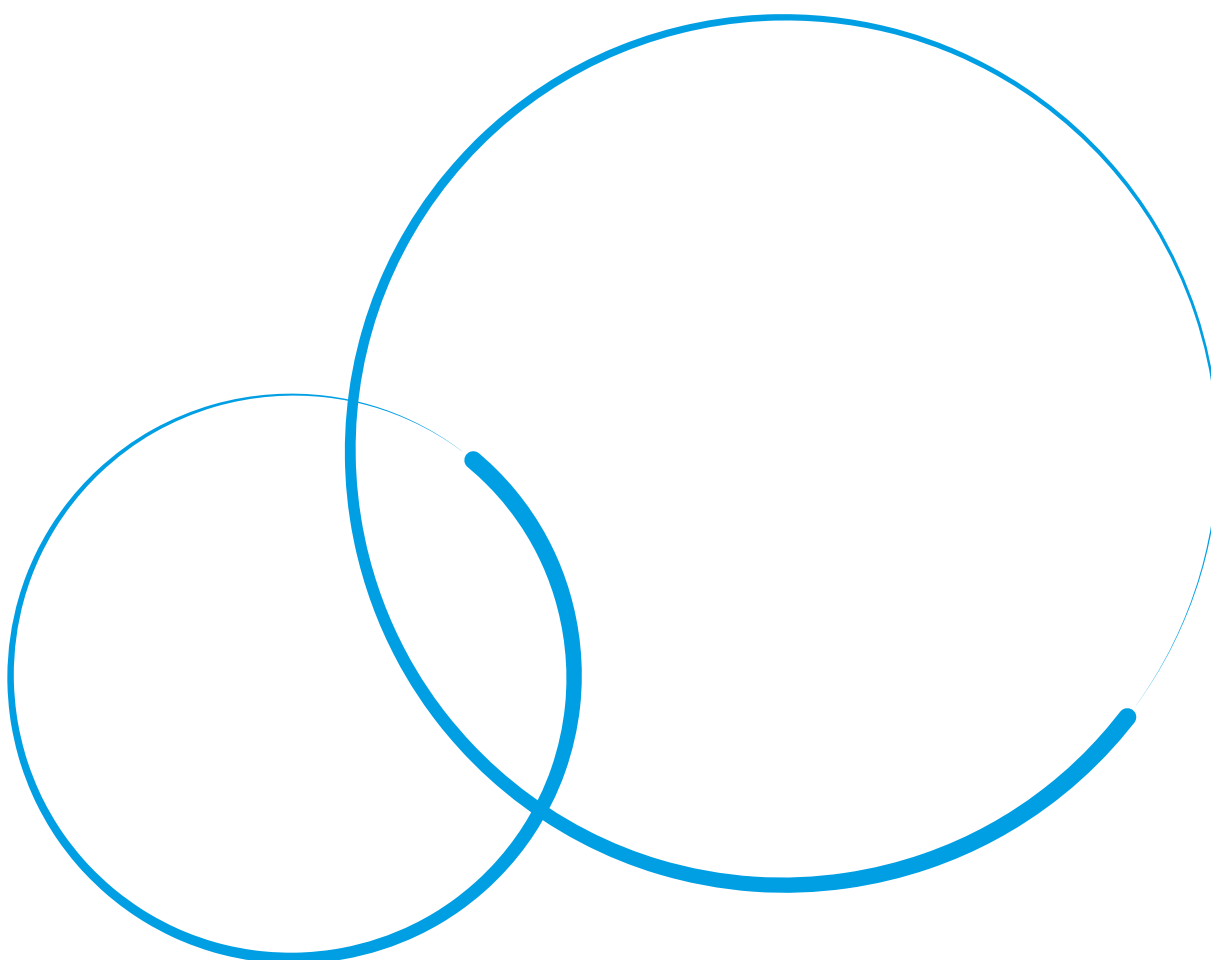
To minimise initial disruption, from 1 April 2020, the Institute will be established with 16 subsidiaries for up to two years, as a transition measure and enabling the Minister to decide whether to extend the life of any or all subsidiaries on advice of the Institute. This would contribute to:

- » 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
- » avoiding unintentional financial distress as a result of unknown financial arrangements within the Institute
- » providing the cleanest possible transition process, minimising the transition risk for all stakeholders.

This will constitute a significant change for the current 16 ITPs at a governance level. In particular, their Councils will be disestablished from day one, and replaced with a subsidiary board appointed by the national Council. Appointments will be designed to best facilitate the transition needed, while balancing this with the needs for continuity as the change process unfolds. The Institute will be required to have up to half of the members of subsidiary boards being 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.

In addition, transitioning ITPs to subsidiary companies will 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.

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.



Workforce development councils and the shift in support for workplace learning to providers, in detail

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.

