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# Reform of Vocational Education Programme

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## Programme business case

**Version 4.0, 20 June 2019**

*We need a strong, unified vocational education system that is sustainable and fit for the future of work, delivering what learners, employers, and communities need to be successful.*

**Note: Unless otherwise stated, all redactions in this document are made in line with s9(2)(f)(iv) of the Official Information Act 1982**

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## Executive summary

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### Purpose of this programme business case

This programme business case supports decisions to confirm the direction of travel for delivery of the Reform of Vocational Education (RoVE) programme, approve a delivery roadmap and key arrangements, and next steps.

It seeks Cabinet's decision to:

- confirm the direction of travel for delivery of the Reform of Vocational Education (RoVE) programme
- approve a delivery roadmap and key arrangements
- approve the commencement of tranche 0 of the programme
- release the contingency set aside as part of Budget 2019 to complete detailed transition planning to establish the new Institute of Skills & Technology (NZIST) and new workforce development councils (WDCs), referred to as Industry Skills Bodies in the consultation document.<sup>1</sup>

### Background

As part of the wider national Education Conversation | Kōrero Mātauranga, the government is reforming the vocational education and training system. The Education Work Programme comprises four main reviews, one of which is of vocational education.

The government's vision is for a strong, unified, sustainable vocational education system that delivers the skills that learners, employers, regions, and communities need to flourish. This includes addressing the financial instability in the current vocational education model – the status quo is no longer sustainable.

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1 A glossary, including abbreviations and acronyms, is in Appendix A.

### Purpose and objectives

The purpose of this investment is to implement the government's proposed reform package for vocational education, which comprises three interdependent change proposals.

1. Redefine the roles of education providers and industry training organisations (ITOs) and extend the leadership roles of industry and employers across all vocational education through new workforce development councils (WDCs).
2. Create a new institute (the New Zealand Institute of Skills and Technology – NZIST), with new capabilities to support work-based learners and bringing together the current 16 institutes of technology and polytechnics (ITPs) as a single entity.
3. Create a unified vocational education funding system, removing barriers to collaboration and flexibility, ensuring a sustainable network of provision, and supporting the wider reforms.

The outcomes sought from the reforms are that the vocational education system:

- delivers to the needs of all learners, including through strong secondary-tertiary pathways
- prioritises traditionally underserved learners (especially Māori, Pacific, and disabled people)
- relevant to the needs of employers
- is collaborative, flexible, innovative, and sustainable for all regions of New Zealand

- delivers more relevant vocational education and skills across all regions of New Zealand
- builds on New Zealand’s reputation as a great place to study.

Delivering the new vocational education system requires significant changes to be made from the current situation. Shifts in capability across the system will be required to deliver the desired outcomes of the reform.

Identifying the exact nature of these shifts will occur as the next steps of the programme and are dependent on policy decisions by the government and the recommended programme option.

## Options

A range of programme options was identified. In the main, these options focus on the configuration and organisational form of the new vocational system to allow design work to commence.

The options comprise combinations of the redefinition of system roles and the creation of the NZIST. They are summarised in Table 1.

Options for the unified vocational education funding system have not been considered because policy design has yet to be completed.

All the options have in common that:

- the provision of non-vocational education similar to that currently provided by the ITPs continues
- monitoring and quality assurance functions for the Tertiary Education Commission and New Zealand Qualifications Authority change
- regional leadership groups (RLGs) and centres of vocational excellence (CoVEs) are established.

**Table 1: Options summary**

Option	System role redefinition	NZIST creation
<b>Option A</b>	Create 11 WDCs replicating the current ITOs Shift existing ITO roles using a partially managed approach	Create an NZIST with a small, thin head office that focuses on managing the performance of its subsidiary ITPs
<b>Option B</b>	As for Option A	Similar to Option B except with fewer regional operations and centralised programme design
<b>Option C</b>	Create several WDCs, say 6–8, with a wide area of coverage Shift existing ITO roles using a partially managed approach	Create an NZIST with a head office that has a stronger degree of control over its operations but still with a substantive regional presence and delegations
<b>Option D</b>	Create a single WDC with industry subcommittees Shift existing ITO roles using a partially managed approach	Create a heavily consolidated NZIST where most activities are performed centrally

Option C is the preferred target end-state because it best balances the main trade-offs of implementation costs and risks and delivery of the reform objectives. However, both Options A and B are possible end-states. For the NZIST, the programme roadmap commences with an initial move to Option A, followed later with migration towards Option C. The significant ranges in the costs and benefits estimates (see Table 2) reflect the high level of uncertainty at this early stage in the programme.

The current estimate of the cost to establish and transition the system to Option C is between \$300m and \$416m. Option C will add approximately \$46m-\$59m to annual operating costs, of which these incremental costs are partially offset by \$30m to \$35m of annual operational savings. These costs **exclude** the costs of maintaining the new unified funding system.

**Table 2: Costs and benefits estimates by option**

	Option A	Option B	Option C	Option D
<b>Monetary costs and benefits (\$m discounted at 8.12% over 30 years)</b>				
Establishment & transition costs	(69.8) – (56.6)	(120.7) – (98.8)	(290.9) – (217.6)	(348.7) – (276.1)
Ongoing costs	(1,704.7) – (1,420.6)	(1,704.7) – (1,420.6)	(1,050.5) – (867.8)	(1,050.5) – (867.8)
Less efficiency savings & avoided costs	(105) – 36.6	(23.5) – 118.6	255.3 – 398.5	403.4 – 547.3
<b>Net present value of NZIST establishment only</b>	<b>(179) – (24.6)</b>	<b>(143.9) – 19.5</b>	<b>(29.9) – 185.7</b>	<b>63.2 – 279.5</b>
<b>Net present value of all changes proposed</b>	<b>(1,879.6) – (1,440.7)</b>	<b>(1,848.9) – (1,400.8)</b>	<b>(1,085.9) – (686.8)</b>	<b>(995.6) – (596.7)</b>
Contributes to RoVE outcomes	Partly	Partly	Fully	Partly
Transition risk	Medium	Medium to High	High to Extreme	Extreme
<b>RECOMMENDATION</b>	<b>POSSIBLE</b>	<b>POSSIBLE</b>	<b>PREFERRED</b>	<b>DISCOUNT</b>

At this early stage in the programme, it has not yet been possible to quantify the value of the broader benefits sought from the reforms. The scale and length of the proposed reforms are too large for detailed forecasting on benefits to be completed at this stage.

However, the programme team has presented two separate approaches for calculating the potential economic and social benefits of the reforms, in order to demonstrate the shifts in outcomes that would be required to generate a positive social and economic return for the Crown's proposed investment. These two approaches relate to:

- Increasing qualification completion rates and the volume of participants in the vocational education system, OR
- Improving the quality and intensity of vocational education, which leads to an attendant lift in employment rates and earnings for workers with qualifications from the vocational education system.

The first approach is calculating the lift in volumes and completion rates that would need to occur in order to return a positive social and economic benefit. This benefit is largely achieved through an increase in volume and a proxy for quality of educational outcomes through qualification completion rates.

Analysis has been completed using the Treasury's CBAX tool to determine the level of uplift in system performance that is required for each option to break even (see Table 3), primarily assuming that there is a linkage between completion of vocational education qualifications and higher earnings and employment outcomes for learners in the vocational education sector.

To return a positive social and economic return to the Crown under the first approach, this presumes:

- completion rates for attaining qualifications in vocational education lift from an average of 55% to 67.5% by 2030<sup>2</sup>
- participation rates in vocational education as a proportion of the overall working-age population lift from 9.0% to 11.0% by 2030.

Lifting completion rates to this level would mean that New Zealand's completion rates were at the OECD average for tertiary completion. Lifting participation rates by that level would translate to approximately 40,000 additional learners in the vocational education system by 2030 compared to the current state. Given that the current trajectory for participation in the vocational education sector is for a decline in participation, an increase in volume would likely be challenging to achieve.

**Table 3: Qualification and volume changes required to generate positive social and economic return**

Measure	Economic benefit
Lift qualification completion rates from 55% to 67.5% by 2030	Expected higher earnings in line with the estimates included in the Treasury's CBAX toolkit.  Presumes that there is a lag of 5 years of achievement of increased earnings, and that only 1/3 of the individuals who completed a qualification receive a lift in earnings.

<sup>2</sup> This translates to an increase in the proportion of completion in vocational training in polytechnics from 56% to 67.5%, apprenticeships from 59% to 70%, and traineeships from 69% to 80%.

Lift participation rates in vocational education from 9% to 11% of the working age population by 2030, which translates to an additional 40,000 learners in the vocational education system

Translates to a lift in the number of learners and employers participating in vocational education, with resultant earnings and employment outcomes.

Both of these shifts translate to roughly a \$1.4b social and economic benefit in incremental PV terms.

Lift employee participation in vocational education training from 6.0% to 8.0% by 2030

Lift employer participation in industry training from 10.0% to 20% or greater by 2030.

A second approach to calculating social and economic benefits would be to consider an increase in the intensity and quality of vocational education, rather than a lift in qualification completion or volumes. The programme team considers that this is likely to be a more appropriate approach to calculating the expected lift in benefits. This approach presumes:

- Improvements in quality of vocational education manifest in an increase in employment outcomes and earnings premiums for vocational learners compared to the current state

The programme team has completed some modelling on the lift in employment rates and earnings premiums that would need to occur in order to generate a positive economic return for the overall programme. These are summarised below, in Table 4.

**Table 4: Quality and intensity increases in employment and earnings outcomes required to generate a positive social and economic return**

Measure	Economic benefit
Increase the employment rate of the vocational education cohort (30,000 individuals per annum) by 0.5%.	These shifts would generate an economic benefit of at least \$1.22b in incremental PV terms, presuming that the median earnings employment rate is \$50,000 and a current employment rate of 70%.
Increase the earnings premiums that vocational education learners achieve by 1.0% above current rates	Increasing the employment rate by 1.0% instead of 0.5% would lead to \$1.6b in incremental PV benefits.
	This does not account for any reduction in Crown expenditure on other items, such as job-seeker support.

Both of these shifts have been assumed on the basis that there is no change in the economic cycle – that is, they are in addition to any effects as a result of a down-turn in the labour market (which generally lifts participation in the vocational education sector) or an upturn (which generally reduces participation).

Subject to approval of this programme business case, we suggest that as part of Tranche 0 of the programme, the programme completes a fully defined benefits measurements framework, aligned to the outcomes set out in the cabinet paper, and confirms which of these two approaches is the most analytically valid approach to benefits measurement to take.



## Delivery of the reforms

The programme will establish strong governance and management to sustain momentum, provide appropriate challenge, and facilitate successful delivery of the initiative. The programme will be led by a reform lead who will be supported by a programme team lead by an experienced Programme Director.

It is proposed that a transitional authority for the new NZIST entity be formed as soon as possible after announcements have been made and no later than 1 September 2019 (and well before the NZIST entity is formed on 'day 1'). This is likely to be through the formation of an establishment entity.

It has been assumed that the reforms will be delivered in four tranches over approximately four years (following a preparatory tranche 0, as shown in the proposed roadmap in Table 5 over page).

Tranche 0 lays the foundations for the future tranches and prepares the programme for success. It is expected to last 10 months from the point this business case is approved and funding is made available.

At the end of tranche 0, the programme will have prepared for delivery of the new vocational education system, which includes completing the design of the system, preparing the programme plan, and establishing the entity to drive the creation of the NZIST.

Delivering the programme will require individuals with proven experience of delivering complex and large-scale initiatives. As a general principle, the programme will look to harness capability that already exists in the system including in TEC, existing ITPs, and ITOs. However, it will be necessary to recruit expertise or engage suppliers to supplement existing capability.

Table 5: Proposed RoVE Programme roadmap, July 2019 to December 2023

July 2019	April 2020	December 2020	December 2021	December 2022	December 2023
Tranche 0	Tranche 1	Tranche 2	Tranche 3	Tranche 4	
<b>Key activities</b>					
<p>Mobilise programme including:</p> <ul style="list-style-type: none"> <li>updated governance and management arrangements</li> <li>programme team resources acquired</li> </ul> <p>Complete design of unified funding system</p> <p>Design and plan the <b>new vocational education system</b>, including defining the learner experience and service delivery models</p> <p>Define and agree <b>interim monitoring and funding</b> arrangements</p> <p>Establish New Zealand Institute of Skills and Technology (NZIST) entity, including:</p> <ul style="list-style-type: none"> <li>appointment of an establishment board and acting chief executive</li> <li>delivery of day 1 infrastructure such as facilities, systems, and processes</li> <li>development of key strategies such as capex, funding, and workforce</li> </ul> <p>Update programme business case with revised costs and benefits</p>	<p>Prepare for the formation of workforce development councils (WDCs) and regional leadership groups (RLGs)</p> <p>Implement <b>interim monitoring and funding</b> arrangements</p> <p>Develop and agree <b>NZIST charter and outcomes framework</b> with key stakeholders</p> <p><b>Standardise and harmonise the first set of NZIST policies and processes</b> such as fees and admissions</p> <p>Establish <b>NZIST support functions</b> including strategy and performance, finance, human resources, and curriculum</p> <p>Make initial preparations for the delivery of the new unified funding system</p>	<p>Establish <b>WDCs</b>, make key appointments, and put infrastructure (facilities, interim systems, and processes) in place</p> <p>Shift the first set of <b>arranging of training</b> from industry training organisations (ITOs) to NZIST, private training establishments (PTEs), or wānanga</p> <p>Standardise and harmonise the second set of <b>NZIST policies and processes</b></p> <p>Harmonise the first set of <b>NZIST curricula</b></p> <p>Establish <b>remaining NZIST support functions</b></p> <p>Scope and do pre-work on <b>key NZIST student and learning systems</b> (for example, student management system, learning management system, and shared services)</p> <p>Establish the first RLGs</p> <p>Prepare for the delivery of the new unified funding system continue</p>	<p>Shift the second set of <b>arranging of training</b> from ITOs to NZIST, PTEs, or wānanga</p> <p>Implement new <b>monitoring and quality assurance arrangements</b></p> <p>Harmonise the second set of <b>NZIST curricula</b></p> <p>Deliver <b>NZIST student and learning systems and shared services</b></p> <p>Establish the first centres of vocational excellence (CoVES)</p> <p>Continue preparing for the delivery of the new unified funding system</p>	<ul style="list-style-type: none"> <li>Shift the final set of <b>arranging of training</b> from ITOs to NZIST, PTEs, or wānanga</li> <li>Implement new unified funding system</li> <li>Harmonise the final set of <b>NZIST curricula</b></li> <li>Deliver <b>NZIST student and learning systems and shared services</b></li> <li>Establish remaining RLGs and CoVEs</li> <li>Close the RoVe programme</li> </ul>	
<b>What's delivered</b>					
<p>The programme has the resources and infrastructure to be successful</p> <p>The new vocational education is designed and the delivery planned</p> <p>The establishment entity is formed and key appointments made.</p> <p>The NZIST is established</p>	<p>The programme is prepared to start redefining system roles and establish WDCs and RLGs</p> <p>The first steps are taken for NZIST learners to have a more consistent and seamless experience across its sites</p> <p>NZIST is able to plan and monitor its <b>academic</b> and financial performance</p>	<p>System roles have started to be changed – the first WDCs and RLGs have been established</p> <p>NZIST (and other providers) has begun to assume responsibility for arranging training</p> <p>The next steps have been made for learners to have a more consistent and seamless experience</p> <p>NZIST is prepared to begin improving its efficiency and optimise its assets</p>	<p>Further system role changes have been made – the first WDCs and CoVEs have been established</p> <p>Further steps have been made for learners to have a more consistent and seamless experience</p> <p>NZIST is prepared to improve its efficiency and optimise its assets</p>	<p>The new vocational education system is delivered</p> <p>System roles have been fully redefined – all WDCs and RSGs are operating as intended and the arranging of training has shifted to providers</p> <p>A new unified funding system is operating</p> <p>NZIST is more efficient and productive – reduced duplication of effort</p> <p>NZIST campuses are focused on delivering high-quality and relevant learning</p>	

## Management of change

Change management will be critical to the success of the programme. A change management strategy and roadmap has been developed that summarises the key change components, impacted personas, and proposes a roadmap of key activities to successfully deliver the RoVE programme.

## Assurance

The programme has already undertaken assurance activities including IQA reviews of the programme controls and this business case. It is highly likely that the programme will be required to have Gateway reviews, as it is rated a high-risk programme according to the Treasury's risk profile assessment.

## Funding required

Funding of between \$300m and \$416m inclusive of inflation will be required over the next four years to establish and transition to the new vocational education system. Exclusive of inflation, the cost estimates are between \$285m and \$385m.

This funding does not include the cost of maintaining the new unified funding system.

Note that the funding papers accompanying this business case only recommend that the programme draws down a portion of the total funding required (\$50.0m) from the RoVE contingency, subject to a report-back and update of this business case in advance of Budget 2020, to commence work and to further refine the total cost estimates included in this business case.

Table 6: Funding requested 2019/20 to 2020/21

	2019/20	2020/21	Total
Capital	-	-	-
Operating for NZIST Establishment	█	█	█
Operating for NZIST ICT establishment	█		█
Operating for RoVE Programme Costs	\$8.95m	\$10.05m	\$19.0m
<b>Total</b>	<b>\$26.05m</b>	<b>\$23.95m</b>	<b>\$50.0m</b>

## Risk management

The Treasury has rated this programme high risk. The main strategic risks that decision makers should be aware of are shown in Table 7.

**Table 7: Main strategic risks and their management strategies**

Risk theme	Description
Workforce disruption	If workers are uncertain about how they are impacted or workforce transition is not well managed then there may be significant disruption across the vocational education workforce impacting delivery and confidence in the reforms.
Participation in vocational education drops	If the reforms create uncertainty for learners then domestic and international participation in vocational education may reduce.
The needs of industry and employers are not met	If industry and employers do not support the changes, then employers may disengage (and enrol fewer trainees and apprentices in training), media attention may be negative, and implementation will be challenging.
The needs of regions are not met	If regions lose confidence that vocational education will meet their needs (eg due to an overly centralised approach) then media attention may be negative and implementation will be challenging.
Programme expertise cannot be sourced	If the programme cannot source the level of expertise required for a complex programme of this nature then the quality of work may be sub-optimal and there may be a failure to meet deadlines.
Programme governance or approach is not fit for purpose	If there is unclear decision-making and/or inability to get timely decisions then there may be delays in programme delivery and confidence and license to operate will be lost.
Inter-dependencies make accountability challenging	If one aspect of the reform depends upon another aspect for their success (e.g. unified funding) then it may be challenging to hold specific programmes and projects to account for delivery of outcomes.
Delays to legislation	If the stakeholder engagement required as part of the legislation process takes more time than anticipated then there will be delays in establishing the NZIST.
Uncertainty regarding costs and/or benefits	If the programme's costs and benefits are uncertain, then the business case may be invalid, change costs may be higher than expected, and benefits may not be realised.
The Māori-Crown relationship is not effective	If the reforms do not meet the needs of Māori and iwi then Treaty obligations may not be met and Māori learners or industries may be underserved.
The needs of traditionally underserved learners are not met	If important perspectives do not receive the attention they deserve then the needs of underserved learners (especially Māori, Pacific, and disabled people) may not be adequately addressed.

The new operating model does not achieve the desired outcomes

If the scale of change means it is difficult to align all parts of the system or the reform is seen as merely an organisational restructure, then the desired outcomes will not be achieved.

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These risks will be managed by:

- having a clear focus on delivering the agreed programme outcomes and objectives
- engaging with learners, employers, and other stakeholders, so the changes being made will meet their needs and are fit for purpose
- establishing strong governance and programme management
- acquiring and developing the capability to successfully deliver a large-scale change programme of this nature
- taking a robust change management approach
- having strong assurance arrangements to challenge and provide assurance that the programme can be successfully delivered
- providing opportunities for the government to monitor programme progress and regularly review investment decisions.

Subject to the approval of this programme business case, the next steps would be to:

- establish the programme governance and management structures outlined in this document
- acquire the resources required to deliver the reform programme
- establish a transitional entity responsible for making decisions on the shape and form of the NZIST by 1 September 2019
- introduce and pass legislation to support the establishment of the NZIST
- redefine roles across the system to support the changes sought as part of the reforms
- complete additional co-design and engagement with the sector to further inform design of the NZIST and the new vocational education system.

