

## Aide-Memoire: TEC budget for VET re-design implementation

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<b>To:</b>	Hon Penny Simmonds, Minister for Vocational Education
<b>From:</b>	Tim Fowler, Chief Executive
<b>Date:</b>	31 July 2025
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### Purpose

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1. The purpose of this document is to provide a comprehensive overview of the TEC's budget for the vocational education and training (VET) re-design implementation, including expected costs, funding sources, and financial implications for TEC over the 2025/26 and 2026/27 fiscal years.
2. Cabinet made key decisions on the design of the VET system in June. Now that Cabinet has made its key decisions and implementation planning can be progressed, the budget for the programme has been more accurately scoped.
3. The TEC five-year strategic financial plan (SFP) assumes a spend of 9(2)(i) in 2025/26 and 9(2)(i) in 2026/27 on the implementation of the VET re-design programme. This expenditure is sourced from the 9(2)(b)(ii) from the RoVE programme and currently sits on the TEC operating balance sheet.
4. The implementation budget is now forecast at 9(2)(b)(ii), which includes a 9(2)(b)(ii) contingency to manage any risks.
5. We have prepared an updated budget (Appendix A) based on current assumptions. The forecast budget has the majority of the work and related spend 9(2)(b)(ii), 9(2)(i) (contingency) occurring in the 2025/26 financial year. As the extent of some of the work is still unknown, we have taken a conservative approach in preparing the forecast and built in a significant total contingency of 9(2)(b)(ii).
6. Cabinet approved a tagged Te Pūkenga contingency of \$157 million as part of Budget 2024. This contingency provides for VET redesign costs and an allowance for agency implementation costs. While TEC's implementation work, could justifiably be funded from this contingency, the approach outlined in this paper offers a way to fund the implementation work without resorting to the tagged contingency in the first instance and preserves the \$157 million.
7. We recommend that this aide-memoire is proactively released in full.

## Our revised budget captures the full scope of activity and realistic expectations around resource requirements

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8. Earlier work on the forecast focussed on how the 9(2)(i) of RoVE funds would be used. This focussed on the implementation of the first tranche of establishments only, namely the Industry Skills Boards (ISBs) and institutes of technology and polytechnics (ITPs), due to be stood up on 1 January 2026. Therefore, the significant majority of this cost was forecast in the first half of 2025/26.
9. With Cabinet decisions now made we have amended our scope for this work to include the implementation of all successor organisations and disestablishment of Te Pūkenga, which increases the work through the rest of 2025/26 and into 2026/27. A more detailed analysis of how to support the establishment of the new organisations and the implementation of the new systems, has identified the need to engage additional expert support for some of the work. Examples include, financial modelling, recruitment services, specialist HR advice, and legal advice.
10. The scope of the work has increased slightly since our first forecast, with additional activities requiring more specialist support for new elements of scope, such as the detailed development of the Federation model and the need for increased external resources to support financial analysis and establishment of the new ISB operating models. For example, we have assumed in the forecast the costs of the ISB and ITP members board fees to be 9(2)(i) million and the recruitment costs of the 9(2)(i).
11. The scope of work means we have budgeted for twelve roles (refer to Appendix A) on the programme, six of whom are internal staff (not charged to the programme) and six external. Additional specialist advice and capability (legal etc) will be brought in periodically as the need arises.

## The cost of the VET re-design can be funded from TEC operating reserves, 9(2)(b)(ii), 9(2)(i) ...

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12. TEC's Board approved budget for 2025/26 shows a 9(2)(b)(ii). When this budget was generated, we had factored 9(2)(b)(ii) of VET implementation cost into the budget. Since that budget was agreed, some changes in assumptions created additional savings. We diverted these savings towards the VET re-design, which has increased funding allocated in our plans to 9(2)(b)(ii), 9(2)(i).
13. The forecast expenditure in 2025/26 is 9(2)(i) (including contingency). Therefore 9(2)(a) 9(2)(i), 9(2)(b)(ii) will be needed. This would result in TEC 9(2)(b)(ii) of 9(2)(b)(ii).
14. The planned programme expenditure in 2026/27 is 9(2)(i) including contingency, which is already factored into planning, and under current assumptions will be funded from TEC reserves.
15. This will mean that the total VET implementation cost forecast for 2025/26 would be 9(2)(b)(ii) million plus the 9(2)(i) in contingency 9(2)(b)(ii) in 2026/27 including 9(2)(b)(ii) of contingency.
16. There is a degree of conservatism in the financial modelling for the programme spend and we will have a much more accurate understanding of the actual burn rate and total forecast spend when we do the quarter one reforecast in September. This will give us the opportunity to have a more accurate forecast and will give us the ability to amend the forecast if required at that time.

9(2)(b)(ii)

17. The Government established a contingency of \$157 million in budget 2024 to support activities related to the VET re-design. On 30 June 2025, Cabinet authorised the Minister of Finance and the Minister for Vocational Education to jointly approve drawdowns from the Te Pūkenga contingency up to stipulated amounts.

18. As described above, we will manage any increased costs as much as possible from within the programme budget by careful management of any underspends and prudent decision making.

9(2)(b)(ii)

19. 9(2)(ba)(i)



**Tim Fowler**

Chief Executive

Tertiary Education Commission

31 July 2025

**Hon Penny Simmonds**

Minister for Vocational Education

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## Appendix A

### Detailed Forecast

Estimated cost (\$ million)	2025/26	2026/27	Total cost
<b>Project Team</b>	9(2)(b)(ii)		
Internal Staff *			
Programme Manager			
Senior Business Analyst			
Specialist Advisor			
Specialist Advisor			
Principal Advisor			
External Resources			
Principal Advisor			
Project Coordinator			
Project Manager			
Project Documentation			
IQA			
Financial IQA			
<b>Project Team Total</b>			
<b>Specialist Services</b>			
CE Recruitment Costs for ITP's and ISB's			
Interim CE Costs			
Legal Advice			
Tax/Financial Analyst Advice			
Financials Support for Federation Model			
Council Appointments / Search Costs			
Specialist Capability for ITP Bespoke Solutions			
<b>Specialist Services Total</b>			
<b>ISB Establishment</b>			
Establishment Unit Lead *			
HR Lead			
Specialist Financial Advisor			
Secretariat / Support			
Shared Services Set Up / Support			
Network of Work Based Learning (WBL) Provision			
EAG Fees **			
Travel Costs			
<b>ISB Establishment Total</b>			
<b>ITP EAG Support</b>			
Secretariat / Support *			
Secretariat/Support			
EAG Fees (Tranche 1) **			

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Travel (Tranche 1)	9(2)(b)(ii)
EAG Fees (Tranche 2) **	
Travel (Tranche 2)	
<b>ITP EAG Support Total</b>	
<b>Total Forecast</b>	
Contingency	
<b>Total Cost including Contingency</b>	

\* Where the Programme forecasts to utilise internal TEC staff (who are not backfilled), the cost is covered within the TEC baseline and so the cost to the Programme is nil

\*\* The fees for Establishment Advisory Group's have been assumed on the new Cabinet Fees Framework (increased by 30%)