To achieve this, the Government has decided to establish a small number (around four to seven) of industry-governed workforce development councils (WDCs) based around sector groupings. These will have comprehensive responsibilities for leadership, advising on funding decisions, standard setting and assessment of learning, but will not be responsible for directly supporting workplace learning, as ITOs currently are. This role will shift to the Institute and other providers.

WDCs will have the following roles:

- » *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
- » *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)
- » *investment advice*: direct TEC on the skill mix required for each industry, within a fixed funding envelope set by TEC. TEC will give direct effect to that advice. WDCs will 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
- » *standard setting*: set skills standards and develop qualifications, and endorse programmes developed by providers, including developing training packages where appropriate. These changes will ensure that industry requirements are consistently applied throughout vocational education. This role includes the ability to set a core curriculum or training packages that lead to a qualification
- » *assessment*: moderate assessments and set capstone assessments¹ as required, to ensure that learners have met the required standard when they are awarded a qualification. In some cases WDCs will work with occupational regulators who have a statutory authority to conduct capstone assessments.

¹ 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.

The WDCs will have a wide area of coverage established through direction from government

The structure of WDC coverage will be based on **sector groupings**, which is the approach that other jurisdictions tend to use. A collaborative process will 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:

- » Construction and Infrastructure
- » Manufacturing and Technology
- » Primary Industries
- » Services Industries
- » Social and Community Services
- » Creative Industries.

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 will allocate responsibility to WDCs to address coverage issues. Some care will be taken to ensure genuine industry engagement in these new areas of coverage (and corresponding capability within the WDCs).

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

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 on-the-job 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.

With this change, on-the-job training will continue to occur mainly in the workplace, but support for trainees and apprentices will come from providers instead of ITOs. This will encourage more on-the-job training and support learners to enter work more quickly.

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 will be a major change for approximately 140,000 trainees and apprentices working for 25,000 employers.

The Government has engaged closely with these concerns, and Ministers have met with a number of ITO leaders and some employer representatives. In the end, however, the Government has decided that the benefits, supported by a strong transition, outweigh these concerns.

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 on-the-job learning while also having enhanced standard-setting powers, thereby enabling them to set standards that could favour their own interests in supporting on-the-job learning.

In response to ITO, industry and employer concerns, a number of refinements have been made to the initial proposal to ensure that the transition of the role of supporting on-the-job learning from ITOs to education providers is carefully managed and funded.

In particular, the ITOs will either continue (with new recognition conditions) or form holding organisations that will be able to continue to operate current arrangements for supporting on-the-job training up until the end of 2022. This will 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.

This staged approach has a number of advantages:

- » ITOs are given time to prepare for handing over on-the-job learning to providers and can be funded to assist providers in making the transition
- » It provides a more structured process for the Government to ensure a well-managed transition that will maintain engagement by industry in structured training
- » 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 on-the-job learning
- » 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 on-the-job training, including an orientation towards workplaces.

A key purpose of holding organisations will be to provide flexibility for ITOs to merge or divide functions or set up new organisations that assist with transitions. This would help protect the interests of employers and their staff during the transition period. They will enable a phased and well-managed transition of ITO functions to WDCs and providers. The government will want to be assured that providers are well prepared for supporting both off-the-job and on-the-job training at the point of transition of responsibility for on-the-job training. They will need to be supported by industry to reach this point. Transition plans will also need to be approved by the Government.

This will 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).

At the point when an industry is covered by a WDC for the standards-setting functions, the ITO or 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.

The supporting work-based training function would transfer from an ITO or 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 an ITO or 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.

Priority industries (such as primary and construction sectors) would be likely to transition earlier than others. Education officials will work closely with ITOs in developing a transition plan.

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.

An ITO or holding organisation would cease to be recognised by the Minister when all standard setting functions have transferred from that organisation to appropriate WDCs, and all supporting work-based training functions have transferred from that organisation to appropriate providers.

Two other refinements have been made in response to feedback during the consultation.

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. WDCs could also assist TEC in evaluating the performance of providers against those investments.

Secondly, there was also a concern that WDCs would not be able to maintain regular contact with employers. In response to this concern, the scope of the role of WDCs has been expanded with the potential for WDCs to continue to provide some brokerage functions, within the scope of their TEC-approved skills leadership plan.

Other features of WDCs

WDCs will be established as not-for-profit statutory entities, required to consider national and regional interests alongside the needs of industry. The establishment of WDCs will start after 1 April 2020, when legislative changes are enacted, with the aim of completing the establishment by June 2021.

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.

WDCs will receive funding from the TEC. WDCs will be required as one of their functions to develop skills leadership plans. They will 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.

The governance structure and interventions framework for WDCs will be designed with industry, based on the principle that WDCs are to be industry-driven organisations.