# 1 Introduction

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## 1.1 Purpose of this programme business case

This programme business case supports decisions to:

- confirm the direction of travel for delivery of the Reform of Vocational Education (RoVE) programme
- approve a delivery roadmap and key arrangements
- approve the commencement of tranche 0 of the programme
- release the contingency set aside as part of Budget 2019 to complete detailed transitional planning to establish the new Institute of Skills & Technology (NZIST) and new workforce development councils (WDCs), which were referred to as Industry Skills Bodies in the consultation document.<sup>3</sup>

## 1.2 Costs and benefits are highly indicative

This programme is in its very early days with the programme of work not yet fully defined, so aspects such as costs and benefits can be only highly indicative. Analysis and design work in tranche 0 will inform the refinement of costs and benefits.

## 1.3 Background of this business case

As part of the wider national Education Conversation | Kōrero Mātauranga, the government is reforming the vocational education and training system.

The Education Work Programme comprises four main reviews, one of which is of vocational education.

Other work to support a stronger education system includes:

- the review of the National Certificate of Educational Achievement
- the review of Tomorrow's Schools
- the Tertiary Education Strategy
- ongoing tertiary Fees Free settings
- the International Education Strategy
- the review of the New Zealand Qualifications Framework
- the Careers System Strategy (which includes the Careers Action Plan).<sup>4</sup>

The government's vision is for a strong, unified, sustainable vocational education system that delivers the skills that learners, employers, regions, and communities need to flourish. This includes addressing the financial instability in the current vocational education model – the status quo is no longer sustainable.

The full RoVE review brings together the original Review of the Vocational Education and Training (VET) system, led by the Ministry of Education, and the Institutes of Technology and Polytechnics Roadmap 2020, led by the Tertiary Education Commission.<sup>5</sup>

In January 2019, Cabinet agreed to allow consultation on an integrated package of change proposals to reform the vocational education system.<sup>6</sup>

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3 A glossary, including abbreviations and acronyms, is in Appendix A.

4 For more information, see the Education Portfolio Work Programme website: [www.education.govt.nz/our-work/information-releases/information-releases-from-2018/education-portfolio-work-programme/](http://www.education.govt.nz/our-work/information-releases/information-releases-from-2018/education-portfolio-work-programme/)

5 For background papers to the reform, see the hub for Education Conversation | Kōrero Mātauranga: <https://conversation.education.govt.nz/conversations/reform-of-vocational-education/about-the-reform-of-vocational-education/background-papers/>

6 CAB-19-Min-0009 refers.

## 1.4 Reform package

The reform package comprises three interdependent change proposals.

1. Redefine the roles of education providers and industry training organisations (ITOs) and extend the leadership roles of industry and employers across all vocational education through new WDCs.
2. Create a new institute (the NZIST), bringing together the current 16 institutes of technology and polytechnics (ITPs) as a single entity.
3. Create a unified vocational education funding system, removing barriers to collaboration and flexibility, ensuring a sustainable network of provision, and supporting the wider reforms.

## 1.5 Scope of the programme

The RoVE programme will deliver the infrastructure and capabilities needed to deliver the government's reforms of the vocational education system (establishing WDCs and the NZIST). The scope of the RoVE programme, being led by the Tertiary Education Commission, includes:

- designing and establishing the NZIST
- transitioning all 16 existing ITPs to the NZIST
- designing and establishing WDCs
- transitioning functions currently undertaken by ITOs, including arranging and delivering training to providers
- designing and delivering any changes to monitoring and quality assurance arrangements
- developing and acquiring required capability (people, processes, and technology).

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7 Minister of Education. 2018. *Reform of Vocational Education: Consultation discussion document*. Wellington: Ministry of Education.  
<https://conversation.education.govt.nz/conversations/reform-of-vocational-education/have-your-say/>

The Ministry of Education is leading the funding and regulatory aspects of the reform of the vocational education system.

## 1.6 Stakeholder engagement and consultation

The changes proposed are complex, so utilising the detailed knowledge of and understanding the different perspectives of people across New Zealand is essential to getting change right.

From mid-February 2019 to early April 2019, the government consulted on the change proposals for seven weeks. It sought the views of learners, employers, the community, and people and organisations working throughout the vocational education system. The government sought feedback on a discussion document (via a survey, email, and phone) and held public meetings, hui and fono around the country.<sup>7</sup>

Feedback from more than 1,500 submissions and almost 200 events and meetings will be considered before the final recommendations for Cabinet decision later in 2019. A summary document will be made publicly available following Cabinet's decisions.

Engagement with the sector, iwi, Māori, industry, and all invested communities will continue throughout the life of the programme.



## 1.7 Lessons from other jurisdictions

As part of the development of this business case, the programme team looked into the experiences of other jurisdictions that have significantly changed their vocational education systems.

For example, multiple Australian states have consolidated their ITP-similar organisations (TAFEs) to reduce their numbers in recent years. Some of the lessons from the directors of these organisations were:<sup>8</sup>

- have a clear strategic purpose for the consolidation and communicate it relentlessly
- think carefully about the kind of culture to be fostered and have the right leadership in the institutions to grow that culture
- move into the rebuild as quickly as possible, rather than trying to ease the change process through iterative, small restructures
- invest in good corporate software to maintain the desired level of back office administration
- prioritise standardisation over flexibility – standardisation doesn't need to mean centralisation.

## 1.8 Structure of this business case

This business case aligns to The Treasury's Better Business Cases approach for a programme business case so is structured around five cases.

- Section 2 (strategic case) summarises the context and rationale for reforming the vocational education system.
- Section 3 (economic case) assesses the options for implementing the change proposals and undertakes an indicative cost–benefit analysis to determine a preferred option.
- Section 4 (financial case) describes the proposed approach for funding the preferred option.
- Section 5 (commercial case) describes the approach to resourcing (procurement) for the preferred option (particularly during tranche 0).
- Section 6 (management case) plans the necessary arrangements for successful implementation and delivery (particularly during tranche 0).

The document concludes with appendices of supporting content.

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8 From Tertiary Education Commission. No date. 'Tū Kahikatea, the Strength of a Network: Full report', Appendix A to *ITP Roadmap 2020 advice: Tū Kahikatea, the Strength of a Network*, paragraphs 298 and 299. <https://conversation.education.govt.nz/assets/RoVE/05a-B-18-00652-Attachment-A-Tu-Kahikatea-full-report-Reda....pdf>



## 2 Strategic case – the case for change

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### 2.1 Purpose of this section

This section summarises why the government seeks to reform the vocational education system and the changes needed to close the gap between the current state and the desired future. This section:

- sets the scene, describing the scope of vocational education and the system being considered for change (2.2)
- summarises the strategic context for this change proposal, positioning it in the context of the government’s vision for vocational education (2.3)
- describes the government’s three reform proposals (2.4)
- states the investment objectives (2.5)
- overviews the capabilities required in a new vocational education system (2.7)
- proposes design principles (2.8)
- identifies risks and constraints (2.9).

### 2.2 Setting the scene – scope of ‘vocational’ education

Vocational education focuses on the skills, knowledge, and attributes required to perform a specific role or work in a specific industry.<sup>9</sup> It is:

- All government-funded training and apprenticeships people undertake in employment (industry training)

- provider-based education funded through the Student Achievement Component at levels 3–7 of the New Zealand Qualifications Framework, excluding degree study, te reo Māori and tikanga Māori, English for speakers of other languages, university provision, and other non-formal provision.

### Types of vocational education organisations

New Zealand has two types of vocational education organisations.

Industry training organisations (ITOs) are funded through the Industry Training Fund to coordinate training and apprenticeships for people in employment, set industry skills standards, and support employers and employees (including by contracting services from providers on behalf of employers).

Vocational education providers are funded through the Student Achievement Component to deliver to people who are not in employment or who are seeking learning that their employers do not offer.

This business case relates to the totality of ITPs and ITOs as well as the sub-degree vocational provision at wānanga and private training establishments (PTEs).

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9 The information about the vocational education system has been taken largely straight from the January 2019 Cabinet paper: Minister of Education, 2019, ‘Consulting on proposals for vocational education system reform’, Annex 1. <https://conversation.education.govt.nz/conversations/reform-of-vocational-education/about-the-reform-of-vocational-education/background-papers/>

## Core functions of vocational education organisations

The core functions of vocational education organisations and government agencies are standards setting, learning design, vocational education purchasing, and education and training provision.

## Vocational education is part of the wider skills system

Vocational education is an important part of the skills pipeline. Businesses access skills through the education and welfare systems or import people with the skills they need through the immigration system.

Vocational education provides people with the skills they need for their working lives, thereby contributing to wellbeing as well as broader socioeconomic objectives.

Changes to vocational education need to be designed with consideration of these wider settings to retain the coherence of the skills system as a whole and to respond to changes needed in the workplace as signalled in the Future of Work agenda.

## How the current vocational education system works

Vocational education qualifications in New Zealand are mainly New Zealand certificates and diplomas – a specific national qualification in a variety of defined subject areas.

Learners work toward qualifications by:

- enrolling in a programme of study at an education provider (for example, an ITP, a private training establishment or a wānanga)
- participating in a programme of industry training, if they are employed and their employer supports their learning.

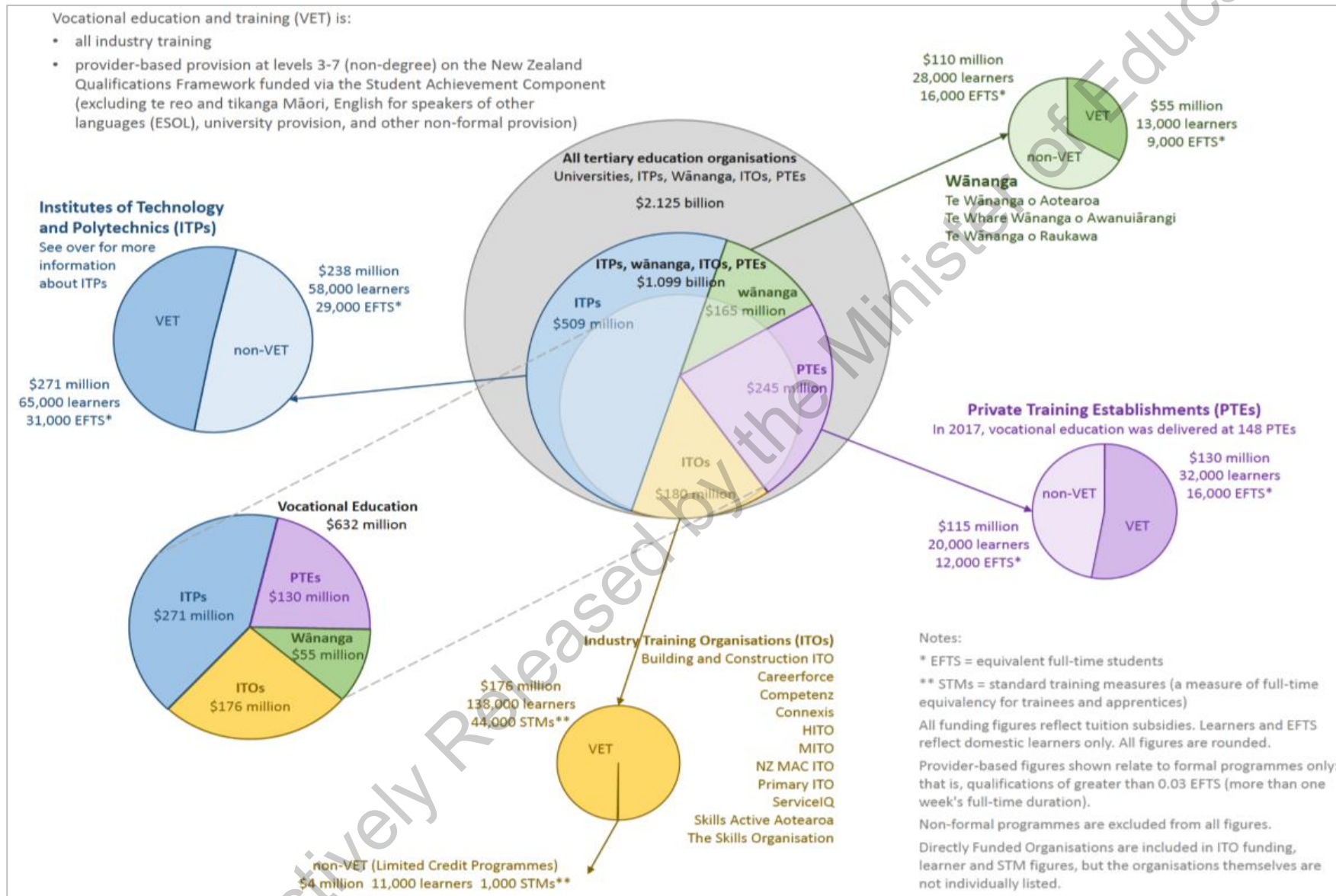
Industry training involves learners doing formal education and training through their workplace, including apprenticeships, with most learning happening on the job.

The government pays education providers and ITOs mainly according to how many learners they each enrol. Funding rates for provider-based study are higher than for industry training.

For an overview of the sector, see Figure 1 over page.

Consideration needs to be taken of the potential impact of the proposed changes on the non-vocational education components of the sector.

Figure 1: Vocational education and training (VET), 2017



Source: Minister of Education, 2019, 'Consulting on proposals for vocational education system reform' (Cabinet paper), Annex 2.

## 2.3 Strategic context

At the heart of the government's vision for education is all New Zealanders having the skills, knowledge, and capability to adapt and succeed in a world of rapid economic, social, and technological change, and to be prepared for the future of work.

"The world around us is changing rapidly and will continue to do so. Our education system needs to keep up.

"Our vocational education system is a case in point. At a time when we're facing critical skill shortages, our polytechnics and institutes of technology are going broke.

"The strong labour market is encouraging young people to move directly into the workforce rather than continue in formal education, and our system isn't geared up for the future economy, where re-training and up-skilling will be a regular feature of everyone's working life.

"It's time to reset the whole system and fundamentally rethink the way we view vocational education and training, and how it's delivered."

**Minister of Education**  
*Reform of Vocational Education:  
Consultation discussion document,  
2019, p 4*

As well as providing a skills pipeline, a well-functioning vocational education system that supports lifelong learning also contributes positively to broader socioeconomic objectives – improving New Zealanders' wellbeing and resilience in a changing world.

New Zealand's vocational education system has the potential to make a greater contribution to the government's goals for economic, social, and ecological progress, but it faces significant structural impediments to achieving that potential.

### Government's vision

The government's vision (as stated in para 2 of the 2019 Cabinet paper 'Consulting on Proposals for Vocational Education System Reform') is a vocational education system where:

- learners get good educational and employment outcomes from vocational education and vocational education is responsive to learners' needs, especially for Māori and Pacific peoples
- employers can recruit and develop skilled, productive employees
- vocational education organisations support communities and regions to flourish
- the system adapts to changes and to new educational models.

The vocational education system can work better for learners, employers, and industry in every part of New Zealand.

### Current system is not positioned to deliver on future needs

The current vocational education system is not well positioned to deliver on New Zealand's future needs.

- Many industries are increasingly frustrated at their inability to manage their pipeline of skilled workers.
- The system is complex, making it hard for first-time learners to achieve good outcomes from vocational education and difficult for many employers to 'find a way in' to the system. It is difficult for people to move between jobs, education providers, and regions without their learning and progress

**71% of employers say there is, or soon will, be a skill shortage in their industry sector**

**51% of employers rank lack of skills as the main barrier to improving productivity.**

**Employers & Manufacturers (EMA)  
Northern, 2018 Employers Survey**

**Only 6.0% of employees currently participate in industry training**

**Ministry of Education  
Profile & Trends: New Zealand's  
Workplace-based learners, 2016**

towards a qualification being disrupted. Workplace-based and provider-based training are not aligned.

- Not all learners are getting the educational and employment outcomes they want in the learning contexts they need, with Māori and Pacific learners, as well as disabled learners, being particularly underserved. Some learners waste effort in courses that employers may not recognise or value.
- Many of the 16 ITPs are facing significant financial challenges –falling enrolments, removal of base grants and special purpose funds with little increase in funding rates, and high fixed costs.

## 2.4 Reform proposals

The government is considering an integrated package of changes to reform the system. The Minister presented the following three reform proposals to Cabinet on 29 January 2019 (CAB-19-MIN-0009). The scope of this business case is predominantly proposals 1 and 2, with the recognition that all three aspects need to be addressed.

The government's proposals are intended to ensure a strong future ITP regional presence in communities nationwide, while removing duplication and inefficiency and strengthening ties to industry-owned standards and workplace based learning. They aim to increase the relevance and coherence of training and ensure learners are equipped with the skills and capabilities industry, iwi and communities need.

### Proposal 1: Create clear, complementary roles for vocational education organisations

Proposal 1 involves:

- redefining the roles of education providers and ITOs and extending industry and employers' leadership role across all vocational education through new WDCs
- using WDCs to coordinate industry efforts to identify and plan to address future skills needs, to set expectations across all sub-degree

vocational education about the skills and competencies learners are expected to achieve, and to advise and guide the Tertiary Education Commission (TEC) on the purchasing of all vocational education.

- shifting ITOs' current role of arranging workplace training to ITPs, wānanga, and PTE providers.

### Proposal 2: Create a single institute of technology with a robust regional network of provision

Proposal 2 involves restructuring the ITP sector to form one institute, building on capabilities from the current 16 ITPs.

A single institute serving New Zealand will strengthen the consistency and availability of provision across the country and, in conjunction with other changes proposed, will help address the sector's current financial issues, including by eliminating duplicated activities across ITPs.

### Proposal 3: Create a unified funding system for vocational education

Proposal 3 involves establishing a unified funding system for vocational education that is responsive to changing economic conditions. This would enable industry and tertiary education providers to collaborate in the delivery of vocational education and to combine provider-based and workplace-based learning to best meet the needs of learners and employers.

## 2.5 Investment objectives

The purpose of this investment is to deliver the government's proposed reforms of the vocational education system.

The four main investment objectives are to:

- redefine the roles of education providers and ITOs and extend industry and employers' leadership role across all vocational education through new WDCs

- create a single institute of technology with a robust regional network of provision that will form the cornerstone of a sustainable national system of vocational education provision
- create a unified funding system for vocational education
- manage transition risks to minimise disruption to learners and employers.

## 2.6 Outcomes sought

The outcomes sought from the reform of vocational education are that the vocational education system:

- delivers to the needs of all learners, including through strong secondary-tertiary pathways
- prioritises traditionally underserved learners (especially Māori, Pacific, and disabled people)
- relevant to the needs of employers
- is collaborative, flexible, innovative, and sustainable for all regions of New Zealand
- delivers more relevant vocational education and skills across all regions of New Zealand
- builds on New Zealand's reputation as a great place to study.

Delivery of these outcomes is dependent on the delivery of other aspects of the reforms, particularly proposal 3 (unified funding).

The programme will deliver improved economic and social outcomes through:

- New Zealand having more skilled workers through increased participation and completion of vocational education
- increased equity for learners through improved access to vocational education
- more employers participating in industry training
- improved efficiency and effectiveness of the ITP network.



## 2.7 Delivering the new vocational education system

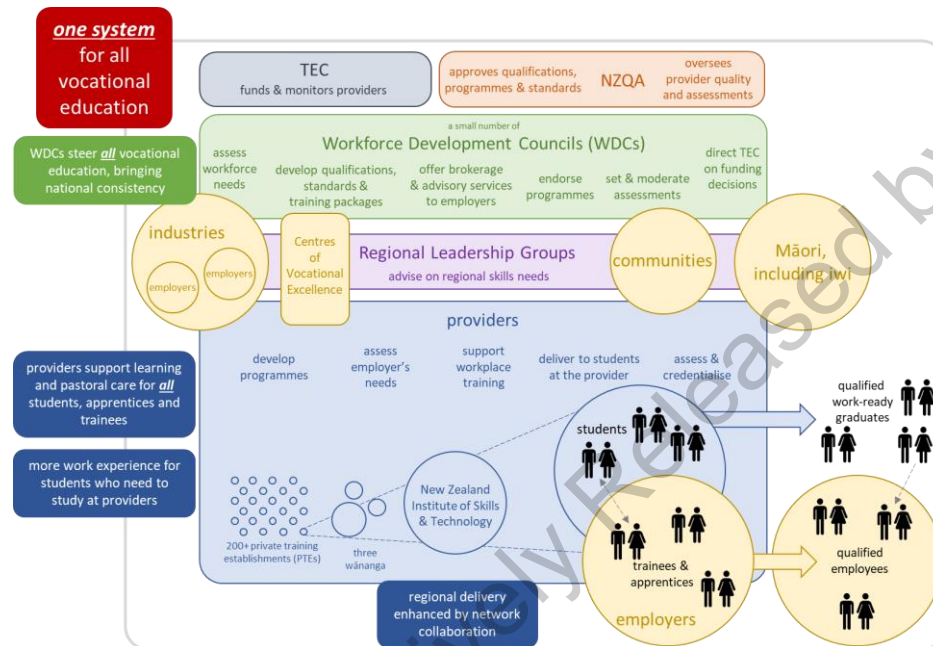
Delivering the new vocational education requires significant changes to be made from the current situation. The new vocational education system is depicted in Figure 2.

