

Briefing Note: Summary of our discussion with you on 31 May 2021 about the learner success component of the Unified Funding System

To:	Hon Chris Hipkins, Minister of Education		
Date:	3 June 2021	Priority:	Medium
Security Level:	In Confidence	METIS No:	1261676
Drafter:	Kiri Heel	DDI:	044632541
Key Contact:	Andy Jackson	DDI:	044638633 s 9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

The purpose of this paper is to summarise our discussion with you on 31 May 2021 about the learner success component of the unified funding system.

Summary

1. We will focus further work on a straightforward “top-up” approach to allocating funding via the learner success component, with strong performance expectations and rewards used as the primary mechanism to shift TEO behaviour and improve outcomes for learners.
2. We will provide you with an Education Report soon setting out our advice about how this could be designed.

Proactive Release

- a **agree** to proactively release this education report within 30 days of Cabinet decisions being made, with any redactions in line with the provisions of the Official Information Act 1982.

Agree Disagree



Andy Jackson
Deputy Secretary
Te Ara Kaimanawa
Ministry of Education

03/06/2021



Gillian Dudgeon
Deputy Chief Executive
Delivery Directorate
Tertiary Education Commission

03/06/2021



Hon Chris Hipkins
Minister of Education

23/ 6 /2021

Proactively Released

Background

1. On 17 May 2021 we provided you with an Education Report about the learner success component of the unified funding system (METIS 1257567 refers). The report was a comprehensive briefing of our work on the learner success component over the past few years.
2. The report set out two key options for the high-level policy design of the component: option one proposed deriving funding from enrolments of priority learner groups, and option two would have involved deriving funding from an Equity Index for VET.
3. We discussed this report with you at the regular agencies' meeting on 31 May 2021. This briefing note summarises the discussion.

Summary of the discussion

3. You indicated that you do not want to proceed with an Equity Index. You also indicated that you do not feel the priority learner approach we set out sufficiently links funding to actual learner need.
4. You indicated a preference for a straightforward "top-up" approach to allocating funding via the learner success component, with strong performance expectations and rewards used as the primary mechanism to shift TEO behaviour and improve outcomes for learners.
4. Regarding how funding would be allocated, you indicated that:
 - a. funding could be a simple proportional top-up for each TEO based on the rest of their UFS funding
 - b. you would like to consider further whether some funding could be based on learners with low prior achievement regardless of their age.
5. We will come back to you to confirm details of how we calculate learner success component funding, including how to transition from current Equity Funding to the new approach.
6. Regarding measuring performance, you indicated that:
 - a. performance measurements could be determined based on criteria, rather than formulas
 - b. flexibility to shift priorities over time is important – e.g. performance criteria could target a particular problem for a couple of years, then shift to another problem
 - c. there should be KPIs
 - d. the approach could be tailored through the Investment Plan negotiation process
 - e. in setting performance expectations for TEOs, TEC should include a focus on success for key learner groups including Māori and Pacific learners.
7. You also indicated you would like to consider further advice on a separate fund for disabled learners.

8. You asked to see information about the whole unified funding system, so that you can understand how the component parts relate. In particular, you would like modelling that shows how funding would be applied across the three components. As an example, you indicated that you cannot agree the proportion of funding for the learner component until you can see it in context of the rest of the unified funding system.

Next Steps

9. We will provide you with an Education Report soon setting out our advice about how the learner success component could be designed with a simple approach to allocating funding and with strong performance mechanisms.
10. The first phase of data modelling will be undertaken by October 2021, after two rounds of data collected from the sector. This modelling will allow us to advise you on high-level sector impacts and the percentage split between the UFS components, prior to Cabinet decisions.
11. In March 2022, after a full year of data, we will be able to confirm with you the final funding rates for the UFS in 2023. We require two years of data (2020 and 2021) to undertake modelling with a reasonable degree of accuracy, especially considering fluctuations in enrolments due to COVID-19.