WDCs will be subject to annual audits and would be required to report on their activities annually. WDCs will also be subject to appropriate NZQA external quality assurance and monitoring that is fit for purpose. A provision in statute will 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 will have the power to remove any WDC governance members if there is just cause (based on the interventions framework designed with industry).

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 be enabled to remain outside WDCs' standard-setting, other than where they are moving into the role of supporting on-the-job learning.

Centres of Vocational Excellence, in detail

CoVEs will play a key role in driving innovation and excellence in vocational teaching and learning by strengthening links with industry and communities.

To achieve this, CoVEs will bring together the Institute, other providers, the new WDCs, industry experts, and leading researchers to grow excellent vocational education provision and share high-quality curriculum and programme design across the system.

CoVEs will be established in areas of particular importance to New Zealand. Their scope of coverage will vary and may be pan-sector (e.g. primary sector), industry-wide (e.g. agriculture) or occupation-specific (e.g. viticulture). Some CoVEs may also cover key types of educational delivery, such as kaupapa Māori delivery or excellence in online or blended delivery, and may include applied research.

CoVEs will be a consortium led by a regional campus of the Institute or by a wānanga

Each CoVE will be a consortium that includes education experts, industry experts (including but not limited to workforce development councils) and researchers to ensure that the latest knowledge and best practice is brought into the CoVE. A CoVE may in some instances also include occupational regulators, such as the Nursing Council.

CoVEs will be hosted by a regional campus of the Institute or by a wānanga. Over time, should the network of CoVEs grow, there will be an appropriate regional distribution across New Zealand. This will help to ensure that the Institute and wānanga remain well connected to industry, in particular to those industries of local importance in the regions where it operates. While CoVEs would be located regionally they will also take a wider national focus.

The role of each CoVE will be tailored to ensure it adds value within the wider system

The reformed vocational education system is designed to support and incentivise collaboration, both between industry and providers and across the Institute's regional network. Each CoVE will need to be tailored to ensure that it fits well within this new system and provides a level of additional value beyond what we would already expect from the new system.

For example, the new Institute will be expected to collaborate with industry experts to establish best practice provision, to develop and strengthen areas of regional specialisation, and to share best practice across all of its regional network. Workforce development councils will set appropriate skills standards for the industries they represent and will hold providers to account for delivering to these standards. Furthermore, collaboration between industry and all vocational education providers will be strengthened in the new system. In the long-term, CoVEs should not duplicate these functions.

However, this new system will take time to bed in. It may be necessary to establish a CoVE for a fixed period to support the process of building collaborative partnerships and sharing of best practice to drive excellence within particular areas of priority. Once the system (in particular, the Institute and workforce development councils) is in a position to continue operating in a collaborative and unified way, then a CoVE may no longer be needed for that area. This may mean that the role of that CoVE changes or that it becomes funded through other mechanisms (for example, through the Institute's normal operating budget).

In other situations, a CoVE may be established to seize a specific opportunity or manage a particular challenge within the vocational education system, or as a way of recognising and rewarding existing areas of excellence within the system.

The functions of each CoVE will vary

The core purpose of a CoVE will be to drive innovation and excellence in teaching and learning and improve links to industry and communities. To achieve this, each CoVE will undertake the following high-level **baseline** functions:

- » *Grow excellent vocational education provision* within its area of speciality through driving excellence and innovation within the overall network, including by engaging with relevant industry experts, and
- » *Share high-quality curriculum and programme design* across the system including across regions and potentially wānanga and private training establishments (PTEs).

CoVEs could also undertake a range of **additional** functions, such as:

- » Providing training support for employers to improve their skills-building ability
- » Sharing applied research with providers and industry to improve knowledge exchange
- » Improving pathways through vocational education, including from school
- » Providing learning technologies across the network to minimise cost and duplication of high-cost equipment
- » Providing advice to providers/employers on best practice pastoral care to support good outcomes for learners
- » Other functions proposed through the application process to establish a CoVE (provided this additional function, in particular, that it does not overlap with the role of existing players within the system).

CoVEs could undertake a wide range of functions in order to drive innovation and excellence in teaching and learning and improve links to industry and communities. However, as discussed, it is important to consider how each would fit within the wider vocational system to ensure that each CoVE adds value.

The specific functions each CoVE is recognised and funded for would therefore be determined on a case-by-case basis through the establishment process.

The scope of coverage of each CoVE will also vary

The specific scope of coverage, as with the functions, will be tailored to ensure that each CoVE is a genuine centre of excellence, targeting a specific issue or opportunity, adding value to the system, and minimising the duplication of existing functions (with the exception of where a CoVE is speeding up the transition to the desired new system).