Shifts in capability are required to deliver the desired outcomes of the reform. The new NZIST and WDCs will require capabilities and infrastructure, including:

- new organisation structure and accountabilities (for example, regional or national, centralised or decentralised)
- governance bodies such as governing councils

- people with the right skills and expertise to govern, lead, and provide learning
- technology and processes to enable these organisations to account for and pay their employees and service providers
- technology and processes to manage students through the learning lifecycle
- technology and tools to support different modes of learning such as online and blended learning
- a culture that supports collaborative and flexible vocational education.

Figure 2: The new vocational education system



Changes are also required to central government’s processes and tools, including within TEC and the Ministry of Education, New Zealand Qualifications Authority, Ministry of Business, Innovation and Employment, and Ministry of Social Development (see Figure 3). For example, TEC processes and systems will require change so monitoring arrangements can be adapted, the new funding system (once designed) implemented, and other new responsibilities assumed.

Identifying the exact nature of these capabilities and the shifts required will occur as the next steps of the programme and are dependent on policy decisions by the government and the recommended programme option.

A set of proposed design principles have been developed to guide the design of the new vocational education system.

**Figure 3: Overview of new capabilities required across key entities**

CAPABILITIES	NZIST	ISB	TEC	NZQA
People and organisation	✓	✓	✓	✓
Governance and oversight	✓	✓	✓	✓
Processes	✓	✓	✓	✓
Tools and technology	✓	✓	✓	✓
Culture	✓	✓	✓	✓

## 2.8 Proposed design principles

The proposed design principles have been developed from a mixture of sources including a co-design workshop with ITP chief executives.

The principles are to:

- enable a national system that will act in the best interests of New Zealand’s learners, employers, and communities
- be cost-effective and productive – must enable the system to achieve economies of scale, limit duplication of effort, and allow leaders, managers, and others to focus on higher value activities
- support innovation and be adaptable to the current and emerging needs of employers, industry, students, and workers, including the ability to scale, to introduce and exit from provision quickly, and to introduce new modes of learning
- be seamless and joined up for learners, including transitions between workplace-based and provider-based learning settings
- enable quality and consistency of learning
- respond to local needs – learners and employers must be able to find programmes and facilities relevant to the regional economy and labour market, and local communities must be able to engage in ongoing two-way exchanges of people, ideas, facilities, and resources
- provide accountability for decision-making as close to the source as is feasible to achieve the best outcomes for learners, employers, and communities
- support equity of access to vocational training, improve learning outcomes, and achieve parity of educational success
- attract the level of leadership and implementation talent required in the programme and providers.



## 2.9 Strategic risks

This programme is high risk, being extremely complex with substantial scale and scope and having many stakeholders over which the programme will have limited influence. The main strategic risks and their management strategies are in Table 8.

An assessment of the inherent and residual likelihood and impact of each risk can be found in Appendix C.

**Table 8: Strategic risks and management strategies**

Risk theme	Risk description	Management strategy
Workforce disruption	If workers are uncertain about how they are impacted or workforce transition is not well managed then there may be significant disruption across the vocational education workforce impacting delivery and confidence in the reforms.	Clearly communicate the reasons for reform. Include ITPs and ITOs in implementation planning, and ensure robust and proactive support for employees. Work closely with ITOs on a managed transition for their staff.
Participation in vocational education drops	If the reforms create uncertainty for learners then domestic and international participation in vocational education may reduce.	Targeted engagement and communications to domestic and international education stakeholders to clarify what is changing and provide reassurance of continued delivery. Focus on setting up capability in critical industries first. While it is possible to mitigate against this risk to a certain extent, a short term drop in training volumes should be expected due to uncertainty during the reform period.
The needs of industry and employers are not met	If industry and employers do not support the changes, then employers may disengage (and enrol fewer trainees and apprentices in training), media attention may be negative, and implementation will be challenging.	Ensure clear, ongoing communication of the goals of the reform, how they will be achieved, and how risks will be managed. A carefully planned transition and adequate funding to drive good outcomes that meet employer needs. ITOs and other industry bodies will be included in the design and implementation process. Emphasise the expanded roles for WDCs in leadership and standards-setting.
The needs of regions are not met	If regions lose confidence that vocational education will meet their needs (eg due to an overly centralised approach) then media attention may be negative and implementation will be challenging.	Strong stakeholder engagement will be in place to identify and address risks and issues early. Establish Regional Leadership Groups to represent regional employer, iwi, and other interests.

Risk theme	Risk description	Management strategy
Programme expertise cannot be sourced	If the programme cannot source the level of expertise required for a complex programme of this nature then the quality of work may be sub-optimal and there may be a failure to meet deadlines.	Ensure investment in the reform programme is sufficient to enable appropriate resourcing. Specialist transformation expertise will be brought in to support the programme. Some international expertise is anticipated, recognising that capacity and capability in the NZ market for a change of this magnitude may be constrained.
Programme governance or approach is not fit for purpose	If there is unclear decision-making and/or inability to get timely decisions then there may be delays in programme delivery and confidence and license to operate will be lost.	Establish strong governance and programme management. Strong assurance arrangements to challenge and provide assurance that the programme can be successfully delivered.
Inter-dependencies make accountability challenging	If one aspect of the reform depends upon another aspect for their success (e.g. unified funding) then it may be challenging to hold specific programmes and projects to account for delivery of outcomes.	Establish strong governance and programme management (overall accountability and inter-dependencies to be addressed). Tracking of dependencies that impact the delivery of the reforms as a whole. Reprioritisation and re-sequencing where required to maintain the integrity of the reforms as a whole.
Delays to legislation	If the stakeholder engagement required as part of the legislation process takes more time than anticipated then there will be delays in establishing the NZIST.	Strong stakeholder engagement will be in place to identify and address risks and issues early. Contingency plans will be developed that can be deployed in the case of any delays.
Uncertainty regarding costs and/or benefits	If the programme's costs and benefits are uncertain, then the business case may be invalid, change costs may be higher than expected, and benefits may not be realised.	The programme is at a very early stage, so much uncertainty still exists. Therefore, the costs and benefits are indicative at this stage and a low-high range has been applied. Analysis and design work in tranche 0 will inform the refinement of costs and benefits, and the business case will be updated accordingly.
The Māori-Crown relationship is not effective	If the reforms do not meet the needs of Māori and iwi then Treaty obligations may not be met and Māori learners or industries may be underserved.	Meaningful consultation with Māori and iwi will occur throughout the process. Considered design of the legislation, governance and steering arrangements to ensure that the new entities are responsive to Māori. Legal requirements on the NZIST to ensure responsiveness to Māori.

Risk theme	Risk description	Management strategy
The needs of traditionally underserved learners are not met	If important perspectives do not receive the attention they deserve then the needs of underserved learners (especially Māori, Pacific, and disabled people) may not be adequately addressed.	<p>Establish a clear commitment to engage with priority groups to ensure that officials and the establishment bodies continue to build an understanding of their needs and how to address them in the more detailed policy and implementation work to come.</p> <p>Use the powers of the Minister to prioritise the needs of these stakeholder groups through the Tertiary Education Strategy and funding levers, building requirements for representation and responsiveness into the establishment of the ITP, WDCs, and RLGs, and the adoption of enabling legislation that allows consultation on or co-design of many implementation issues.</p>
The new operating model does not achieve the desired outcomes	If the scale of change means it is difficult to align all parts of the system or the reform is seen as merely an organisational restructure, then the desired outcomes will not be achieved.	<p>Ensure reform-related activities are sufficiently funded.</p> <p>Key messages will emphasise that the changes go beyond organisational form and that a much broader set of capabilities is required for the reforms to be successful.</p> <p>Increased provision for government monitoring and intervention in the consolidated ITP to address performance risks.</p> <p>Directional instruments such as a Charter, Statement of Intent, letters of expectations and funding will be used to guide the culture, organisation and priorities of the consolidated ITP in keeping with the objectives of the reform.</p> <p>Ensure that the Ministry of Education and Tertiary Education Commission manage the funding reform and structural reform aspects of the proposals under the same reform programme, and that these work programmes remain aligned.</p>

## 2.10 Dependencies

Successful delivery is dependent on:

- timely legislative change, including the introduction and passage of legislation to support the establishment of the NZIST
- resourcing and capacity being available given the scale of the change proposed, such as sufficient programme, change, and specialist technology and organisational change expertise.

- alignment and cohesion of the different elements of the reform, noting that all parties managing the changes required will need to be aligned and coordinated.

## 2.11 Constraints

The programme is constrained by:

- timeframes, which indicate a desire for a day 1 establishment of the NZIST by 1 April 2020, which is in the middle of the academic year for most ITPs
- capacity and capability that will be available in the market to provide specialist services for a change of this magnitude.

## 3 Economic case

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### 3.1 Purpose of this section

This section describes the strategic choices and assesses possible options for delivering the programme to arrive at a preferred option.

### 3.2 Overview

This section describes the strategic choices and possible options for delivering the programme. The approach used to develop options was to:

- identify the strategic choices available to Ministers
- discuss the possible change and options with the sector, including assessing the current state and testing assumptions about possible future states
- develop a broad range of options that could deliver the outcomes sought from the reforms
- assess each option using available and known information against the investment objectives, and evaluate each option against cost, benefits, and delivery risk
- recommend a preferred option, noting that this will be subject to further analysis and validation as the programme progresses.

The preferred option provides an indicative direction on what government can expect once the reform programme is completed. The options are representations of possible end points along a continuum of business changes. The proposed tranching approach to implementation provides opportunities to review and reassess the options against cost, benefits, and delivery risk once the fundamental base structure and infrastructure are established at 'day 1'.

### 3.3 Programme has worked with the ITP sector over the past year to develop options for reform

During the consultation process, the programme team worked with the ITP sector to test and refine possible options and choices for reforming the vocational education sector

Beginning in 2018, the TEC undertook extensive consultation, co-creation, research and analytical process in partnership with the ITP sector and its stakeholders, including students, employers and communities, to develop options for change as part of its ITP Roadmap 2020 project.

The TEC also sought the advice of EY Australia, and the TEC and the Ministry met with Australian federal and state officials and TAFE (Technical and Further Education institution – equivalent to ITP) leaders, to draw on Australia's experience of consolidating and transforming TAFEs.

Overall, stakeholders saw the performance of the ITP sector as variable, and raised similar concerns to those raised with respect to the vocational education system as a whole. In terms of structural change, there was a desire to balance any move towards centralisation – to achieve economies of scale and more consistent quality – with local and regional autonomy and responsiveness. The options for structural reform of the ITP sector included in this document broadly relate to how best to balance centralisation and regional needs.

The options for reform of various portions of the vocational education sector are included in Table 8.

**Table 9: Dimensions and types of change**

Dimension	Description	Options within each dimension
<b>REFINE SYSTEM ROLES</b>		
Establishment of workforce development councils (WDCs)	If and how workforce development councils (WDCs) should be established, and if so, how many?	<ol style="list-style-type: none"> <li>1. Many WDCs which are formed through self-organisation of industries.</li> <li>2. Eleven WDCs replicating existing ITO structures,</li> <li>3. Several WDCs with a wide area of coverage established with some direction from the government (through levers such as funding, recognition by the Minister based on coverage and support criteria, and evidence of capability),</li> <li>4. A single WDC with sub-committees for different industries (or groups of industries)</li> </ol>
Transition of arranging and delivering training capability of ITOs	How to transition the arranging and delivering training capability of ITOs	<ol style="list-style-type: none"> <li>1. A provider-led transition</li> <li>2. An industry-led transition</li> <li>3. A partially managed transition</li> <li>4. A managed transition through the establishment of a holding company</li> <li>5. Lift and shift the capability into a tertiary education institution (TEI)</li> </ol>
Establishment of regional leadership groups (RLGs)	What is the purpose of regional leadership groups?	<ol style="list-style-type: none"> <li>1. Management or governing units of the NZIST</li> <li>2. An advisory group to the NZIST on regional skills needs and mix of provision</li> <li>3. Skills planning and forecasting groups, with a focus on skills needs, training, and provision for all vocational education in a region</li> </ol>
Establishment of centres of vocational excellence (CoVEs)	How many CoVEs should be supported within the new system?	<ol style="list-style-type: none"> <li>1. None</li> <li>2. A small number at the outset in areas of critical need</li> <li>3. A large number, run through a competitive bidding process</li> </ol>
<b>ESTABLISH NZIST</b>		
ITP structural reform	What degree of structural reform is desired?	<ol style="list-style-type: none"> <li>1. A small, thin head office that just focusses on managing the performance of existing ITPs as subsidiaries</li> <li>2. A small, thin head office, with fewer regional operations than present and central development of programmes</li> <li>3. A head-office with a stronger degree of control over regional operations, but with substantive regional presence and financial delegations</li> </ol> <ol style="list-style-type: none"> <li>1. A consolidated model, where most activities would be performed centrally</li> </ol>

### 3.4 Identifying critical success factors

The programme team agreed that the standard BBC critical success factors of strategic fit and business needs, the potential value for money, supplier capability and capability, potential affordability, and potential achievability were appropriate for analysing the initiative. Specific aspects of the critical success factors relevant to the reforms and alignment are described in Appendix D.

### 3.5 Four-options have been shortlisted

After assessing the options within each dimension against the critical success factors, four shortlisted options were identified as viable for further analysis.

These short-listed options for structural reform were developed through engagements with the ITP sector prior to and during the consultation process.

The short-listed options for WDC establishment, ITO transition, and CoVE establishment were developed in consultation with the Minister of Education through a series of briefings and discussions, also considering feedback received from industry and others during the consultation process.

The long list of options is shown in Appendix E. The shortlisted options are:

- Option A: Regional
- Option B: Regional Plus
- Option C: Regional and Some National.
- Option D: More National

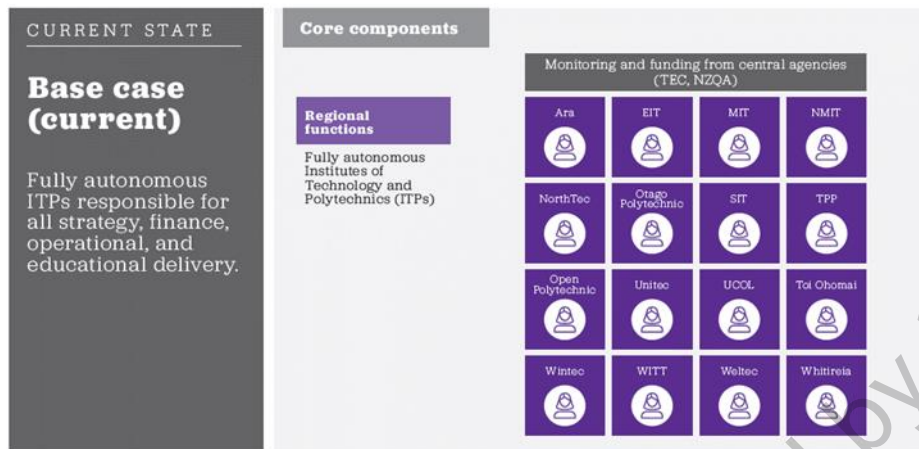
A base case (the counterfactual) has also been included for assessment, which envisages some degree of organic structural reform in the ITP sector.

The following sections describe each option and their constituent parts. We also describe the approach we took to modelling the base case.

## Base case (the counterfactual)

The base case included in this business case for modelling purposes assumes that there are fully autonomous ITPs, which are responsible for all strategy, finance, operational, and educational delivery.

This base case also assumes that there are no WDCs or transition of arranging and delivering training from ITOs to the NZIST and other providers.



This base case does, however, assume that changes are made to the current state – that is, we do not presume that the sector stays static if the NZIST is not established.

The base case assumes that structural mergers between several ITPs result in some administrative savings.

We assume that Weltec and Whitireia merge and Unitec and MIT merge and that TPP, and NorthTec, and WITT implement a semi-autonomous regional operating model. These mergers would create roughly a \$76m expense savings in present value terms across the sector.

In addition, the base case also assumes that student numbers continue to decline overall, in line with Ministry of Education forecasts. At an aggregate level, the base case assumes that student numbers drop 2.4% and 0.3% in 2019 and 2020, before recovering to a roughly flat position in 2021.



## Option A: Regional and Semi-Autonomous

### Description

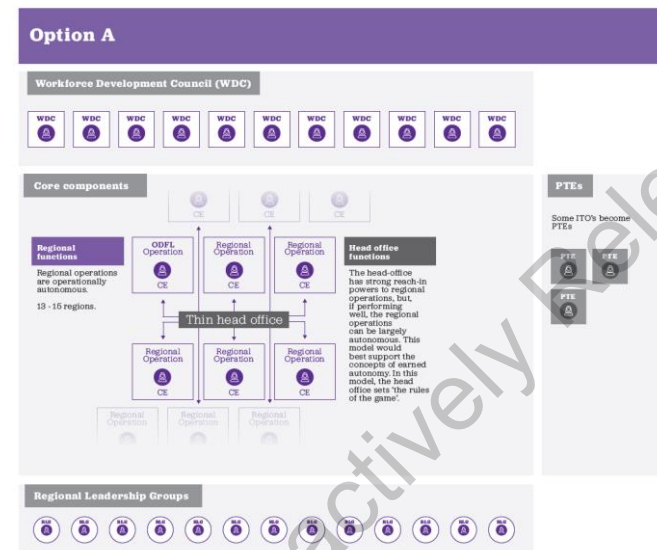
#### Refine system roles

A number of workforce development councils (WDCs) would be formed, replicating the existing ITOs, that would work to manage curriculum and define learning needs for a range of industries.

The arranging and delivering training functionality of ITOs would be transitioned into the NZIST and other providers in a staged manner, with a partially managed Crown transition for some of these capabilities. Apprentices and trainees in specific industries are transferred to a tertiary education institution (TEI), and the remaining provision to other providers, as per the industry-led transition approach.

A number of RLGs will be established (probably around 20) to undertake skills planning and forecasting, with a focus on skill needs, training, and mix of provision for all vocational education in a region.

#### Establish an NZIST



A small, thin head-office for the NZIST would be established, and the existing 16 ITPs brought together as subsidiaries into the new organisation. The NZIST focusses primarily on managing the performance of its subsidiaries, and this approach most closely supports the earned autonomy model preferred by some individuals in the sector.

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.

### Advantages

This model has the advantage that it is likely to be the least disruptive of all other options and models to the ITP sector, as it largely retains regional operating units which are functionally similar to the existing ITPs.

This option likely has the smallest change and technology integration costs, and allows the head-office of the NZIST to focus on areas where it can lift performance, through stronger management control and by staffing an executive team on the NZIST with a stronger set of supplementary skills (such as on Finance or HR) compared to what existing ITPs are able to receive today.

### Disadvantages

This model's largest disadvantage is that, beyond creating some stronger incentives for performance at the centre, the regional operations remain largely autonomous, and still are incentivised to compete with each other for students and volumes in the network. For example, issues around out-of-region provision and delivery would still exist with this model.

In addition, there is limited opportunity to consolidate certain functions which would likely generate significant efficiencies, such as consolidating programme development, or sharing certain back-office services.

## Option B: Regional Plus

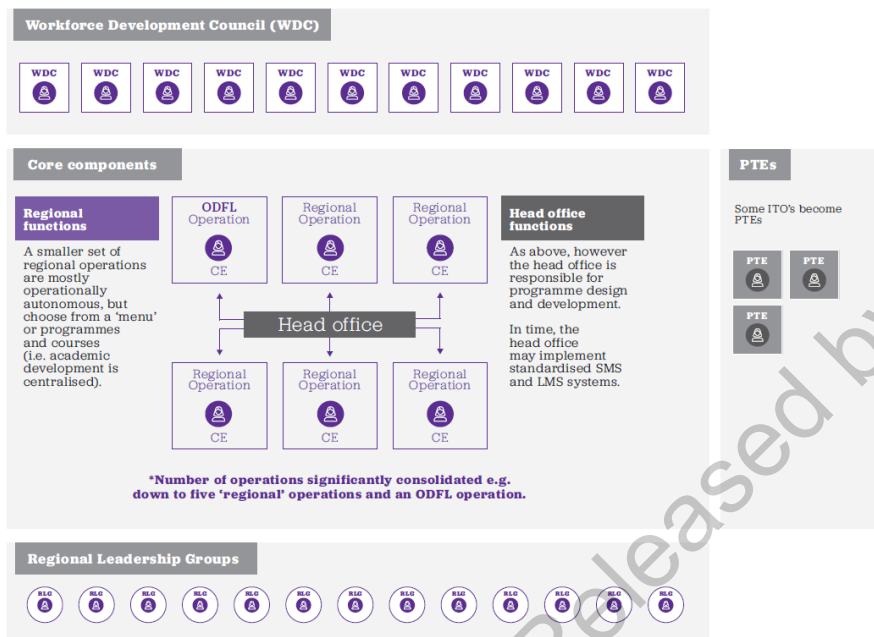
### Description

Refine system roles

Same as Option A.

