

## Ministerial Foreword

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

*I look forward to hearing your feedback.*



*Hon Penny Simmonds  
Minister for Tertiary Education and Skills*

*1 August 2024*