A CoVE's scope of coverage could be pan-sector (e.g. primary sector), industry-wide (e.g. agriculture) or occupation-specific (e.g. viticulture), or by type of delivery, for example, kaupapa Māori, online or blended delivery, or foundation education.

The scope of coverage of a CoVE could, in some instances, include degree-level vocational education provision as this could help to strengthen pathways from lower-level vocational education into degree-level and higher education and could also improve degree-level provision. While a university may be involved in such a CoVE, it would still need to be hosted at a regional arm of the Institute or a wānanga rather than at a university campus.

Decision to establish Centres of Vocational Excellence

Given the importance of CoVEs in driving excellence within the wider vocational education system, and the close interest of ministers from across government in ensuring the successful establishment of CoVEs as a way of supporting the regions, the Minister of Education, in consultation with relevant portfolio minister, will confirm the final decision on when and where a CoVE should be established. This will follow the running of an appropriate process by TEC.

What will the changes mean for people and organisations involved with vocational education?

The changes to vocational education will deliver improvements for many groups of people.

More employers will be able to find consistently well-trained and work-ready workforce

We heard that for some employers the current system is working well and they want to keep what's working for them. For others, it's virtually non-existent. New Zealand's skill shortages in many industries itself points to the need for a better system to ensure that all employers have access to a well-trained workforce that's ready and able to work.

The new system will ensure that employers have a say nationally through workforce development councils and locally through regional leadership groups on the skills they need in their businesses. They will have a choice of providers and trusted agreements on support for apprentices and trainees. They will have assurance that regardless of where in the country a newly qualified worker did his or her learning, the standard of skill will be consistent.

Employers who have never had an apprentice or trainee before will find it easier to understand the system and the benefits of training workers in the workplace. Support from providers who understand the industry and how to help learners be work-ready, will provide greater comfort to employers who are apprehensive about having to train staff while running a business.

Pathways will be easier for learners and their parents and whānau to understand

Vocational education pathways will be easier to understand. This will help parents and whānau know how to guide young people into meaningful learning and work.

The Institute will offer a single set of programmes for obtaining national qualifications, and programmes will be more consistent no matter which provider offers them. This means that learners of all ages will be able to study in work, in a classroom or online, and transfer their learning as they move between different forms of learning, between employers, and around the country.

Māori and Pacific learners will find culturally competent instruction and training. Learners who had difficulty in school previously will find that the system welcomes them and supports their unique needs. Remotely located learners will find greater access to vocational education and employment opportunities.

Iwi, Māori learners and businesses are key partners

We heard from most Māori that we need significant change to vocational education. The Reform is an opportunity to set up the new system in partnerships with Māori, and to shift to more culturally responsive teaching and learning, where learners know they are valued, and that we are walking with them on their journey. It is also a chance to make sure there is a much stronger voice for Māori businesses and iwi development.

The new Institute will have governance that reflects the Māori-Crown partnerships and involves national collaboration and leadership with local solutions to issues, and responsibility to deliver for Māori. The funding system will better protect and support te reo Māori and mātauranga Māori. Regional Leadership Groups will include iwi. WDCs will deliver to the needs of Māori businesses.

We will ensure that the next stages of the Reform process include Māori as key partners, including by setting up a Māori-Crown Tertiary Education Group, **Te Taumata Aronui** (a working name), which will to work with Ministers and officials across the tertiary system.

Pacific learner success will be supported

We heard from Pacific learners about the importance of a culturally competent system. Teaching and learning needs to understand different Pacific identities, languages, cultures and values. It needs to recognise the importance of family and community life.

The new system will build on successes such as the Māori and Pacific Trades Training consortia approach. As with Māori, the learner component of the new funding system will encourage vocational education organisations to focus on their needs.

Disabled learners will have greater access and more effective support

We heard that disabled people are not well-served by the current system, partly because they are often not well-supported to succeed in employment. More effective support for transitions from school to vocational education and work is needed, as well as partnership with disabled learners in setting the new system up.

The new institute's Charter, and the funding system, will create responsibilities and opportunities to support disabled learners. We will work in partnership with disabled people and in connection with other parts of government including the Ministry of Social Development and schools.

The Crown's partnership with wānanga will deepen and extend

We have already agreed to a dialogue with the three wānanga about the nature of their partnership with the Crown. Wānanga are key players in vocational education as well as other areas of education. Alongside a strategic dialogue and reviews of te reo Māori and Mātauranga Māori funding, wānanga will be enabled to remain outside standard-setting by WDCs, except where they are moving into arranging workplace training.

Private Training Establishments (PTEs) will remain key players that provide choice for employers and learners

We heard from PTEs that the reforms are an opportunity to deepen their role, but that they also need to ensure they can work well with the new Institute and with WDCs. PTEs will need to operate within the standards set by WDCs. They will also be able to gain responsibility for supporting workplace learning. Many PTEs are already well-positioned to do this, with strong track records in supporting workplace training and with good employer relationships.