Establish an NZIST

### Option B



Similar to Option A, a small, thin head-office for the NZIST is established, and the existing 16 ITPs are brought together as subsidiaries into the new organisation. The NZIST focusses primarily on managing the performance of its subsidiaries, and this approach most closely supports the earned

autonomy model preferred by some individuals in the sector. However, 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.

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.

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.

### Advantages

Compared to Option A, this option begins to consolidate some middle-office activities for the NZIST, such as programme design and development, and reduces some of the duplication in programme design and development that currently exists across the ITP network. Consolidating programme design and development will also make it easier for the established WDCs to influence curriculum and course design at a national level, as they will have a central point in which to engage with the NZIST on programme design and development. The head-office would also seek to standardise some common ICT platforms across the network, such as student management and learning management systems.

### Disadvantages

This model's main disadvantage is that there still remains significant duplication in back-office systems and processes, where a substantial amount of efficiency savings are likely to be derived. This model still makes it more difficult for the head-office to implement common strategies and approaches to activities such as capital and ICT investment, meaning that regional operations may still make sub-optimal investment decisions for the entire network.

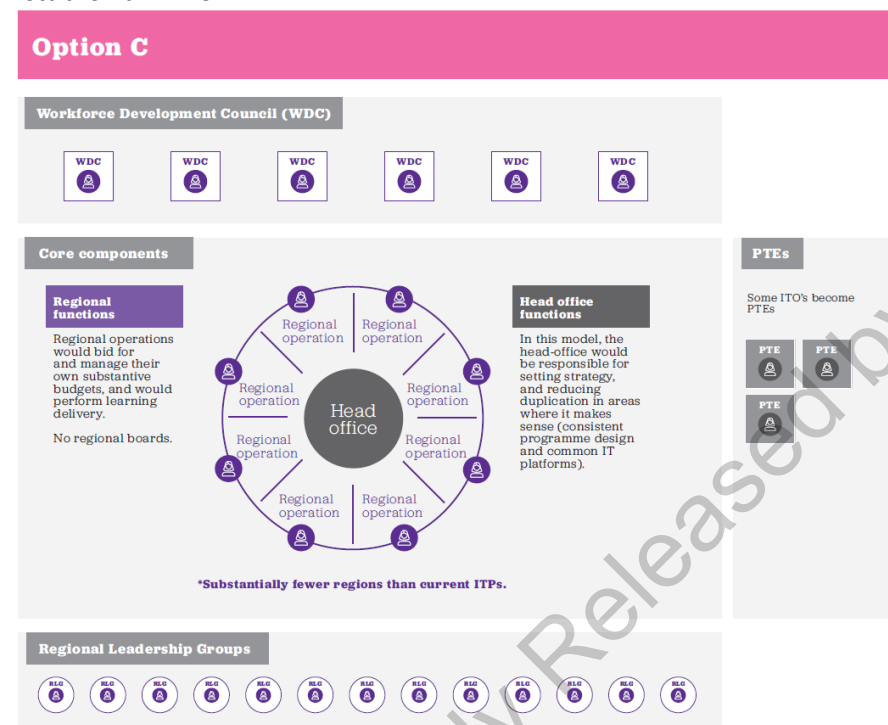
## Option C: Regional and Some National

### Description

#### Refine system roles

Similar to Options A and B, except that six WDCs with a wide area of coverage would be established with some direction from the government (through levers such as funding, recognition by the Minister based on coverage and support criteria, and evidence of capability).

#### Establish an NZIST



In this option, there is a head-office which has a stronger degree of control over a smaller number of regional operations. There is, however, still a substantive regional presence, and the heads of regional operations

are provided with sufficient financial delegations to be empowered and make decisions on behalf of their communities.

In this model, the head office would be responsible for setting strategy, and reducing duplication in areas where it makes sense (such as consistent programme design and development). It also would focus on reducing duplication in back-office systems, and would seek to integrate these processes and systems over a period of time. Finally, the head-office would be responsible for 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.

At the same time, a number of WDCs would be formed, that would work to manage curriculum and define learning needs for a range of industries. The arranging and delivering training functionality of ITOs would be transitioned into the NZIST and other providers in a staged manner, with a partially managed Crown transition for some of these capabilities.

A partially managed Crown transition is preferred as it helps to protect critical capability in the industry training sector, it helps to secure the capability that the Crown wishes to retain in TEIs and other providers, and provides greater certainty to employers on how transition may occur.

### Advantages

The consolidated WDCs of several larger WDCs is considered to best balance responsiveness to industry with strategic effectiveness. One of the key advantages of establishing a smaller groups of WDCs is also to encourage that WDCs 'work together' as part of one system.

This options largest advantage to the other options for the NZIST is that it likely creates the best balance between consistency, efficiency, and devolved decision making. Consolidating most middle and back-office functions would also make it far easier for the NZIST to respond to requests from the WDCs, and would also make it easier for the NZIST to absorb some components of arranging and delivering training.

It would also make the transition of this capability to NZIST far easier, because transition would need to consider only moving certain capability to a more consolidated entity, rather than 8–16 semi-autonomous entities.

***Disadvantages***

The main disadvantage is that this represents a substantial change for ITPs from the current state, and the consolidation activity, in parallel with the transition in of arranging and delivering training, is likely to create substantial transition and delivery risks. The managed transition pathway of arranging and delivering training in this option is likely to lead to a short-term decrease in trainee and apprentice volumes, as both the NZIST and WDCs 'bed-in'.

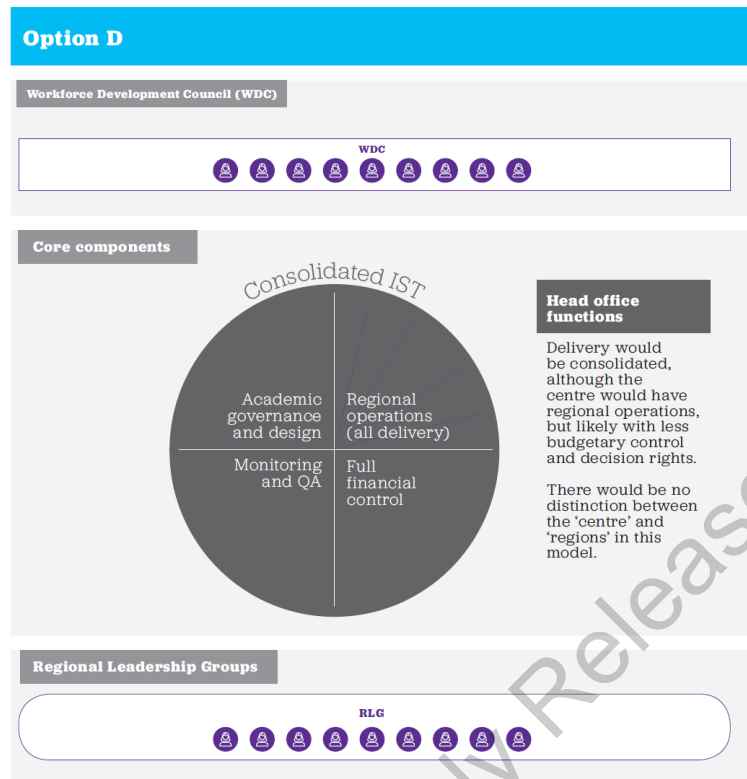
## Option D: More National

### Description

#### Refine system roles

Similar to Options A, B and C except for a single WDC with sub-committees for different industries (or groups of industries)

#### Establish an NZIST



In this model, most activities are consolidated in a single entity, and there are less substantive local or regional operations.

The entity would deliver in the regions, but the management team present in the regions would be far smaller than the current state. These

regions would also likely have less budgetary control and decision rights, and there would be no distinction between the centre and 'regions' in this model.

### Advantages

This option's largest advantage is that, on a like-for-like basis, it is likely to be able to reduce costs across the ITP network the most, if implemented well. Consolidating most activities would allow the organisation to substantially reduce the size of its management and administrative teams, and focus investment more on teaching, learning, and students.

Similar to Model C, this consolidated NZIST entity would be able to better work directly with WDCs on programme design and development, and would be best positioned to absorb substantial components of arranging and delivering training from ITOs through a Crown-managed transition process.

### Disadvantages

The largest disadvantage is that, beyond having the largest potential for efficiency savings for the NZIST, the lack of a substantive regional presence means this option will lead to a substantial reduction in enrolments in the regions, because a fully consolidated entity would be unable to effectively balance the needs of all regions within the country.

The single WDC is likely to be least responsive to industry needs, but would be more strategic in focus.

In addition, this option is likely to have the largest transition and implementation risks, particularly since many of the efficiencies estimated are predicated on the successful implementation of large-scale ICT investments across a range of complex systems. Most vocational education consolidation projects have encountered challenges when attempting to fully integrate ICT systems. It is likely this option would also experience the same challenge, leading to substantial costs and a sub-optimal learning experience.

### 3.6 Assessment of options and the potential preferred way forward

An evaluation framework for the options, which includes an assessment of costs and efficiency benefits, is in Table 10. The options evaluation framework also assesses each option using multi-criteria decision analysis.

On the basis of the options assessment, Option C (Regional and Some National) is the preferred target end-state. However, both Options A and B are possible end-states, and the programme roadmap commences with an initial move to Option A, followed later by migrating towards Option C.

The end-state business model of the NZIST will be tested in later detailed design activities, as part of the early phase of work proposed as part of tranche 0 of the programme. We expect that a decision on the ideal end-state business model would be re-confirmed when this programme business case is updated, in advance of Budget 2020.

Option D is not 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.

**Table 10: Options evaluation framework**

	Option A	Option B	Option C	Option D
<b>Monetary costs and benefits (\$m discounted at 8.12% over 30 years)</b>				
Establishment & transition costs	(69.8) – (56.6)	(120.7) – (98.8)	(290.9) – (217.6)	(348.7) – (276.1)
Ongoing costs	(1,704.7) – (1,420.6)	(1,704.7) – (1,420.6)	(1,050.5) – (867.8)	(1,050.5) – (867.8)
Less efficiency savings & avoided costs	(105) – 36.6	(23.5) – 118.6	255.3 – 398.5	403.4 – 547.3
<b>Net present value of NZIST establishment only</b>	<b>(179) – (24.6)</b>	<b>(143.9) – 19.5</b>	<b>(29.9) – 185.7</b>	<b>63.2 – 279.5</b>
<b>Net present value of all changes proposed</b>	<b>(1,879.6) – (1,440.7)</b>	<b>(1,848.9) – (1,400.8)</b>	<b>(1,085.9) – (686.8)</b>	<b>(995.6) – (596.7)</b>

Options A and B are not preferred over Option C because they offer poor value for money and do not make substantive enough changes to the sustainability of ITP operations to outweigh the costs of change.

There are significant ranges in costs and benefits estimates at present, which reflect the high level of uncertainty at this early stage in the programme. As the programme gains clarity on the preferred option and completes more work during the detailed design phase, these cost estimates will be updated to reflect the additional level of certainty

### 3.7 Trade-offs between the options

At a high level, the four main trade-offs between the options presented in this business case are:

- cost and risk associated with the implementation
- efficiency benefits delivered by the option
- the flexibility of the option to respond to future changes
- the regional connectedness of the option.

**Programme benefits (relative assessment on a five point scale)**

New Zealand has more skilled workers	0 in short-term 0 in long-term	- in short-term + in long-term	- in short-term + in long-term	- in short-term - in long-term
Increase in equity for vocational education learners	0	0	++	+
More employers participate in industry training	0 in short-term 0 in long-term	- in short-term + in long-term	- in short-term + in long-term	- in short-term - in long-term
Improved efficiency and productivity of ITPs	0	0	+	++
<b>Rank</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>4</b>
<b>Risk</b>				
Transition risk	Med	Med to High	High to Extreme	Extreme
<b>Rank</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>RECOMMENDATION</b>	<b>Possible</b>	<b>Possible</b>	<b>Preferred</b>	<b>Discount</b>

Key: ++ much better than base case; + better than base case; 0 about the same as base case; - worse than the base case; - - much worse than the base case



## Establishment and transition costs

Table 11 include the following:

**A programme team** will be required to manage and support the implementation of the reforms for the life of the programme. This programme team is estimated on the basis that the programme will require a dedicated and experienced team to deliver this large, complex, and lengthy transformation programme. § 9(2)(b)(ii)

The primary difference between the estimates for the various Options is the proposed duration of the programme – Option D is the longest duration programme, with less time required to reach the end-state for Options A, B, and C.

**Costs to design and establish both workforce development councils and to support the transition of industry training organisations** include policy resource in both TEC and the Ministry of Education to design and implement these activities. A small amount of additional funding has been set aside as part of industry training organisation transition to acquire capabilities from the ITOs that may be required as part of the transition. This has been estimated by calculating the NAV (net asset value) of the ITOs, excluding cash and cash equivalents.

**Costs to establish the NZIST and transition the 16 ITPs** to the new NZIST, including the following:

- Design, blueprint and operating model design costs for the NZIST, including developing an overall strategy, vision, and blueprint for the new organisation. This would include work such as developing policies and procedures for the new organisation, such as developing a new capital investment and asset management strategy, a human resources strategy, and other corporate documents.
- Costs associated with change management to include dedicating enough resources to support effective change management activities and processes to support the establishment of the NZIST, and funding for activities such as marketing and re-branding, should these be required.
- Costs to acquire and maintain facilities to house the NZIST, and costs to hire a management team for the NZIST.
- Indicative costs associated with both Day 1 ICT and integrated ICT costs, such as implementing a common student management and learning management system. These costs, although developed with stakeholder input, should still be considered highly indicative at this stage, and subject to further refinement in later business cases.

**Costs to design the new unified funding system** primarily relate to costs of policy resources required at the Ministry of Education and TEC to support the design of the new funding system.



**Table 11: Establishment and transition costs**

(\$m discounted at 8.12% over 30 years)	Option A	Option B	Option C	Option D
Programme costs	(16.5) – (14.2)	(22.3) – (19.2)	(42.8) – (35.8)	(43.6) – (42.4)
Workforce Development Council establishment	(2.5) – (2.5)	(3.4) – (3.4)	(5.1) – (5.1)	(6.5) – (6.5)
Industry training organisation transition	(5.4) – (5.4)	(7.2) – (7.2)	(9) – (9)	(10.3) – (10.3)
New Zealand Institute of Skills and Technology establishment	██████████	██████████	██████████	██████████
New Zealand Institute of Skills and Technology IT	██████████	██████████	██████████	██████████
Funding system changes (design only)	(26.8) – (13.4)	(27.8) – (13.9)	(27.8) – (13.9)	(27.8) – (27.8)
RLG coordination	(1.1) – (1.1)	(1.5) – (1.5)	(1.5) – (1.5)	(1.5) – (1.5)
<b>Total</b>	<b>(96.6) – (70)</b>	<b>(148.5) – (112.7)</b>	<b>(318.7) – (231.5)</b>	<b>(376.5) – (303.9)</b>

## Ongoing costs

The estimated ongoing costs in Table 12 include the following.:

- The **incremental costs associated with the NZIST** relate to the cost of the management team and facilities associated with the new NZIST. This is broadly the same in each option (other changes are captured as part of the benefits calculations).
- **Incremental costs associated with the maintenance of workforce development councils.** For Options A & B, it is presumed that 11 WDCs are established. For Options C & D, it is presumed that 6 WDCs are established. Although in Option D it is proposed that only one WDC is established, we presume that the sub-committees would be similar in size and management of 6 separate WDCs.

An industry contribution to these WDCs is not calculated, as it is assumed that given the proposed changes, the Crown will need to fund the maintenance and operation costs of these WDCs for some time, before an industry contribution becomes a viable option.

We estimate that around 25 to 28% of ITO activity relates to standards-setting and 'sector leadership'. This is based on reporting by ITOs in the 2012 to 2015 period on how they allocated their financial resources to different types of services. This represents between \$45m to \$50m of expenditure per annum. WDCs will have an expanded skills leadership role. They will have also a slightly wider brief in relation to moderation and may set capstone assessments.

We don't believe that this would double the workload of WDCs and we estimate that steady state this could be around 40% more scope. We have estimated the costs as between \$55m and \$65m.

- **Incremental costs associated with the maintenance of RLGs.** In each option, it is presumed that 15 RLGs are established, and these cost between \$750k and \$1m per annum to operate.
- **Incremental costs associated with establishment of up to three CoVEs,** where it is estimated that up to three CoVEs are established at a total incremental cost of \$5m.

**Table 12: Ongoing costs**

(\$m discounted at 8.12% over 30 years)	Option A	Option B	Option C	Option D
New Zealand Institute of Skills and Technology (incremental costs only)	(16.8) – (16.8)	(16.8) – (16.8)	(16.8) – (16.8)	(16.8) – (16.8)
Workforce Development Councils (WDCs)	(1439.3) – (1216.1)	(1439.3) – (1216.1)	(785.1) – (663.3)	(785.1) – (663.3)
Regional leadership groups (planned to be funded from Vote Employment)	(183.6) to (122.7)	(183.6) to (122.7)	(183.6) to (122.7)	(183.6) to (122.7)
Centres of Vocational Excellence	(65) to (65)	(65) to (65)	(65) to (65)	(65) to (65)
<b>Total</b>	<b>(1,704.7) to (1,420.6)</b>	<b>(1,704.7) to (1,420.6)</b>	<b>(1,050.5) to (867.8)</b>	<b>(1,050.5) to (867.8)</b>

### 3.8 Indicative programme benefits

This programme business case has only directly quantified the efficiency benefits delivered by various aspects of the reforms. It does not quantify the value of an improvement in the outcomes outlined in Table 5.

Efficiency benefits for the various programme options have been calculated in line with the information included in the appendix outlining the NPV calculations. Efficiency benefits have been calculated for each of the options using information provided by ITPs on their operations and performance to the TEC and Ministry of Education, and informed by a data collection exercise.

In general, efficiency benefits are mainly derived from:

- a reduction in the cost of administrative and management staff of the ITP network by consolidating 16 separate management teams in to a smaller amount and number;
- more efficient and better use of marketing and business development spend across the ITP network, and;
- efficiencies in capital expenditure that can be achieved across the ITP network through more integrated asset planning and management.

A summary of these benefits by each option is in Table 12. These benefits will be further refined and validated as part of the next phase of the programme.

Table 13: Efficiency benefits estimated for the preferred option

Description	\$m discounted at 8.12% over 30 years
IT savings	41.7 to 32.8
Other administrative savings	38.2 to 31
Management team savings	133.8 to 130.5
Student administration savings	62.8 to 56.7
Marketing and business development saving	107.8 to 99.4
Programme design and development savings	23.6 to 16.3
Capital expenditure savings	77.7 to 77.7
Revenue change as a result of a decline in student and trainee numbers	(184.4) to 0
Base case savings foregone	(76.4)–(76.4)
<b>Total</b>	<b>224.8–368</b>

### 3.9 Broader social and economic benefits

As it is recognised that further Crown investment is required to both return the vocational education sector to sustainability and position it to deliver better for the needs of all learners, we undertook an investment logic mapping exercise, aligned to the outcomes that are being sought as part of the reforms.

At this early stage in the programme, it has not yet been possible to quantify the value of the broader benefits sought from the reforms. The scale and length of the proposed reforms are too large for detailed forecasting on benefits to be completed at this stage.

However, the programme team has presented two separate approaches for calculating the potential broader economic and social benefits of the reforms, in order to demonstrate the shifts in outcomes that would be required in order to generate a positive social and economic return for the Crown’s proposed investment. These two approaches relate to:

- Increasing qualification completion rates and the volume of participants in the vocational education system, OR
- Improving the quality and intensity of vocational education, which leads to an attendant lift in employment rates and earnings for workers with qualifications from the vocational education system.

The first approach is calculating the lift in volumes and completion rates that would need to occur in order to return a positive social and economic benefit. This benefit is largely achieved through an increase in volume and a proxy for quality of educational outcomes through qualification completion rates.

Analysis has been completed using the Treasury’s CBAX tool to determine the level of uplift in system performance that is required for each option to break even (see Table 314), primarily assuming that there is a linkage between completion of vocational education qualifications and higher earnings and employment outcomes for learners in the vocational education sector.

To return a positive social and economic return to the Crown under the first approach, this presumes:

- completion rates for attaining qualifications in vocational education lift from an average of 55% to 67.5% by 2030<sup>10</sup>
- participation rates in vocational education as a proportion of the overall working-age population lift from 9.0% to 11.0% by 2030.

<sup>10</sup> This translates to an increase in the proportion of completion in vocational training in polytechnics from 56% to 67.5%, apprenticeships from 59% to 70%, and traineeships from 69% to 80%.

Lifting completion rates to this level would mean that New Zealand’s completion rates were at the OECD average for tertiary completion. Lifting participation rates by that level would translate to approximately 40,000 additional learners in the vocational education system by 2030 compared to the current state.

Given that the current trajectory for participation in the vocational education sector is for a decline in participation, an increase in volume would likely be challenging to achieve.

**Table 14: Qualification and volume changes required to generate positive social and economic return**

Measure	Economic benefit
Lift qualification completion rates from 55% to 67.5% by 2030	Expected higher earnings in line with the estimates included in the Treasury’s CBAX toolkit.  Presumes that there is a lag of 5 years of achievement of increased earnings, and that only 1/3 of the individuals who completed a qualification receive a lift in earnings.

Lift participation rates in vocational education from 9% to 11% of the working age population by 2030, which translates to an additional 40,000 learners in the vocational education system

Translates to a lift in the number of learners and employers participating in vocational education, with resultant earnings and employment outcomes.

These shifts translate to roughly a \$1.4b social and economic benefit in incremental PV terms.

Lift employee participation in vocational education training from 6.0% to 8.0% by 2030

Lift employer participation in industry training from 10.0% to 20% or greater by 2030.

A second approach to calculating social and economic benefits would be to consider an increase in the intensity and quality of vocational education, rather than a lift in qualification completion or volumes. The programme team considers that this is likely to be a more appropriate approach to calculating the expected lift in benefits. This approach presumes:

- Improvements in the quality of vocational education manifest in an increase in employment outcomes and earnings premiums for vocational learners compared to the current state

The programme team has completed some modelling on the lift in employment rates and earnings premiums that would need to occur in order to generate a positive economic return for the overall programme. These are summarised below, in Table 15.

**Table 15: Quality and intensity increases in employment and earnings outcomes required to generate a positive social and economic return**

Measure	Economic benefit
Increase the employment rate of the vocational education cohort (30,000 individuals per annum) by 0.5%.	These shifts would generate a social and economic benefit of at least \$1.22b in incremental PV terms, presuming that the median earnings employment rate is \$50,000 and a current employment rate of 70%.  Increasing the employment rate by 1.0% instead of 0.5% would lead to \$1.6b in incremental PV benefits.
Increase the earnings premiums that vocational education learners achieve by 1.0% above current rates	
	This does not account for any reduction in Crown expenditure on other items, such as job-seeker support.

Both of these shifts have been assumed on the basis that there is no change in the economic cycle – that is, they are in addition to any effects as a result of a down-turn in the labour market (which generally lifts participation in the vocational education sector) or an upturn (which generally reduces participation).

Subject to approval of this programme business case, we suggest that as part of Tranche 0 of the programme, the programme completes a fully defined benefits measurements framework, aligned to the outcomes set out in the cabinet paper, and confirms which of these two approaches is the most analytically valid approach to benefits measurement to take.

## 4 Financial case

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### 4.1 Purpose of this section

This section outlines the indicative funding requirements to deliver the preferred way forward. The financial case presumes that Option C is selected as the preferred option, but the financial model and workings include the same information for all four options analysed in the economic case.

### 4.2 Scope of indicative funding requirements

The indicative funding requirements include:

- costs to establish new WDCs and to transition some of the arranging and delivering training components of industry training organisations (ITOs) to the New Zealand Institute of Skills and Technology (NZIST) (Proposal 1)
- costs to establish the NZIST, including costs of an establishment entity and board to support activities before day 1, and establishment costs for proposed RLGs and CoVEs (Proposal 2)

The cost estimates included in this financial case **do not include** the ongoing costs and fiscal implications associated with changes to the funding system. These will be developed later, as part of detailed design, once decisions have been taken on the anticipated scope of the funding system reform.

Note that the financial estimates in this business case are more detailed for tranche 0 (the period from July 2019 to April 2020) and more indicative for future tranches. Therefore, the cost estimates for future tranches are ranged and will be subject to refinement as part of the implementation business case, due to be delivered in advance of Budget 2020. The main estimates

associated with this uncertainty relate to ICT cost estimates for future tranches of the NZIST programme.

### 4.3 Approach to develop funding estimates

As part of developing an integrated programme of work, the programme team spent several months engaging with the sector to develop and refine cost estimates. This approach included:

- a series of co-design workshops that focused on activities such as ICT integration and the investment required in technology to deliver the suite of changes
- a data collection exercise with the 16 ITPs, which ran in March and April 2019, to collect information about key ICT systems, physical assets and facilities, key information on cash assets and reserves, and employment agreements for various employee types.

The programme team also drew extensively on external specialists with expertise in delivering transformation programmes of this size and scale. This expertise assisted in developing:

- a proposed change management strategy and plan, including the costs and size of the team required to deliver the scale of change outlined within this document
- a proposed technology implementation roadmap, aligned to a suite of business capability shifts and investment over the life of the programme<sup>11</sup>

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11 The programme team utilised a business capability reference architecture from CAUDIT, which is an Australasian tertiary standard that ICT functions in ITPs commonly use to assess ICT capabilities and investment needs.

- an overall programme roadmap aligned to tranches, which details the set of work required to deliver the overall programme (see the management case, section 6).

The programme team also drew on examples and lessons from extensive vocational education reforms delivered in other jurisdictions.

#### 4.4 Overview of the financial costing model

The financial costing model outlines the funding required under four scenarios:

- NZIST model C is implemented
- NZIST model C and the WDC changes are implemented
- NZIST model C, the WDC changes, and regional leadership groups (RLGs) are implemented
- NZIST model C, the WDC changes, RLGs, and CoVEs are implemented

The costing model shows the incremental costs of each scenario to demonstrate the costs of change associated with each option.

The scenarios include **only the incremental cost of change**; they do not include the ongoing costs associated with the new funding system.

The modelling also involved developing optimistic and pessimistic scenarios.

#### Work undertaken to develop the financial model

The financial model, as described above, was developed using an incremental financial analysis. Cost estimates were developed from work packages that were developed in workshops with the programme team.

Where detailed resource cost estimates are available, these have been utilised for the purposes of estimating costs. Where detailed estimates are not available, because procurement processes have not yet been completed or undertaken and it is not clear the mix of internal and external capability that will be required to deliver the change, a blended rate has been utilised to estimate costs. The blended rate used is **s 9(2)(b)(ii)**

Estimates for investment in ICT technology are provided on the basis of a map to CAUDIT capability standards, which is an Australasian standard. Cost estimates on ICT change were developed in conjunction with subject-matter experts, and additional workshops were held with a selection of ITP sector chief information officers and technology experts to develop potential options for technology change. A full suite of ICT cost estimates is available on request.

Funding requirements are presented in the Crown's fiscal years.

The unified financial statement is presented in a calendar year format to align with reporting requirements of TEIs and the expectation that the NZIST will be a TEI.

A full set of assumptions and detail supporting the financial costing model, as well as the net present value analysis in the economic case (section 1.1) are available on request.

#### 4.5 Overall financial impacts on costs and sustainability in the ITP sector

Table 16 and Table 17 present an incremental and cumulative view of the financial decisions associated with this business case.

In short, the tables show that:

- implementing the NZIST reduces the overall cost of operating the ITP sector from \$1,130m in 2025 to \$1,097m in 2025
- implementing other changes, such as introducing WDCs, RLGs, and CoVEs, increases the total cost of operating the vocational education sector to between \$1,176m and \$1,189m, a cumulative increase of between \$46m and \$59m per annum.

A summary of these changes is in Table 16 and Table 17.



**Table 16: Incremental cost estimates for changes proposed**

Annual ongoing costs (\$m)	2019	2020	2021	2022	2023	2024	2025
ITP sector (base case)	980	1,005	1,031	1,060	1,085	1,108	1,130
IST model C	987 - 987	1,012 – 1,009	1,039 – 1,036	1,037 – 1,033	1,061 – 1,058	1,076 – 1,072	1,097 – 1,094
WDCs	0 - 0	13 - 15	39 - 47	56 - 66	60 - 70	61 - 72	62 - 73
RLGs	1 - 1	3 - 4	8 - 12	11 - 16	11 - 16	11 - 17	11 - 17
CoVEs	1 - 1	4 - 4	5 - 5	5 - 5	5 - 5	6 - 6	6 - 6
<b>Total</b>	<b>+8 - +8</b>	<b>+27 - +28</b>	<b>+60 - +68</b>	<b>+48 - +61</b>	<b>+52 - +65</b>	<b>+45 - +58</b>	<b>+46 - +59</b>

Please note that the incremental cost estimates in Table 16 include an allowance for inflation, calculated at 2% per annum.

**Table 17: Cumulative ongoing cost estimates for changes proposed**

Aggregate annual ongoing costs (\$m)	2019	2020	2021	2022	2023	2024	2025
ITP sector (base case)	980	1,005	1,031	1,060	1,085	1,108	1,130
IST model C	987 - 987	1,012 – 1,009	1,039 – 1,036	1,037 – 1,033	1,061 – 1,058	1,076 – 1,072	1,097 – 1,094
+ WDCs	987 - 987	1,025 – 1,024	1,078 – 1,082	1,093 – 1,100	1,121 – 1,128	1,136 – 1,144	1,159 – 1,167
+ RLGs	987 - 987	1,028 – 1,029	1,086 – 1,094	1,103 – 1,116	1,131 – 1,144	1,147 – 1,160	1,170 – 1,184
+ CoVEs	988 - 988	1,032 – 1,032	1,091 – 1,099	1,108 – 1,121	1,137 – 1,150	1,153 – 1,166	1,176 – 1,189

included in the costs of the programme, or between \$285m and \$385m with inflation not included..

#### 4.6 Overall implementation funding required

Table 18 identifies the total estimated costs associated with the programme.

The total estimated costs are between \$300m and \$416m with inflation

**Table 18: Estimated funding required for the establishment and transition of the programme (ranged according to optimistic and pessimistic)**

Transition costs (\$m), not discounted, inflated at 2% per annum	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	Total
Programme costs	9.9 – 11.6	11.4 – 13.1	9.5 – 11.3	8.9 – 10.8	3 – 4.4	0.2 – 0.4	42.9 – 51.6
WDC establishment	1.7 – 1.7	2.1 – 2.1	0.9 – 0.9	0.9 – 0.9	0.5 – 0.5	0 – 0	6.1 – 6.1
ITO transition	3.8 – 3.8	4.2 – 4.2	0.9 – 0.9	0.9 – 0.9	0.5 – 0.5	0 – 0	10.3 – 10.3
NZIST establishment	██████	██████	██████	██████	██████	██████	██████
NZIST IT	██████	██████	██████	██████	██████	██████	██████
Funding system	1.1 – 2.2	1.1 – 2.2	7.6 – 15.3	7.8 – 15.6	0 – 0	0 – 0	17.6 – 35.3
RLG coordination	0.8 – 0.8	0.9 – 0.9	0 – 0	0 – 0	0 – 0	0 – 0	1.7 – 1.7
<b>Total costs</b>	<b>34.5 – 44.5</b>	<b>53.4 – 65.7</b>	<b>54 – 73.3</b>	<b>67.9 – 97.8</b>	<b>48 – 70.2</b>	<b>42.2 – 64.9</b>	<b>300 – 416.4</b>

**Table 19: Estimated funding required for the establishment and transition of the programme (ranged according to optimistic and pessimistic)**

Transition costs (\$m), not discounted and not inflated	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	Total
Programme costs	9.9 – 11.6	11.2 – 12.9	9.2 – 10.9	8.4 – 10.1	2.8 – 4.1	0.2 – 0.3	41.7 – 49.9
WDC establishment	1.7 – 1.7	2 – 2	0.9 – 0.9	0.9 – 0.9	0.4 – 0.4	0 – 0	5.9 – 5.9
ITO transition	3.8 – 3.8	4.1 – 4.1	0.9 – 0.9	0.9 – 0.9	0.4 – 0.4	0 – 0	10.1 – 10.1
NZIST establishment	██████	██████	██████	██████	██████	██████	██████
NZIST IT	██████	██████	██████	██████	██████	██████	██████
Funding system	1.1 – 2.2	1.1 – 2.2	7.4 – 14.7	7.4 – 14.7	0 – 0	0 – 0	17 – 33.8
RLG coordination	0.8 – 0.8	0.9 – 0.9	0 – 0	0 – 0	0 – 0	0 – 0	1.7 – 1.7
<b>Total costs</b>	<b>34.5 – 44.5</b>	<b>52.4 – 64.4</b>	<b>51.9 – 70.4</b>	<b>64 – 92.2</b>	<b>44.3 – 64.8</b>	<b>38.2 – 58.8</b>	<b>285.3 – 395.1</b>

As the final business model of the NZIST is not yet confirmed, this financial case assumes that model C is the preferred end-state for the NZIST.

However, a decision on the preferred business model will be taken by the Establishment Entity during tranche 0 of this programme.

In addition, given that the programme is in its initial stages, these cost estimates have been ranged between optimistic and pessimistic scenarios, representing a level of uncertainty that exists until the more detailed design is completed.

#### 4.7 Available funding and funding requested

As part of re-prioritisation of underspends from the fees-free programme, the government has made available approximately \$197.1m in funding through a tagged contingency as part of Budget 2019 to support the reforms of vocational education. This programme business case indicates that more funding will be required in order to deliver all of the reforms, but further work is required to validate the cost estimates included in this programme business case.

As a result, the programme team is suggesting that we only draw down a portion of the tagged contingency and overall funding for the programme, and report back to Cabinet as part of Budget 2020, to further refine costs and draw down additional funds required to support the reforms. A copy of the funding that is being requested for the establishment and transition of the is included in Table 20.

**Table 20: Funding requested 2019/20 to 2020/21**

	2019/20	2020/21	Total
Capital	-	-	-
Operating for NZIST Establishment	████	████	████
Operating for NZIST ICT establishment	████		████

Operating for RoVE Programme Costs	\$8.95m	\$10.05m	\$19.0m
<b>Total</b>	<b>\$26.05m</b>	<b>\$23.95m</b>	<b>\$50.0m</b>

The major areas of uncertainty related to overall funding is the level of technology change and complexity estimated as part of the NZIST establishment, the fiscal costs of the funding system reform programme, and the start date of the programme.

#### 4.8 Risks

This financial case has five major areas of uncertainty.

First, the cost estimates associated with the establishment of WDCs and the transition of arranging and delivering training from ITOs to providers have been completed with little practical input from ITOs, because ITOs are private entities and did not participate in the consultation process.

Estimates for these transitions have been based on other jurisdictions' experiences with integrating vocational education systems and a review of ITO's financial statements, similar to an exercise that would be conducted as part of a potential merger and acquisition (M&A) analysis.

Secondly, a detailed asset review and revaluation exercise on ITP assets has not yet been completed. A large revaluation exercise may identify costs that the NZIST needs to incur as part of transferring assets. This is noted in the Cabinet paper on establishing the NZIST.

Third, the time and complexity of the change management activities required to deliver the programme. A change management strategy has been developed; despite this, most major transformation programmes underestimate the costs required to successfully embed and deliver change. The programme has made a substantial estimate associated with change management activities (\$22m over the life of the programme).

Fourth, costs and impacts of the changes on other agencies and sectors have not yet been calculated. These costs would include:

- Any attendant impacts on revenue and costs as a result of changes for other government agencies. This would include revenue that NZQA would receive from approving qualifications, for example.
- Costs of other system changes required outside of the ITPs, ITOs, TEC, and MoE to implement the reforms. This could include costs associated with making changes to Studylink, or changes required to MBIE’s systems for visa recognition for international students, for example.

Finally, the ICT cost estimates supporting the establishment of the NZIST have been developed with the advice of subject matter experts, however, a detailed architectural review of the 16 ITPs has not been conducted. For this reason, the ICT cost estimates included in this programme business case should be considered indicative only.

We will undertake a more detailed ICT assessment as part of the next phase of the programme, and these cost estimates will be further refined.

Given the large uncertainties associated with the ICT estimates, we are not proposing to draw-down funding in out-years for ICT integration activities until an updated business case is completed.

#### 4.9 Scenarios and impacts on the financial statements and funding required

[Redacted content]

[Redacted content]

#### Revenue and student risks

The Ministry of Education has completed some early scenario modelling on the potential fiscal impact of a change in enrolments as a result of the reforms.

In short, these estimates assume a short-term decline in students, apprentices and trainees (up to a total of around 18,000 learners) as a result of the reform programme, before recovering in later years of the programme. The financial forecasts supporting Options A–D take account of this anticipated decline in student numbers and revenue, and is noted as a revenue risk in Table 12, which outlines the anticipated savings.

The base case presumes that this drop does not occur.

These impacts are summarised in Table 21.

Table 21: Short-run and long-term revenue assumptions

Drivers of participation	Short-run (pre-implementation)			Medium-term (Years 1-2 implementation)			Long-term (Year 3 to steady state)		
	Work-based training		TEO-based	Work-based training		TEO-based	Work-based		TEO-based
	Trainees	Apprentices	Students	Trainees	Apprentices	Students	Trainees	Apprentices	Students
<b>Changes to demand</b>									
Employer/trainee uncertainty re future for work-based training	-5	-3		-3	-2	2	1	1	
Student uncertainty about NZIST quality and continuity			-3			-3			1
Confidence in and quality of VET				-1	-1	-1	2	2	1
Greater profile/esteem for VET							1	2	1
Greater employer choice of provider				1	1		1	1	
Expand reach of VET system into areas not covered by ITOs							2	1	1
<b>Organisations' behaviour/capability</b>									
More flexible forms of training/credentialing for on-job learning				1			2	2	1
Industry trainees migrate to more expensive modes of delivery	-1	-1	1	-2		2	-3	1	2
Reduced incentives to "churn" or retain on-campus							1	1	1
ITOs lose capacity/personnel to deliver	-2	-1		-4	-3		-5	-5	
Providers grow capacity to deliver work-based training				2	2	1	5	5	3
ISBs encourage more streamlined efficient training and credentials							1		-3
<b>Changes to purchasing/funding</b>									
Low value activity in ITO sector identified and scaled back				-5			-3		
Reforms (funding, capability) promote work-integrated learning							2	2	-2
New funding for distance and/or self-directed online learning							-2		2
Govt covers greater share of work-based training?							2	2	2
Employer incentives to invest in work-based training							2	2	1
New funding components less driven by volume							-1	-1	-2
<b>Overall Score</b>	<b>-8</b>	<b>-5</b>	<b>-2</b>	<b>-11</b>	<b>-2</b>	<b>2</b>	<b>9</b>	<b>18</b>	<b>6</b>

Notes:

1. Trainees = industry traineeships in shorter or lower-level programmes. Apprentices = 120 Credits+ L4+ work-based. TEO-based = all SAC 3+ funded VET enrolments
2. Scores are on -5 to +5 scale for significance impact on volumes

Derived Scenario for Enrolment Volumes and Fiscal Impact	Short-run			Medium term			Long-term		
	Work-based		TEO-based	Work-based		TEO-based	Work-based		TEO-based
	Trainees	Apprentices	Students	Trainees	Apprentices	Students	Trainees	Apprentices	Students
2017 Volumes (EFTS)	24,800	19,500	55,800	24,800	19,500	55,800	24,800	19,500	55,800
2017 Volumes (headcount learners)	92,600	46,200	112,400	92,600	46,200	112,400	92,600	46,200	112,400
Unit Cost	\$3,200	\$5,200	\$7,500	\$3,200	\$5,200	\$7,500	\$3,200	\$5,200	\$7,500
Derived Total Cost	\$79.4m	\$101.4m	\$418.5m	\$79.4m	\$101.4m	\$418.5m	\$79.4m	\$101.4m	\$418.5m
Assumed change in participation	-15%	-5%	-2%	-20%	-5%	2%	10%	15%	5%
EFTS	-3,720	-975	-1,116	-4,960	-975	1,116	2,480	2,925	2,790
Headcount	-13,890	-2,310	-2,248	-18,520	-2,310	2,248	9,260	6,930	5,620
Inferred fiscal impact (pa, tuition subsidies only, current rates)	(\$11.9m)	(\$5.1m)	(\$8.4m)	(\$15.9m)	(\$5.1m)	\$8.4m	\$7.9m	\$15.2m	\$20.9m
<b>Ballpark Fiscal Impact (tuition subsidies only, current rates)</b>	<b>Short Term</b>	<b>(\$25m)</b>	<b>-4%</b>	<b>Med term</b>	<b>(\$13m)</b>	<b>-2%</b>	<b>Long Term</b>	<b>\$44m</b>	<b>7%</b>

#### 4.10 Other financial considerations

Other fiscal costs may arise, but these will be explored in more detail as part of the next phase of the programme. These costs might relate to the following.