Schools will be a crucial part of integrated vocational education

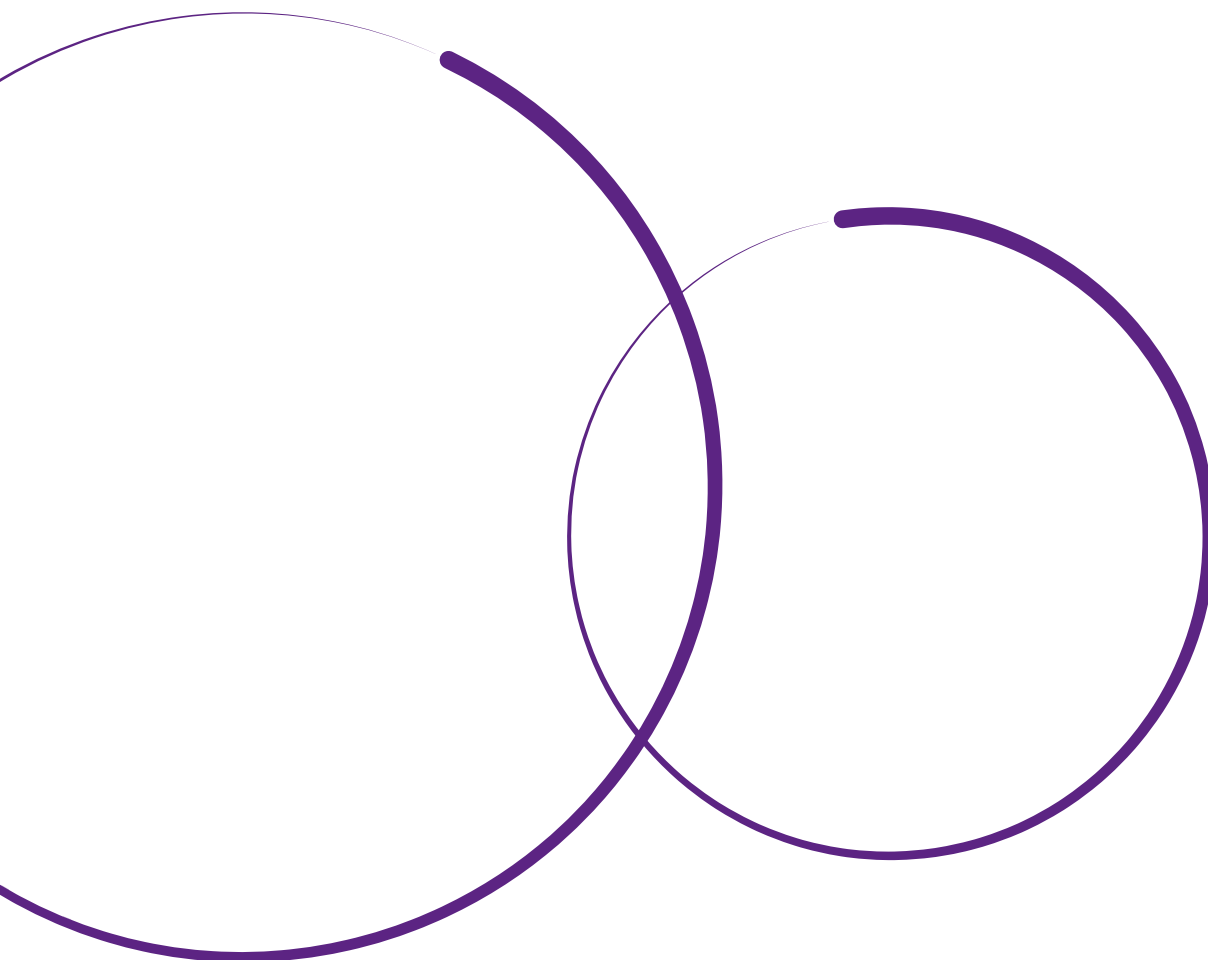
Schools will be a crucial part of the new integrated vocational education system. We want schools and tertiary education organisations better linked to each other and to the world of work.

We heard that vocational learning opportunities currently available in senior secondary schools are valuable, but these need to connect more seamlessly with post-school vocational education. Right now, it isn't clear for many secondary school students, their parents and whānau how to move from school directly into vocational education and training. The reforms will help address this.