- The establishment of the NZIST in April 2020 may pose issues with regards to revenue recognition and profit/loss for the NZIST in year 1. This is because most ITPs receive their fee revenue from the Crown in advance, at the start of the academic year. This means that it is highly likely that the NZIST will show a large accounting loss in its first year of operations.
- The possibility of needing to write-off certain ICT assets as technology platforms are consolidated at the NZIST will be analysed in more detail as part of the next phase of the programme.



## 5 Commercial case

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### 5.1 Purpose of this section

This commercial case outlines the scope and nature of the likely procurement approach if this business case is approved. Detailed consideration of the preferred procurement approach will be conducted as part of tranche 0 of the programme.

### 5.2 Scope of procurement

The three categories of procurement required to support tranche 0 are:

- category 1: specialist services
- category 2: digital and technology services
- category 3: accommodation.

### 5.3 Procurement strategy and plan

A procurement strategy and plan will be prepared to source the services required should this business case is approved. A dedicated Commercial Director is also proposed to be appointed to the programme team, to support the development of this strategy and plan, and to manage the programme's specialist procurement activities through the life of the programme.

The programme's procurement principles are to:

- comply with government rules of sourcing
- use all-of-government and common capabilities where they exist
- achieve the best value for money over the whole of life
- have open and effective competition
- provide a full and fair opportunity for all suppliers

- acquire sustainably produced goods and services wherever possible, with regard to economic, environmental, and social impacts over their life cycle
- give regard to regional providers and the sustainability of local businesses that currently conduct business with the vocational education sector in the regions.

The main procurement considerations will ensure service providers have the requisite skills and experience to deliver the services that are required.

Different procurement approaches will be taken, depending on the category and service to be sourced.

Individual procurement plans will be prepared for each procurement process.

### 5.4 Category 1: specialist services

Specialist services to be procured include specialist consultancy services and subject-matter experts who will be required to support the implementation of tranche 0.

The specialist expertise required includes:

- facilitation of the design of the new vocational system (a system blueprint) and supporting service delivery models
- change management from the old vocational system to the new
- development of implementation plans and the updated programme business case
- independent quality assurance
- legal advice
- creative design (for branding and content)
- recruitment of contract and fixed-term programme team members
- recruitment of NZIST day 1 employees.

## Procurement approach

Where possible, specialist services will be sourced through the Ministry of Business, Innovation and Employment's All-of-Government Consultancy Services Panel or Recruitment Suppliers Panel. These panels cover a wide variety of specialist services.

The recommended approach is to undertake secondary procurement processes to identify suppliers with capacity and capability to perform the service requirements.

These secondary procurement processes will be conducted throughout the life of the programme to ensure the most appropriate resources are engaged whilst ensuring competitive tension to drive value for money.

### 5.5 Category 2: technology and digital services

Technology and digital products and services for the establishment entity to be procured during tranche 0 include:

- technology infrastructure, such as desktops, laptops, telephony, and e-mail services
- simple finance, human resources, and payroll services to support the operation of the NZIST on day 1
- identity and access management to support the operation of the NZIST on day 1
- security, data, integration, and IT strategy
- a web portal.

This category of services will be procured with a view to using the same technology set for WDCs and RLGs.

It is expected that these procurement processes would be compared to the cost of utilising already existing infrastructure within the ITP sector. If it is more cost-effective, utilising existing systems will be considered.

## Procurement approach

An all-of-government approach will be adopted, where possible, where technology is being procured.

The preferred procurement option is to use the common capabilities of the Department of Internal Affairs and to leverage the existing providers of the lead agencies wherever possible.

A more detailed procurement approach will be in the relevant investment case and procurement plan.

### 5.6 Category 3: accommodation

Products and services to be sourced include accommodation for the programme team and NZIST (from day 1). Accommodation includes the leasing and fit out of suitable office space, initially in the Wellington central business district.

A separate procurement exercise would be run to identify appropriate accommodation for the NZIST central office, whose location has not yet been confirmed.

### 5.7 Contract provisions

For each service procured, a contract or service order will be developed with each supplier. Parties will work together in a mutually beneficial manner.

Each deliverable and ongoing support of the services will be linked to milestone payments and agreed performance criteria.

Contract types will vary in nature. All-of-government agreements, for example, already have extensive contractual terms and conditions in place.

The programme can also use Government Model Contracts, which the Ministry for Business, Innovation and Employment established to provide standard conditions of contract for routine government purchases. These contracts can be adapted as necessary.

## 5.8 Commercial risks to the preferred approach

There are a range of commercial and contractual risks that will need to be managed as part of any potential transition to a new vocational education system. The main commercial risks relate to:

- [REDACTED]
- [REDACTED]

We also suggest that once decisions are taken on the proposed end-state of the programme, further work is commissioned as part of Tranche 0 that analyses the potential competition dynamics in more detail.

## 5.9 Other market and competition dynamics

At this early stage in the programme, a full-scale review of the potential changes in competition dynamics in the vocational education system as a result of all these proposed reforms has not been performed.

Because of its size, there is a possibility that the NZIST will create or embed monopoly behaviours as it is established. One way that the Crown can mitigate this risk is to ensure that there remains a level of healthy competition and tension between the NZIST and other tertiary education organisations, including PTEs, Wānanga, and Universities.

## 6 Management case

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### 6.1 Purpose of this section

This section describes the arrangements required for the successful delivery of the programme of work and to manage the programme risks. It explains how the programme might be delivered in multiple tranches, the main programme management arrangements, and critical milestones. It also identifies how the programme will be managed on an ongoing basis and what kind of assurance measures will be undertaken.

### 6.2 Criteria for programme success

This programme is a large and complex endeavour.

To be successful, the programme will:

- have a clear focus on delivering the agreed programme outcomes and objectives
- engage with learners, employers, and other stakeholders, so the changes being made will meet their needs and are fit for purpose
- establish strong governance and programme management
- acquire and develop the capability to successfully deliver a large-scale change programme of this nature
- take a robust change management approach

- have strong assurance arrangements to challenge and provide assurance that the programme can be successfully delivered
- provide opportunities for the government to monitor programme progress and regularly review investment decisions.

### 6.3 Programme roadmap and milestones

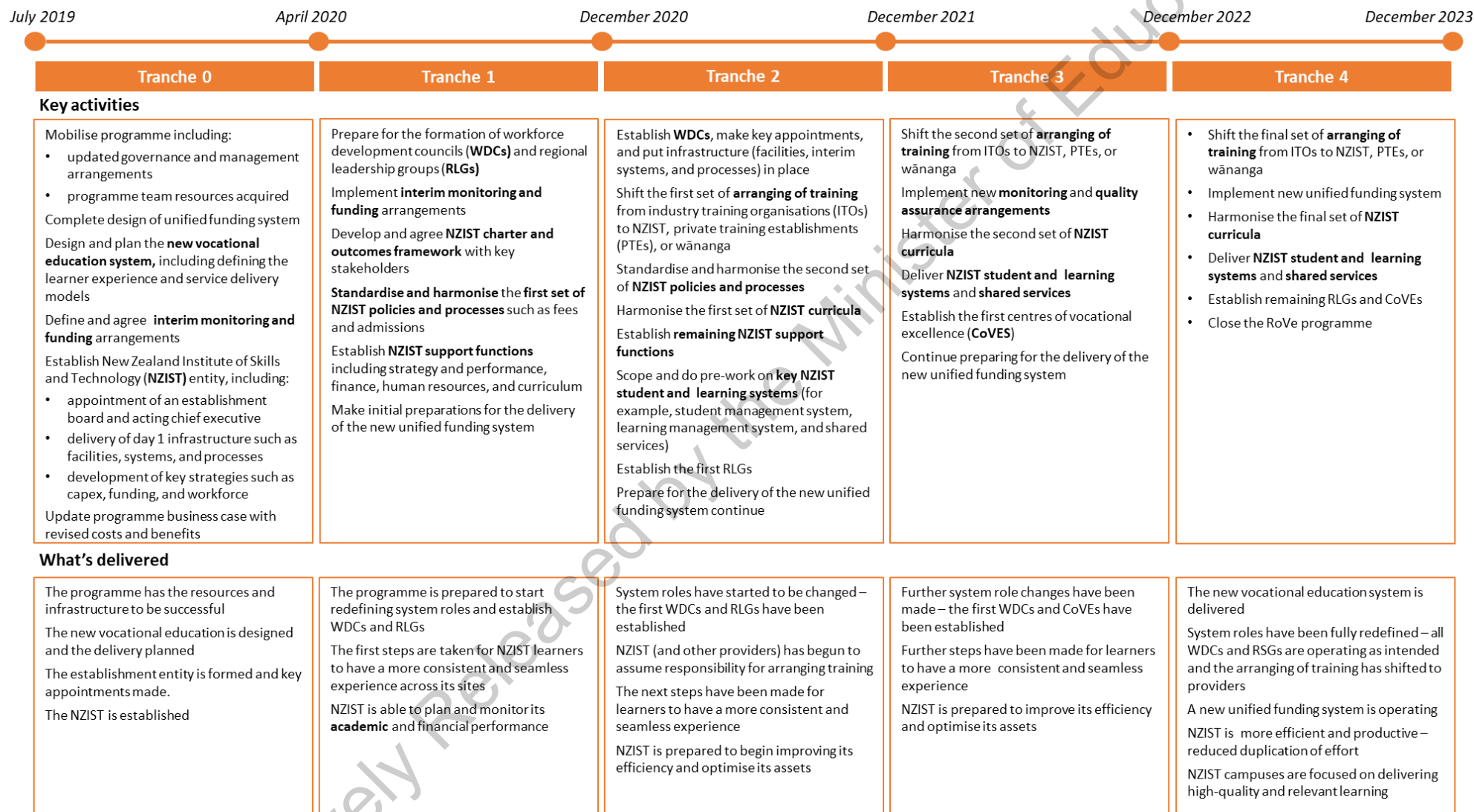
The programme roadmap to support Option C as the preferred way forward is in Figure 4. It sets out the starting point for the RoVE programme and the subsequent tranches.

Considerations in developing the programme roadmap were to ensure the programme can:

- deliver visible change to learners, employers, and communities as soon as possible
- limit implementation and delivery risks to acceptable levels and disrupt the delivery of learning as little as possible.

At this stage, the programme roadmap is indicative and alternative roadmap options have not yet been considered. As part of tranche 0, a programme plan will be prepared that will consider different approaches and timescales for implementation of the programme's objectives.

Figure 4: Proposed RoVE Programme roadmap, July 2019 to December 2023



## Summary description of tranches 0–4

The programme will be delivered in five tranches over about 5 years.

- **Tranche 0:** The programme prepares for delivery, which includes preparing a programme plan and establishing the entity to drive the creation of the NZIST.
- **Tranche 1:** The programme prepares to start redefining system roles and establish WDCs and RLGs. First steps are taken for NZIST learners to have a more consistent and seamless experience across its sites. NZIST is able to plan and monitor its academic and financial performance
- **Tranche 2:** System roles start to be changed. The first WDCs and RLGs are established. NZIST (and other providers) begin to assume responsibility for arranging training. The next steps are taken for learners to have a more consistent and seamless experience. NZIST is prepared to begin improving its efficiency and optimising its assets.
- **Tranche 3:** Further system roles changes are made. The first WDCs and CoVEs are established. Further steps are taken for learners to

have a more consistent and seamless experience. NZIST is improving its efficiency and optimising its assets.

- **Tranche 4:** The new vocational education system is delivered. System roles are fully redefined. All WDCs and RSGs are operating as intended, and the arranging of training has shifted to providers. The new unified funding system is operating. NZIST is more efficient and productive – with reduced duplication of effort. NZIST campuses are focused on delivering high quality and relevant learning.

At the end of each tranche, a decision gate will confirm progression to the next tranche. The programme business case will be updated to map progress against the programme's outcomes so the trajectory can be adjusted if necessary.

### Tranche 0: Establish and design

Tranche 0 will lay the foundations for the future tranches and prepare the programme for success. It is expected to last 10 months from the point that this business case is approved and funding is made available. The core activities in the tranche and the desired outcomes are listed in Table 22.

**Table 22: Activities and outcomes in tranche 0**

Category	Activities	Outcome
Mobilisation	<ul style="list-style-type: none"> <li>Establish updated governance and management arrangements</li> <li>Confirm programme methods and controls</li> <li>Complete acquisition of programme team resources</li> <li>Develop communications and stakeholder engagement approach</li> <li>Develop a risk management plan for this tranche</li> <li>Develop an assurance plan</li> </ul>	The programme is well placed to deliver the tranche
Design and planning	<ul style="list-style-type: none"> <li>Confirm programme vision and outcomes</li> <li>Co-design learner and employer experience</li> <li>Co-design system blueprint</li> <li>Co-design service delivery models for NZIST, WDCs, and regional leadership groups</li> <li>Develop a change management strategy</li> <li>Update programme costs and quantify programme benefits</li> <li>Develop programme benefits management plan</li> <li>Develop programme plan for remaining tranches</li> </ul>	The new vocational education system is designed and the programme is ready to deliver the next tranche.
NZIST establishment	<ul style="list-style-type: none"> <li>Form the NZIST entity</li> <li>Appoint the Establishment Board and Acting Chief Executive</li> <li>Deliver day 1 infrastructure, such as facilities, systems, and processes</li> </ul>	NZIST is formed and prepared to start strengthening the consistency and availability of vocational educational provision



### **Co-design**

Where possible and appropriate, the new vocational system education will be co-designed with key stakeholders.

### **Establishment of a transitional authority**

It is proposed that a transitional authority for the new NZIST entity be formed as soon as possible after announcements have been made and no later than 1 September 2019 (and well before the NZIST entity is formed on 'day 1'). This is likely to be through the formation of an establishment entity.

Legal advice recommends such an entity is essential to the success of the move from 16 polytechnics to a single institute. It is also necessary for the NZIST's ongoing accountability and performance that the council members designate and chief executive designate be in place before day 1. This will allow them to be involved in the work preparing for day 1.

### **Milestones for tranche 0**

The milestones for tranche 0 are in Table 23.

**Table 23: Tranche 0 milestones**

<b>Milestone</b>	<b>Date</b>
Tranche 0 commences	July 2019
Bill introduced into House	August 2019
Programme mobilisation completed	September 2019
Establishment entity formed and key appointments made	September 2019
Budget 2020 bid (funding requirements for 2020/21 and outyears of the programme)	November 2019
Benefits management plan complete	February 2020
Programme business case updated	No later than March 2020
Programme blueprint completed	March 2020
Bill receives Royal Assent (no later than)	March 2020
NZIST established with day 1 infrastructure	April 2020
Tranche 0 completed	April 2020

## 6.4 Programme governance and management

A robust programme structure will be established to manage the programme.

The programme will require strong programme governance and management to sustain momentum, provide appropriate challenge, and facilitate successful delivery of the initiative.

A simple programme governance and management structure already exists and has been used to oversee and direct the development of this business case. This structure will be built on to provide a higher level of governance and management required for tranche 0. The governance and management of the programme will evolve over the life of the programme.

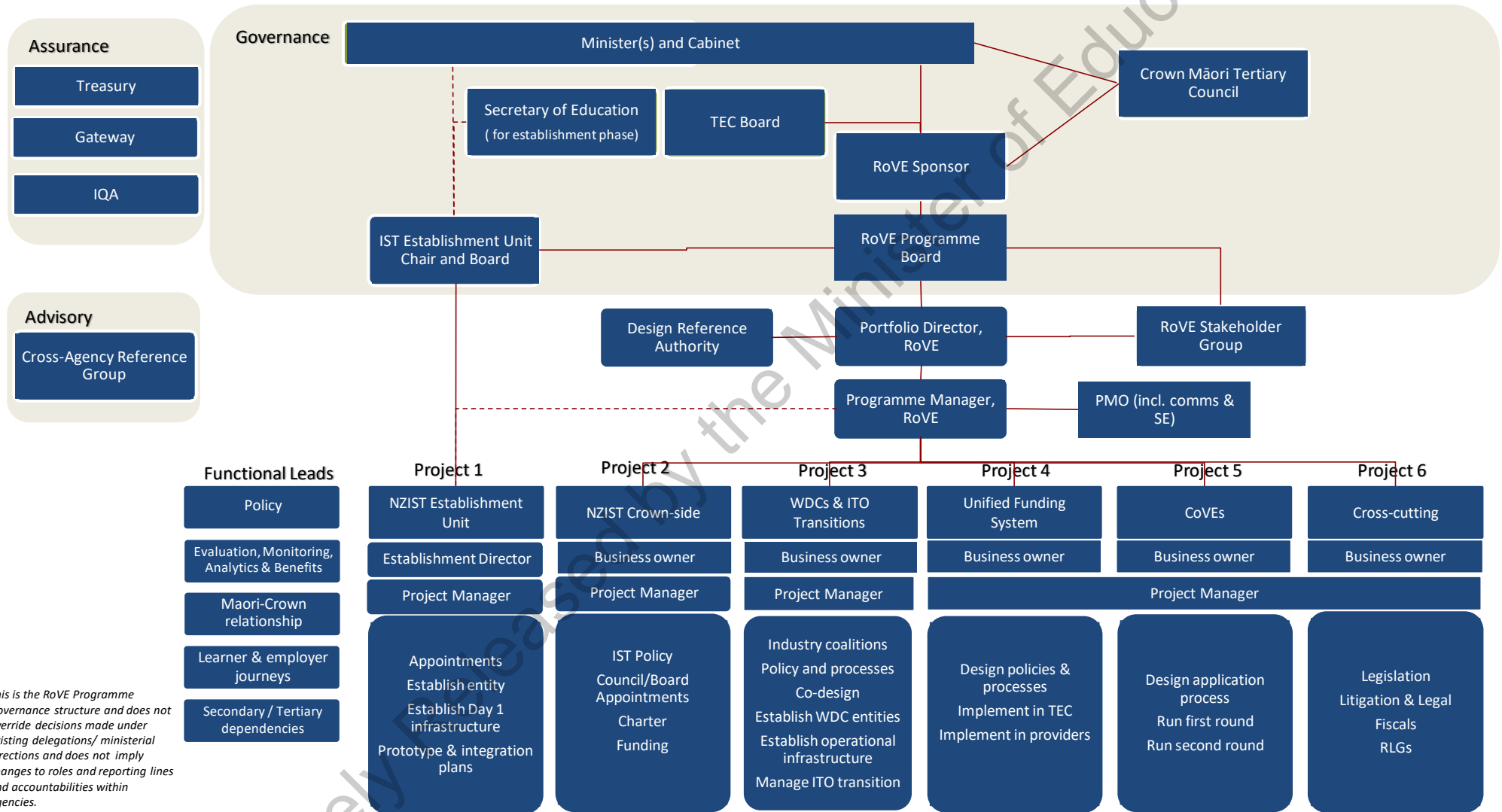
As illustrated in Figure 5, the Reform Lead (and SRO) will be the Chief Executive of the TEC. The SRO will be supported by a Programme Director and programme management team.

The key features of the structure are:

- a Programme Board to oversee the delivery of the programme
- a Programme Management Office (PMO) and a programme team with responsibility for the programme workstreams
- a Design Group supported by Design Reference Groups to oversee the development of the design of the new vocational education system
- one or more stakeholder advisory groups to support the Programme Director in representing the needs and requests of all key stakeholders.

Proposed roles and responsibilities are in Figure 5, on Page 63.

Figure 5: Governance and management arrangements for tranche 0



**Table 24: Proposed roles and responsibilities for tranche 0 (placeholder Draft)**

Role	What	Responsibilities
Minister(s) and Cabinet	Provide decision making at key decision gates.	
Crown Māori Tertiary Council	Provide advice about how the vocational education system could: Reflect Māori-Crown relationships. Ensure that the system improves outcomes for Māori learners. Align with other relevant components of the Education Work Programme. Support Māori economic and social development strategies.	RoVE Sponsor & Relevant Ministers
TEC Board	Oversee the management of strategic risk.	
RoVE Sponsor	Accountable for the direction and vision for the programme and achievement of programme outcomes.	Provide leadership and strategic direction to ensure that the programme meets the intent of the policy direction and business case. Ensure effective operation of the Programme Board, including consensus decision making. Overall responsibility for financial management of the programme. Liaise and engage with relevant Ministers.
Programme Board	Accountable for the overall success of the programme, noting that once the IST Establishment Board is up and running it will hold accountability for the NZIST establishment project.	Establish acceptable risk profile and ensure costs, benefits, and risks are understood and effectively managed. Monitor programme performance and make appropriate remediation decisions.
IST Establishment Entity Chair (Sponsor)	Accountable for the direction and vision for the NZIST establishment.	Provide leadership and strategic direction to ensure that the project meets the intent of the policy direction and business case. Ensure effective operation of the IST Board, including consensus decision making. Responsible for financial management of the IST establishment allocation. Liaise and engage with relevant Ministers.

Role	What	Responsibilities
IST Establishment Board	Accountable for the success of the establishment of the NZIST. It will work closely with the RoVE Programme Board as some specific elements may be governed jointly.	<p>Establish acceptable risk profile.</p> <p>Ensure costs, benefits, and risks are understood and effectively managed.</p> <p>Monitor the performance of the NZIST establishment project and make appropriate remediation decisions.</p>
Portfolio Director, RoVE	Accountable to the Programme Board and Sponsor for ensuring the effective delivery of the programme.	<p>Day to day agent of the Sponsor responsible for leading and managing the project.</p> <p>Manage the programme and initiate corrective action when required.</p>
Programme Manager, RoVE	Accountable for managing the setup of the programme through to delivery of the new capabilities.	Co-ordinate the programme's projects and management of their inter-dependencies including oversight of any risks and issues arising.
Design Reference Group	<p>Accountable for supporting the development of the solution design and ensuring alignment across all system components (including NZIST establishment project and other projects).</p> <p>Membership:</p> <ul style="list-style-type: none"> <li>Chief Executive designate, NZIST.</li> <li>Deputy Chief Executive, Delivery Directorate, TEC.</li> <li>Other members will include independent and sector subject matter experts.</li> </ul>	<p>Monitor adherence to the overall system blueprint design.</p> <p>Resolve design conflicts.</p> <p>Make recommendations to the Programme Board regarding solution design.</p>
RoVE Stakeholder Group	The RoVE Stakeholder Group will be involved in determining advice across the programme which will support the Programme Board with specific aspects of the solution design. This group's participants will be involved in reference groups as required e.g. for key functional areas (e.g. workforce, technology, funding) and for key stakeholder perspectives (e.g. learners).	Provide subject matter advice including advice on feasibility and risks.

Role	What	Responsibilities
Project Managers	Accountable for establishing and managing their respective project teams.	Project-level planning and scheduling, risk management, and status reporting. Resource management, working closely with functional resources where there are any shared resources across projects.
Functional Leads	Accountable for applying a whole-of-system lens (for their respective functional areas) across all projects to optimise the system design. They will work closely with the programme manager and all project managers.  Roles: Policy Lead: Ensure consistent policy decisions across all aspects of the the reform programme. Evaluation, Monitoring, Analytics and Benefits Lead: Supporting business case development, cost refinement, and benefits management. Learner & Employer Journeys: Identifying key learner and employer experiences in the new system Māori/Crown relationship Secondary/Tertiary dependencies	Provide functional leadership across all projects for their respective functional areas. Apply consistent principles and standards to avoid siloed thinking and approaches within projects. Manage allocation of any functional resources that are shared across projects.
PMO	Accountable for ensuring projects are delivered to agreed standards.	Provide support and guidance to the projects. Be the home for governance and control – such as quality standards, approvals, budget monitoring, risk and issue management, schedule management, change control etc. Information and decision-making support for governance groups.
Assurance	A Programme Assurance Plan and supporting Assurance Calendar will be developed and will encompass all assurance activities across the four lines of defence: 1. Programme, 2. TEC, 3. External Independent, and 4. Corporate Centre.	

The programme will be managed using a proven programme and project management methodology such as MSP and PRINCE2.

The programme will initially be resourced using a mixture of Tertiary Education Commission and Ministry of Education staff, contractors, and consultants. A programme team of about 50–70 people will be required to deliver Tranche 0.

Delivering the programme will require individuals with proven experience of delivering complex and large-scale initiatives. As a general principle, the programme will look to harness capability that already exists in the system including the TEC, existing ITPs, and TTO.

However, it will be necessary to recruit expertise or engage suppliers to supplement the existing capability.

The key areas where additional capability is required are:

- procurement and vendor management - consultants and/or contractors will initially be used with a view to developing the programme's procurement strategy and plans and procuring the first set of capability required by the programme
- programme and project assurance – suitably qualified consultants will be used
- programme management – consultants and/or contractors with relevant experience will supplement existing expertise
- change management and communications – consultants and/or contractors with relevant experience will supplement existing expertise
- design – the intention to engage a design partner(s) for tranche 0 to lead and resource the design workstream
- NIZST establishment – consultants and/or contractors with relevant experience will supplement existing expertise across the ITP network.

Individual work streams will be responsible delivering the components of the programme. The configuration and number of work streams will vary depending on scope and delivery strategy. Resources with appropriate levels of programme and project management skills will be required to manage each work stream and individual projects within each work stream.

Given the reliance on external capability to deliver the programme, a detailed sourcing strategy will be prepared. The sourcing strategy and approach is discussed in the commercial case, section 5.

It is expected that the programme management and governance board will continue to be supported by several advisors to provide external and impartial guidance.

## 6.5 Change management

Change management will be critical to the success of the programme.

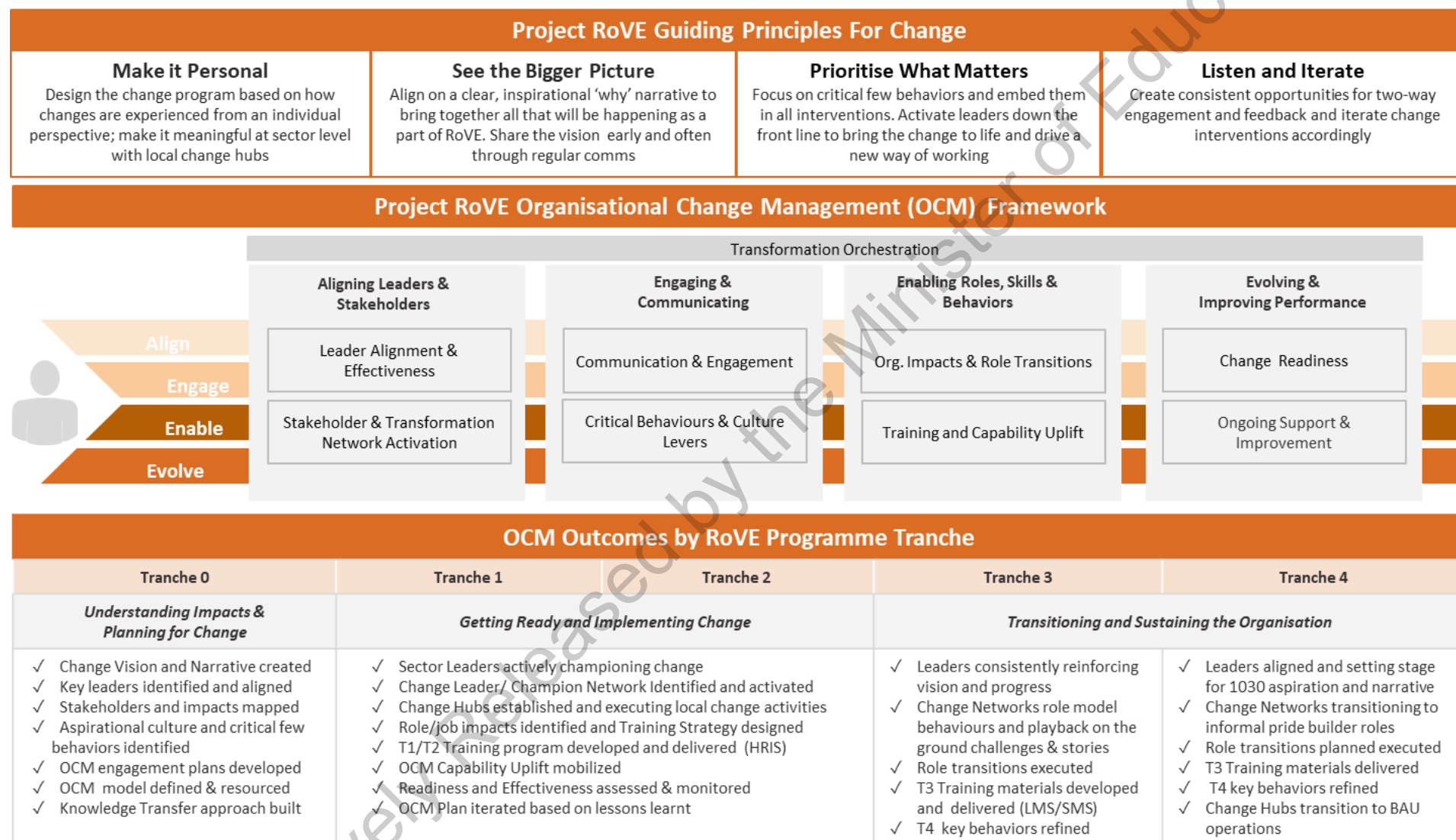
A change management strategy and roadmap has been developed that summarises the key change components, impacted personas, and proposes a roadmap of key activities to successfully deliver the RoVE programme. A summary of this change management strategy is in Figure 6.

The change management approach is based on PROSCI, a common change management framework.

A suggested change management roadmap is in Appendix G.



Figure 6: Change management framework



## 6.6 Stakeholder management

As part of the development of the initial change management strategy, a detailed list of stakeholders was also developed.

The programme also has a dedicated stakeholder engagement and management team across both TEC and the Ministry of Education. This team will be required on an ongoing basis to support further co-design and engagement with the sector.

## 6.7 Benefits management

The approach and plan for dealing with the management and delivery of benefits will be developed as part of the next tranche. The approach will be consistent with the Treasury's benefits management guidance and will seek to define benefits associated with the outcomes sought as part of the reform.

## 6.8 Risk management

The focus will be on developing the capabilities required to manage risks. A risk and issue management plan has been prepared for this phase of the programme using a recognised risk management framework. The plan will be updated for tranche 0. Strategic risks are in the strategic case, section 2.9.

The programme risks are actively managed in line with the process below.

- Potential risks will be identified and raised in all key programme management forums.
- Risks will be logged in a programme risk register if they cannot be resolved.
- Risks will be rated based on an inherent risk rating (without controls and/or treatments), current risk rating (based on existing controls), and residual risk rating (based on proposed treatments).
- Risks will be assigned to a risk owner.
- Risks will be analysed.

- Risks will be categorised based on a risk policy and framework (TEC's framework is currently being used).
- Risks will be prioritised based on likelihood and consequence. The most significant programme-level risks will be reviewed on a regular cycle at programme forums and escalated as required.
- Mitigation strategies will be developed for all risks to minimise the impacts on the programme, actions will be assigned to action owners, and target dates for resolution will be specified.
- The effectiveness of all mitigation strategies will be evaluated, and residual risks will be identified and quantified.

Risks and risk management actions will be regularly monitored. The risk owner will be responsible to discuss progress updates on a regular cycle at Programme forums.

A summary of risks will be prepared monthly providing an overview of the risk register profile.

Risks will be reported and escalated where appropriate based on the severity of risk.

## 6.9 Assurance arrangements

The programme has already undertaken three assurance activities:

- a review of the programme's strategic risks by the RoVE Strategic Advisory Group (Murray Jack and Sir Brian Roche)
- Independent Quality Assurance (IQA) of programme controls
- IQA of this business case.

An assurance plan will be prepared as part of tranche 0. It is likely that IQA reviews of the programme at key points will continue. The programme is also likely to have Gateway reviews, and, as a high-risk programme, is also subject to major project monitoring by the Treasury. The programme has set aside budget for ongoing IQA and Gateway activities, roughly aligned to the completion of each tranche of work.

## 7 Next steps

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Subject to the approval of this programme business case, the next steps would be to:

- establish the programme governance and management structures outlined in this document
- acquire the resources required to deliver the reform programme
- establish a transitional entity responsible for making decisions on the shape and form of the NZIST by 1 September 2019
- introduce and pass legislation to support the establishment of the NZIST
- redefine roles across the system to support the changes sought as part of the reforms
- complete additional co-design and engagement with the sector to further inform design of the NZIST and the new vocational education system.

## Appendices

### Appendix A: Glossary

Term	Abbreviation or acronym, if used	Explanation
equivalent full-time student	EFTS	Is a measure of consumption of education (or the size of a qualification in relation to workload). One EFTS unit is the learner workload in a single academic year (12-month period) by a learner enrolled full time. Usually, 120 credits on the New Zealand Qualifications Framework.
industry training organisations	ITOs	Co-ordinate structured training for employees, so employees can gain a qualification from the New Zealand Qualifications Framework while earning.
institute of technology and polytechnics	ITPs	Deliver technical, vocational, and professional education up to degree and postgraduate levels. They also promote applied research to support vocational learning.
Ministry of Education		Is the Government's lead advisor on the New Zealand education system.
National Certificate of Educational Achievement	NCEA	Is New Zealand's main national qualification for senior secondary school and is available in three levels (1–3).
New Zealand Qualifications Framework	NQF	Is a framework based on outcomes, described in terms of knowledge, skills, and attributes and their application. The New Zealand Qualifications Authority administers the NZQF.
New Zealand Qualifications Authority	NZQA	Is the Crown entity charged with ensuring New Zealand qualifications are robust and credible, nationally and internationally.
private training establishments	PTEs	Deliver foundation-level programmes and qualifications, up to higher level postgraduate qualifications, depending on their educational subject areas.
programme (of study)		Is a coherent arrangement of learning or training that is based on clear and consistent aims, content, outcomes, and assessment practices and that leads to a qualification on the New Zealand Qualifications Framework.
Standard Training Measure	STM	Is the amount of training required for a trainee to achieve 120 credits (or its equivalent) in an approved structured training programme.
Student Achievement Component		Is the government funding contribution or subsidy to the costs of teaching and learners and other costs driven by student numbers.
tertiary education organisation	TEO	Is any organisation that supplies any of tertiary education, training, and assessment services.
Tertiary Education Commission	TEC	Leads the Government's relationship with the tertiary education sector and provides career services from education to employment.



## Appendix B: Programme Strategic Risks

Risk theme	Risk description	Management strategy	Inherent Likelihood	Inherent Impact	Inherent Score	Residual Likelihood	Residual Impact	Residual Score
Workforce disruption	If workers are uncertain about how they are impacted or workforce transition is not well managed then there may be significant disruption across the vocational education workforce impacting delivery and confidence in the reforms.	Clearly communicate the reasons for reform. Include ITPs and ITOs in implementation planning, and ensure robust and proactive support for employees. Work closely with ITOs on a managed transition for their staff.	5 Almost Certain	5 Extreme	25 Extreme	4 Likely	5 Extreme	20 Extreme
Participation in vocational education drops	If the reforms create uncertainty for learners then domestic and international participation in vocational education may reduce.	Targeted engagement and communications to domestic and international education stakeholders to clarify what is changing and provide reassurance of continued delivery. Focus on setting up capability in critical industries first. While it is possible to mitigate against this risk to a certain extent, a short term drop in training volumes should be expected due to uncertainty during the reform period.	5 Almost Certain	4 Major	20 Extreme	4 Likely	4 Major	16 High
The needs of industry and employers are not met	If industry and employers do not support the changes, then employers may disengage (and enrol fewer trainees and apprentices in training), media attention may be negative, and implementation will be challenging.	Ensure clear, ongoing communication of the goals of the reform, how they will be achieved, and how risks will be managed. A carefully planned transition and adequate funding to drive good outcomes that meet employer needs. ITOs and other industry bodies will be included in the design and implementation process. Emphasise the expanded roles for WDCs in leadership and standards-setting.	5 Almost Certain	5 Extreme	25 Extreme	3 Possible	5 Extreme	15 High
The needs of regions are not met	If regions lose confidence that vocational education will meet their needs (eg due to an overly centralised approach) then media attention may be negative and implementation will be challenging.	Strong stakeholder engagement will be in place to identify and address risks and issues early. Establish Regional Leadership Groups to represent regional employer, iwi, and other interests.	5 Almost Certain	5 Extreme	25 Extreme	3 Possible	5 Extreme	15 High

Risk theme	Risk description	Management strategy	Inherent Likelihood	Inherent Impact	Inherent Score	Residual Likelihood	Residual Impact	Residual Score
Programme expertise cannot be sourced	If the programme cannot source the level of expertise required for a complex programme of this nature then the quality of work may be sub-optimal and there may be failure to meet deadlines.	Ensure investment in the reform programme is sufficient to enable appropriate resourcing. Specialist transformation expertise will be brought in to support the programme. Some international expertise is anticipated, recognising that capacity and capability in the NZ market for a change of this magnitude may be constrained.	4 Likely	5 Extreme	20 Extreme	3 Possible	5 Extreme	15 High
Programme governance or approach is not fit for purpose	If there is unclear decision-making and/or inability to get timely decisions then there may be delays in programme delivery and confidence and license to operate will be lost.	Establish strong governance and programme management. Strong assurance arrangements to challenge and provide assurance that the programme can be successfully delivered.	4 Likely	5 Extreme	20 Extreme	3 Possible	5 Extreme	15 High
Inter-dependencies make accountability challenging	If one aspect of the reform depends upon another aspect for their success (e.g. unified funding) then it may be challenging to hold specific programmes and projects to account for delivery of outcomes.	Establish strong governance and programme management (overall accountability and inter-dependencies to be addressed). Tracking of dependencies that impact delivery of the reforms as a whole. Reprioritisation and re-sequencing where required to maintain the integrity of the reforms as a whole.	4 Likely	5 Extreme	20 Extreme	3 Possible	4 Major	12 High
Delays to legislation	If the stakeholder engagement required as part of the legislation process takes more time than anticipated then there will be delays in establishing the NZIST.	Strong stakeholder engagement will be in place to identify and address risks and issues early. Contingency plans will be developed that can be deployed in the case of any delays.	4 Likely	5 Extreme	20 Extreme	3 Possible	4 Major	12 High
Uncertainty regarding costs and/or benefits	If the programme's costs and benefits are uncertain, then the business case may be invalid, change costs may be higher than expected, and benefits may not be realised.	The programme is at a very early stage, so much uncertainty still exists. Therefore, the costs and benefits are indicative at this stage and a low-high range has been applied. Analysis and design work in tranche 0 will inform the refinement of costs and benefits, and the business case will be updated accordingly.	5 Almost Certain	5 Extreme	25 Extreme	3 Possible	4 Major	12 High



Risk theme	Risk description	Management strategy	Inherent Likelihood	Inherent Impact	Inherent Score	Residual Likelihood	Residual Impact	Residual Score
The Māori-Crown relationship is not effective	If the reforms do not meet the needs of Māori and iwi then Treaty obligations may not be met and Māori learners or industries may be underserved.	<p>Meaningful consultation with Māori and iwi will occur throughout the process.</p> <p>Considered design of the legislation, governance and steering arrangements to ensure that the new entities are responsive to Māori.</p> <p>Legal requirements on the NZIST to ensure responsiveness to Māori.</p>	3 Possible	5 Extreme	15 High	2 Unlikely	5 Extreme	10 Medium
The needs of traditionally underserved learners are not met	If important perspectives do not receive the attention they deserve then the needs of underserved learners (especially Māori, Pacific, and disabled people) may not be adequately addressed.	<p>Establish a clear commitment to engage with priority groups to ensure that officials and the establishment bodies continue to build an understanding of their needs and how to address them in the more detailed policy and implementation work to come.</p> <p>Use the powers of the Minister to prioritise the needs of these stakeholder groups through the Tertiary Education Strategy and funding levers, building requirements for representation and responsiveness into the establishment of the ITP, WDCs, and RLGs, and the adoption of enabling legislation that allows consultation on or co-design of many implementation issues.</p>	3 Possible	5 Extreme	15 High	2 Unlikely	5 Extreme	10 Medium
The new operating model does not achieve the desired outcomes	If the scale of change means it is difficult to align all parts of the system or the reform is seen as merely an organisational restructure, then the desired outcomes will not be achieved.	<p>Ensure reform-related activities are sufficient funded.</p> <p>Key messages will emphasise that the changes go beyond organisational form and that a much broader set of capabilities is required for the reforms to be successful.</p> <p>Increased provision for government monitoring and intervention in the consolidated ITP to address performance risks.</p> <p>Directional instruments such as a Charter, Statement of Intent, letters of expectations and funding will be used to guide the culture, organisation and priorities of the consolidated ITP in keeping with the objectives of the reform.</p>	4 Likely	5 Extreme	20 Extreme	2 Unlikely	5 Extreme	10 Medium

## Appendix D: Critical success factors

Critical success factor	Broad description	Proposal-specific critical success factors
Strategic fit and business needs	How well the option meets the agreed investment objectives, related business needs and service requirements, and integrates with other strategies, programmes and projects.	Alignment to the overall outcomes and objectives sought from RoVE
Potential value for money	How well the option optimises value for money (ie, the optimal mix of potential benefits, costs and risks).	How well the option delivers an improvement in educational outcomes, with a particular focus on improving education outcomes for learners and disadvantaged learners How well the option improves the efficiency and sustainability of the ITP sector
Supplier capacity and capability	How well the option matches the ability of potential suppliers to deliver the required services, and is likely to result in a sustainable arrangement that optimises value for money.	Support from stakeholders in a particular region Market capacity of transformation and change providers with experience in the education sector Readiness of the sector to deliver change
Potential affordability	How well the option can be met from likely available funding, and matches other funding constraints.	How affordable the option is for the Crown, both over the short and long-term
Potential achievability	How well the option is likely to be delivered given the organisations ability to respond to the changes required, and matches the level of available skills required for successful delivery.	Feasibility of proposed option Practicality of achieving the option within the programme's particular time constraints

## Appendix E: Options long-list and discussion of dimensions

### Discussion of the dimensions

#### *Choices for establishing an NZIST*

With regards to choices for establishing a new NZIST, there are broadly four structural options to deliver the identified benefits based on a continuum of centralisation of core activities.