Through the reforms, and alongside the NCEA Review, there will be opportunities to strengthen vocational learning school students undertake. We will work with WDCs on opportunities to better align industry skills standards with NCEA and the National Curriculum. The Reform will also work with WDCs, NZQA, vocational educational providers and schools to develop a Vocational Entrance Award. We will also review how we fund secondary-tertiary learning arrangements, so that schools, vocational education providers and employers can better support people to engage in initial vocational learning, including in the workplace, and go on to a job where they can continue their learning.

Universities would draw on the vocational education system's improved industry leadership

While universities will not be covered by workforce development council skills leadership and standard setting powers, they are likely to offer certificates and diplomas that will draw on industry skills needs information. The Committee on University Academic Programmes is likely to want programme applicants to consider skills needs information from workforce development councils in their applications. The new funding system will apply to a small proportion of delivery in the university sector.



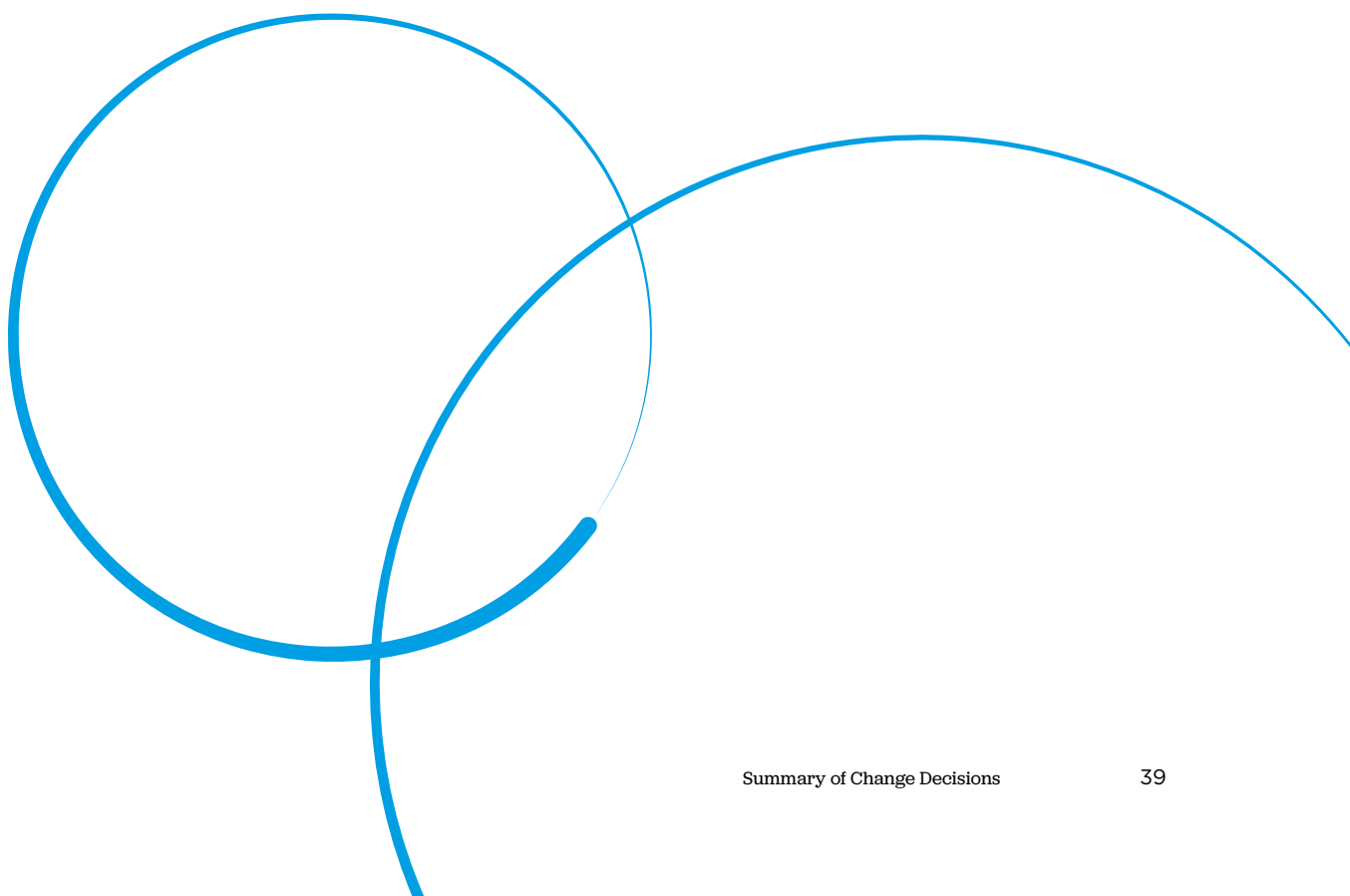
What you can expect

If you're ...	In the short term you'll ...	In the future ...
A student at an ITP:	Continue your qualification at your current institute.	<p>Students will have more access to workplace learning and employer networks in addition to on-campus study. You will be able to move between work, classroom and online study more easily and you'll be able to move to another part of the country if necessary without affecting the credential you're working toward.</p> <p>Later in your career, you'll have access to a system that's stable and fit for the future any time you need or want to upskill, reskill or retrain.</p> <p>Future branding will be part of the decisions that will be made by the Institute as it develops its long-term strategy.</p>
An apprentice or trainee:	Continue your training; however, at some point before December 2022, support for your learning will come from a different organisation.	<p>Apprentices and trainees will be able to move between work, classroom and online study more easily.</p> <p>Later in your career, you'll have access to a system that's stable and future fit any time you need or want to upskill, reskill or retrain.</p>
An international learner:	You will be able to continue your study uninterrupted. Any approved visas and study arrangements will continue, and the courses and qualifications you are enrolled in will continue to be recognised.	The Reform will allow learners, including international students, to study for qualifications delivered consistently throughout New Zealand, with greater assurance that they meet industry-approved standards, and with better quality teaching and learning support.
An employer currently with apprentices or trainees:	Continue to have a relationship with your current ITO; however, at some point before December 2022, a different organisation will be providing this support.	<p>Following the transition, you will have greater choice of providers to meet your needs as an employer, and ensure that specific cultural or learning support needs of your staff are also met.</p> <p>Retraining and upskilling your staff in the future will be easier, since the system will be more flexible and responsive to individual learner and employer needs.</p>

If you're ...	In the short term you'll ...	In the future ...
<p>Working on behalf of an ITO:</p>	<p>Continue the relationships you have with apprentices, trainees and employers. Over the next period, officials will work with each industry and ITO to understand what provider, and what transition arrangement, could best meet their needs, on an industry-by-industry basis.</p> <p>ITOs will continue to be recognised to arrange training until this occurs; however, at some point in time, your role may transition to a new organisation.</p>	<p>Your role will remain important and in demand, whether in WDCs or providers, and new roles will be created to fill the expansion of industry's involvement in the vocational education.</p> <p>Your role will be important for the success of this new system, and it's important to maintain this capability through the transition.</p> <p>If you are a specialist in your field, you may be invited to help establish a WDC or Centre of Vocational Excellence related to your industry.</p>
<p>Working for an ITP:</p>	<p>Continue performing your current role.</p>	<p>You will learn more about the design of the new Institute and its business model, once it is clearer. This will be taking place over the next 18 months.</p> <p>You may find that expectations of your role will change as approaches are standardised across the network. On the other hand, you may find that your role in the future is exactly the same as your role now.</p> <p>If you're in a teaching role, you may find that you'll need to learn new teaching and training skills, or adjust how you run your programme or how you support individual learners by being flexible and adaptive to a variety of needs on campus, and in online and workplace learning.</p> <p>There will also be opportunities to meet the needs of learners and regions in a different way, including the needs of trainees and apprentices, as well as and their employers.</p> <p>If you are a specialist in your field, you may be invited to help establish a WDC or Centre of Vocational Excellence related to your field.</p>
<p>Māori:</p>	<p>Not notice any significant change, however, you may start hearing about how Māori could be better served by the system.</p>	<p>The system will have a stronger focus on success for Māori, built into the governance structures of the Institute.</p> <p>The funding system will have been reviewed to consider a learner-based funding approach, and the funding of te reo Māori and tikanga Māori.</p> <p>Māori voice and aspirations will influence decisions on what's important regionally.</p>



If you're ...	In the short term you'll ...	In the future ...
Pacific:	Not notice any significant change, however, you may start hearing about how Pacific peoples could be better served by the system.	<p>The more integrated vocational education system will help Pacific learners, families and communities, who prefer to work and earn money to support their family, rather than studying full-time.</p> <p>More education-to-employment arrangements will be available, using a model which recognises the vital role that communities play in supporting Pacific learner success and tailoring support to learners by those with skills, knowledge and understanding of Pacific cultures.</p>
Disabled or from another background that is underserved by the current system:	Not notice any significant change, however, you may start hearing about how disabled learners could be better served by the system.	The new system will better recognise, value, and support the diversity of all learner needs, such as disabled learners, people with additional learning support needs and people from lower socio-economic backgrounds.
An economic development agency or local authority:	Not notice any significant change, however, you may start hearing about how the system could be transformed to better support the needs of all regions.	<p>The regional leadership groups will have influence over providers in their region.</p> <p>As providers will no longer be competing to attract out of region learners, their sole focus will be on aligning of education provision with the regional needs of employers, regional economic development goals and the aspirations of Māori.</p>



Appendix: Cash Reserves for regional operations of the Institute

Summary

The Government's objective is that existing reserves are in the future 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. However, these would only be able to be drawn upon for projects and capital expenditure in the relevant region that have been approved by the Institute national office (within specific operating parameters).