- Model A: In this model, there is a small, thin head office that sets strategy and monitors the overall performance of regional operations, and the regional operations and head-office largely operate in a parent/subsidiary model..
- Model B: This model is similar to Model A, but in this option, there are fewer regional operations than at present and programmes are developed centrally.
- Model C: In this model, there is a head-office which has a stronger degree of control over regional operations, but there is a substantive regional presence and sufficient financial delegations for regional heads to make decisions.
- Model D: In this model, most activities are performed centrally. This would include consolidating most revenue and expense, and having less substantive local or regional operations.

It is important to note, however, that structural reform on its own will not return the ITP sector to sustainability. Whilst structural reform can help reduce some cost and improve the overall effectiveness of the sector, reforms and changes to the broader vocational education system are required in order to fully achieve the outcomes sought from the reforms. However, ITP structural reform can help provide a platform upon which further changes to the vocational education system can be made.

#### *Choices for establishing WDCs*

In the present system, the leadership role in regards to coordinating industries requirements to address future skill needs, set expectations about the skills and competencies for learners is provided by ITOs. With the establishment of an NZIST which performs a significant component of existing ITO activity, these remaining capabilities will need to be provided by a new type of organisation, the WDC(s).

Four structural models for the establishment of WDCs have been identified and considered as per the following:

- Choice 1: a single WDC with sub-committees for different industries (or groups of industries),
- Choice 2: several WDCs with a wide area of coverage established with some direction from government (through levers such as funding, recognition by the Minister based on coverage and support criteria, and evidence of capability),
- Choice 3: 11 WDCs replicating existing ITO structures, or
- Choice 4: many WDCs which are formed through self-organisation of industries.

The options for the WDCs have been assessed in terms of how each model addresses the policy issues and supports the outcomes of RoVE, and how stakeholders (industry, employers, learners, iwi) are likely to engage with each model.

### **Choices for managing the transition of arranging and delivering training capability from ITOs to WDCs, the NZIST, and other providers**

In addition to assessing and determining the future form of the NZIST and WDC, the manner in which arranging and delivering training capability from ITOs is transitioned to providers also needs to be considered.

Five options were developed that were considered viable for transition. These options broadly differed in the degree to which the process is managed by the Crown.

- A provider-led transition, where providers support employers and learners. At the outset of this approach, ITOs would continue to arrange training through contracts with providers.
- An industry-led transition, where WDCs are established and the WDCs transition training to separate providers.
- A partially-managed transition, where apprentices and trainees in specific industries are transferred to a TEI, and the remaining provision to other providers, as per the industry-led transition approach.
- A managed transition through a holding company, where the 'arranging training' component of ITOs was transitioned to a holding company in preparation for transfer to providers.

- A lift and shift to a TEI, where all capability for arranging and delivering training was transferred to a single TEI.

### **Choices for the role of regional leadership groups**

There was some discussion during the consultation phase on the potential role that RLGs could play as part of the new system. Effectively, the main choices for the role that the RLGs could play are:

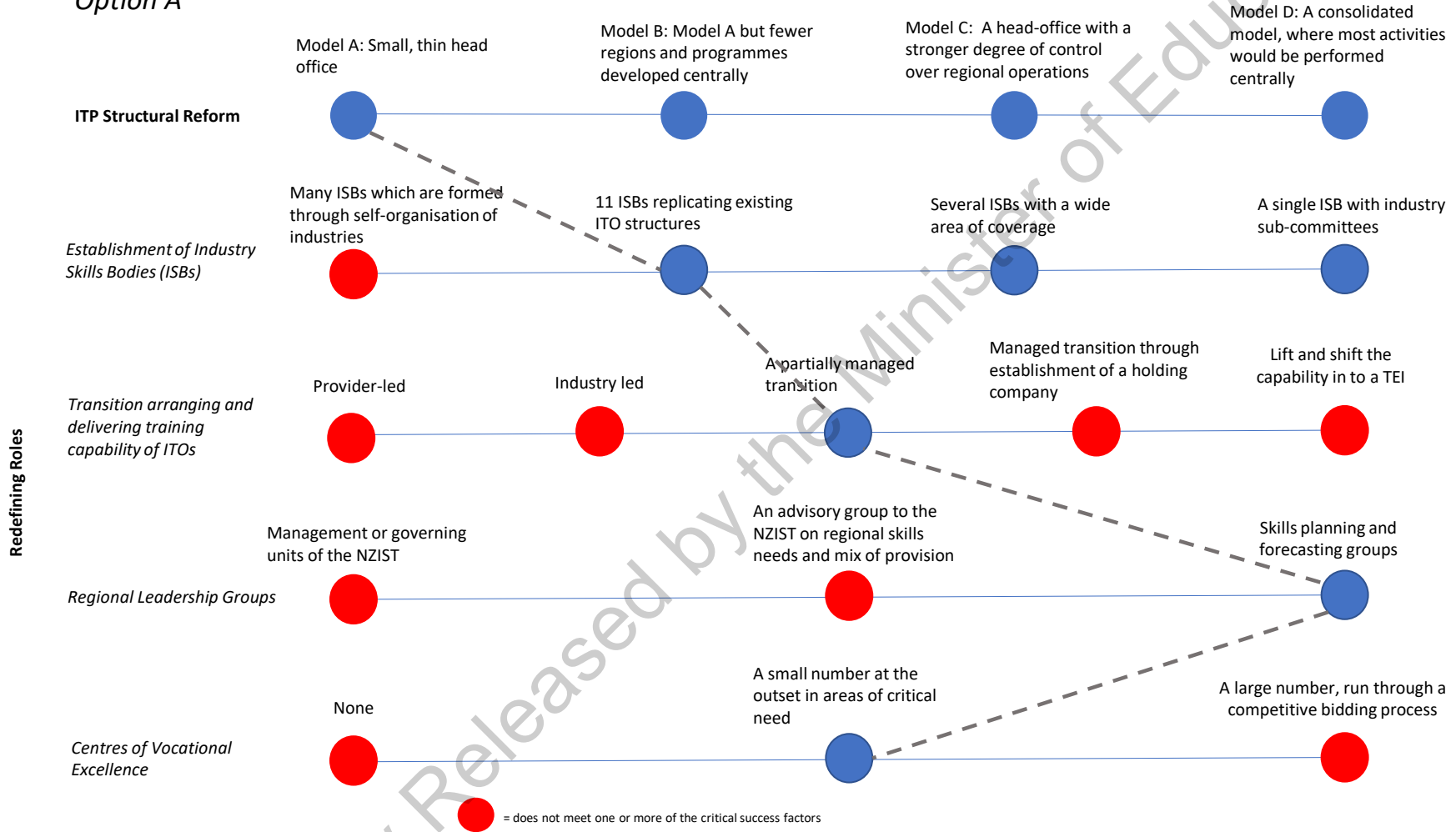
- an advisory group to the NZIST on skill needs and mix of provision provided by the NZIST in the region
- a management or governing unit of the NZIST
- skills planning and forecasting groups, with a focus on skill needs, training, and mix of provision for all vocational education in a region

### **Choices for the number of centres of vocational education**

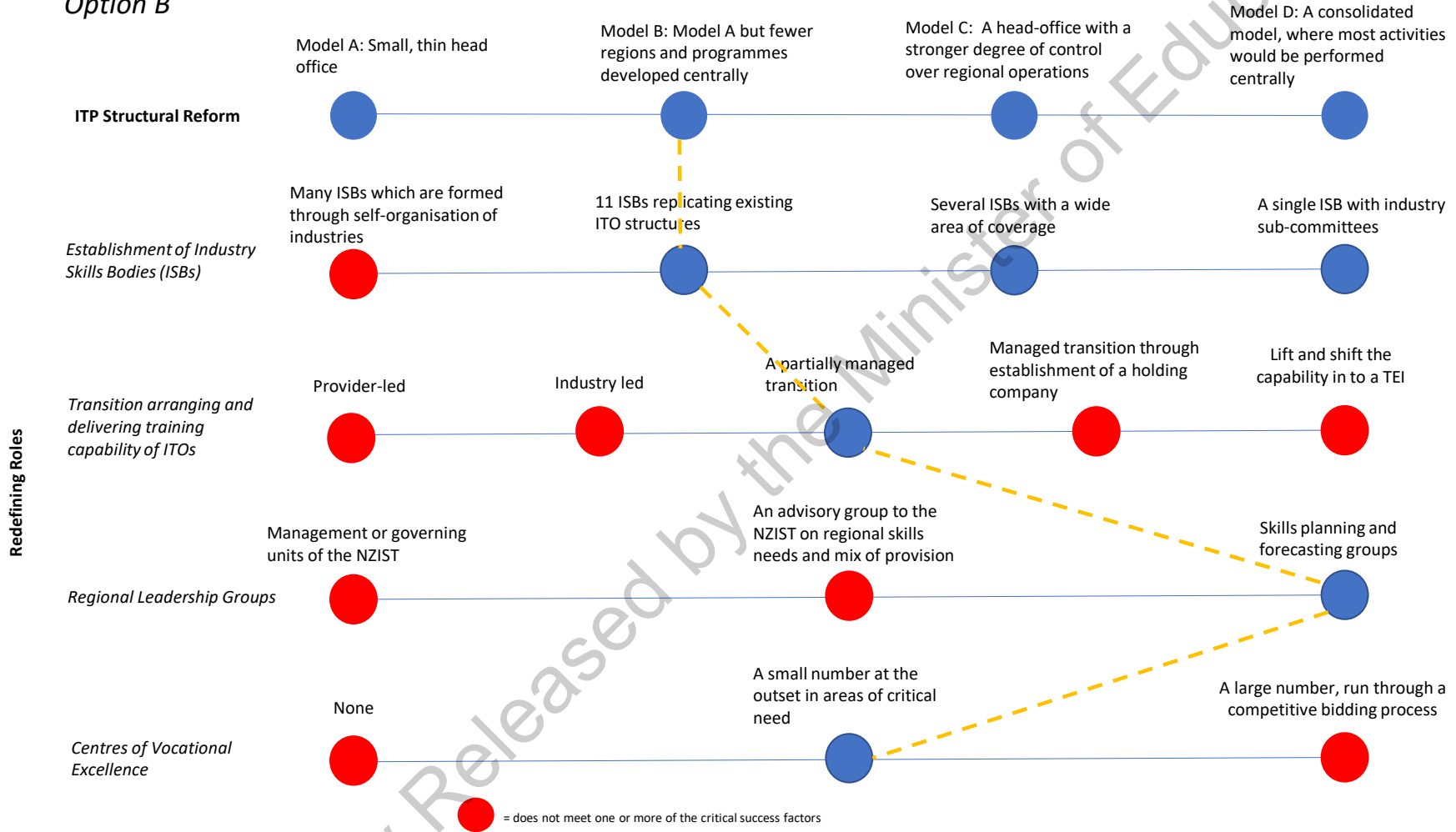
Finally, there are choices on the number and rollout approach for centres of vocational education (CoVEs) across the system. These choices mainly are to have:

- no CoVEs
- a small number at the outset in areas of critical need
- a large number, run through a competitive bidding process

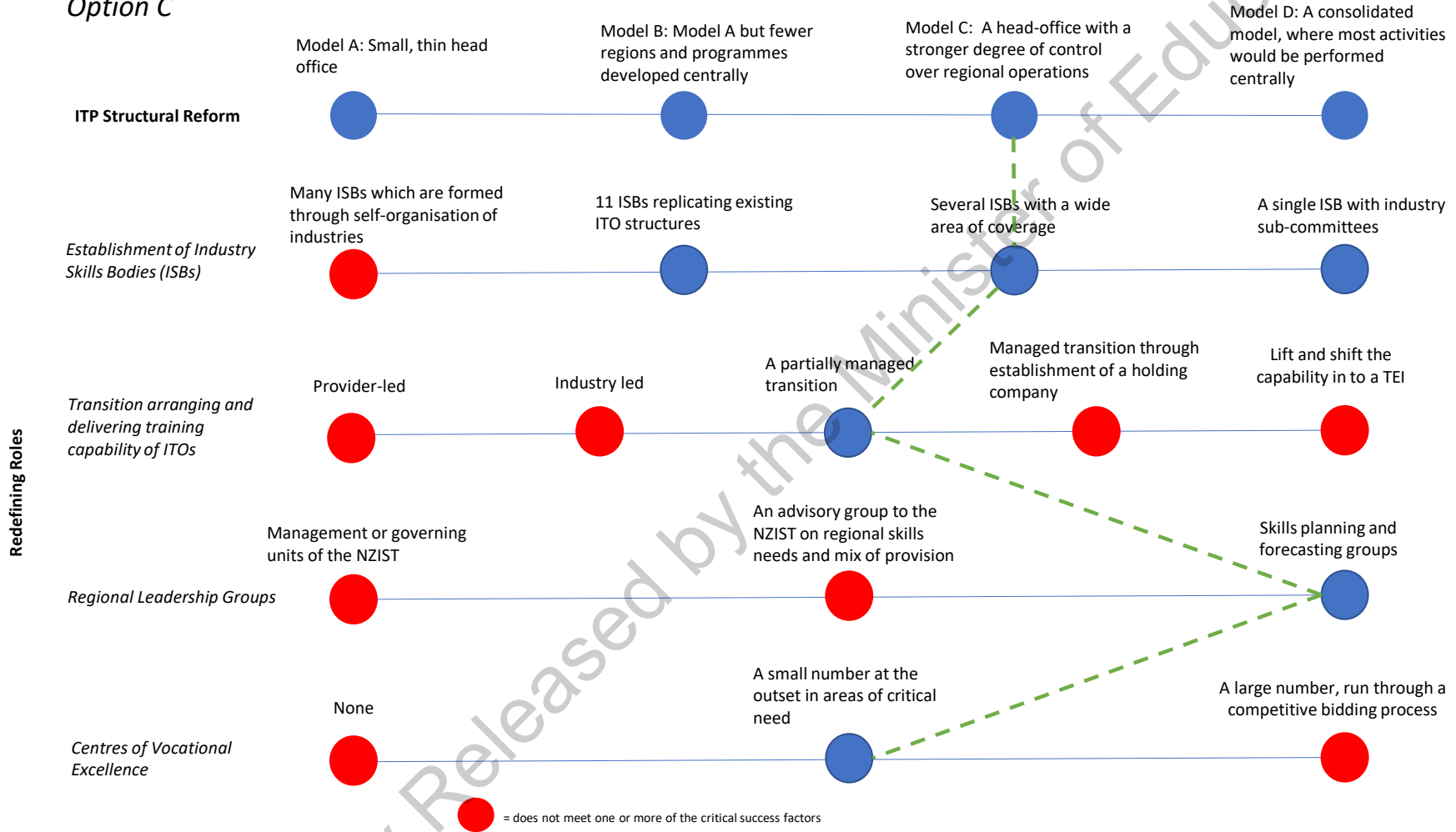
## Option A



## Option B

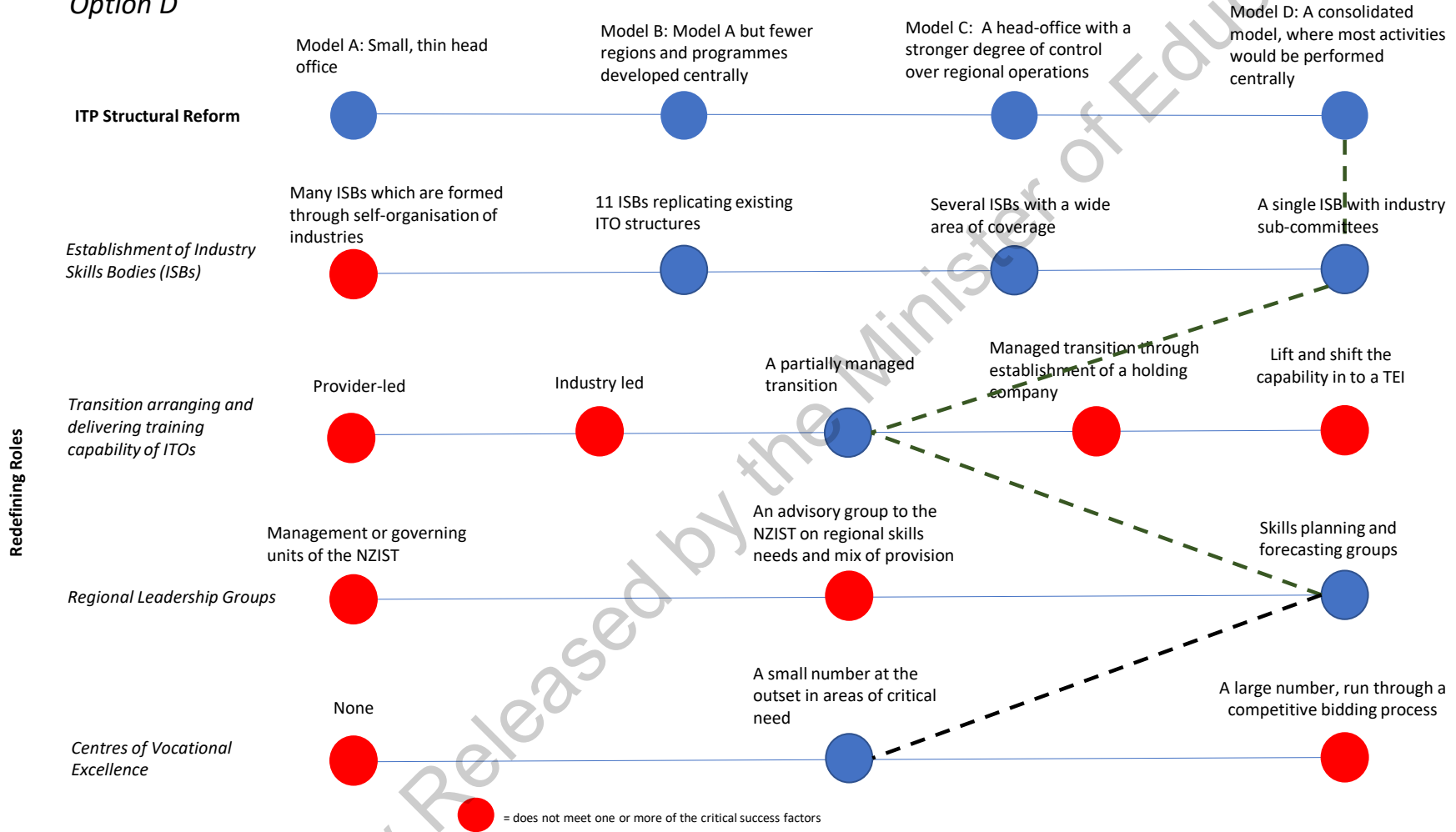


## Option C





## Option D



## **Appendix F: Financial tables**

*<Annexes for detailed financial tables are available on request >*

Proactively Released by the Minister of Education

# Appendix G: Change management roadmap