The use of ring-fenced amounts will be restricted to particular uses, which may include major capital expenditure projects, routine/minor capital expenditure, operating investments (e.g. funding the establishment of a new capability) or operating losses of the regional operation.

While Cabinet has approved the broad principles in paragraph 2 about how the money will be spent, the Establishment Board and Unit will be tasked with determining both the specific principles of expenditure, and how this will practically work. This will include consideration of how exactly reserves are defined and the value of these calculated, and the types of projects the Institute would consider for the draw-down of reserves.

This work will be accompanied by the creation of a capital investment strategy. Also undertaken by the Establishment Board and Unit, the strategy will include a full review of current committed projects – taking into account the type of project committed, the extent to which work has been carried out and the nature of the project – and a prioritisation of those regional operations that should be able to access cash reserves (and in what amounts). These will be presented to the Minister for final approval before being agreed.

The following paragraphs describe some of the considerations that will need to be addressed in order to establish the draw-down of cash reserves, and the aforementioned strategy.

Further details

While it will be finalised by the Establishment Unit, the definition of “reserves” for these purposes needs to consider the:

- a. specific balance sheet items included; and
- b. time period over which or at which they are measured (e.g. year end, average over a year) for the purposes of determining a starting ring-fenced amount.

The latter is important given that the Institute is likely to come into existence during the financial year, rather than at year end, and that ITPs have highly cyclical cash flows over the year (the low point tends to be in December and January, but an April establishment date would be at the time of peak cash).

If the Institute was to have been established at year-end, the calculation would have been relatively simple. Conceptually, the ring-fenced amounts need to represent the underlying cash or equivalents, which have accumulated over time, and which are in excess of normal working capital and liquidity requirements.

For instance:

Included in reserves	Cash
	Term deposits
	Liquid investments (e.g. equities and debt instruments)
Less	Debt (if any)
	Fees paid in advance
	An allowance for routine working capital

Using the premise above, a potential theoretical calculation calculated at year-end balance date could be:

\$60M in cash

\$2M in term deposits and liquid investments

Less

\$8M debt

\$7M two month's routine working capital

\$4M fees paid in advance

= potential \$43M in reserves

However, the determination of the ring-fenced amounts is much more complicated for a mid-year establishment. The starting point should always be an audited set of accounts (either the prior year-end or the date of dis-establishment). If the starting point is the latest year end (31 December 2019), then adjustments will need to be made for capital expenditure and realisations in the meantime, and operating performance in the interim. If the starting point is the disestablishment of accounts, then a similar approach will be needed, to reflect the fact that the mid-year cash position (subject to capital expenditure) is likely to be significantly higher than the year-end.

Given the differences in each ITP, it is unlikely that a purely formulaic approach would be appropriate. Therefore, a common methodology will be used, recognising that each ITP will have specific circumstances that might affect precisely how the methodology is applied.

Arguments can be made for different levels of allowance for routine working capital. The TEC's long-standing Financial Management Framework uses a Liquid Funds measure. This defines "low risk" as having roughly one month's operating cash flow, and gives maximum points to having approximately two month's cash flow in liquid reserves. Since ring-fenced amounts can only be used to support material investments in a region, the risks are relatively one-way in favour of the region (local deficits would be the responsibility of the whole Institute), we intend to align with the most conservative end of the Liquid Funds measure (i.e. approximately two months' operating expenditure is removed from reserves in order to calculate ring-fenced amounts).

Access to cash reserves

Specific parameters for the access of money will need to be established, at the final discretion of the Institute national office. This will ensure that reserves are used on projects that are aligned to the overall general direction of the Institute, and that reserves are not funnelled into programmes or activity that is not sustainable in the absence of ongoing additional funding. It may also specify timeframes over which the capital could be drawn down, or a staged approach to drawdown, helping to offset some of the initial establishment costs of the Institute.

As previously outlined, the Minister of Education will delegate to the Establishment Board the power to identify parameters for regional operations to access cash reserves, where these regional operations have been deemed to meet the benchmarks to retain these.

As officials are not in a position to provide advice on which current ITPs should be allowed to access cash reserves as regional operations, the Minister of Education will delegate to the Establishment Board the task of creating a capital investment strategy. This strategy will include a full review of current committed projects – taking into account the type of project committed, the extent to which work has been carried out and the nature of the project – and a prioritisation of those regional operations that should be able to access cash reserves (and in what amounts). These will be presented to the Minister for final approval before being agreed.

Once these initial amounts are agreed, the approval will be delegated to the Institute Establishment Board to determine the draw-down parameters of access for relevant regional operations.



Kōrero

Mātauranga

Me kōrero tātou

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