**Education Report: Unified funding system - Choices about the funding categories component to support modelling**

| To: | Hon Chris Hipkins, Minister of Education | | |
|---|---|---|---|
| Date: | 26 August 2021 | Priority: | High |
| Security Level: | In Confidence | METIS No: | 1267373 |
| Drafter: | Hayley Robertson | DDI: | 9(2)(a) |
| Key Contact: | James Campbell | DDI: | |
| Messaging seen by Communications team: | No | Round Robin: | Yes |

## Summary and purpose of report

The funding categories component is intended to make up the larger part of the unified funding system (UFS), supporting learning according to broad costs of delivery by subject and mode. Key choices about how sharply it can target RoVE priorities will need to be made in light of modelling, to be provided in late September.

In the meantime, this report provides an update on the design of the funding categories component in light of stakeholder engagement and further analysis, and seeks your input on the design parameters to be included in the modelling. It also follows up on your recent feedback about the strategic component. If it is possible, your feedback on this paper by 3 September would allow us to reflect your decisions in the first stage of the modelling.

## Recommendations

The Ministry of Education and the Tertiary Education Commission recommend that for:

*The design of the funding categories component you*

a.  **note** that the funding categories component design is based on volume-based funding, reflecting broad variations in the cost of delivering an amount of learning (measured in credits) in different subjects and modes of delivery

b.  **note** that we have refined our approach to funding by mode based on sector feedback, and have created consolidated subject groupings and are working to refine them further

c.  **note** that we will continue to use EFTS and STMs while we work with providers to establish a common measure of learning for provider- and work-based provision

*An online / extramural mode you*

d.    **agree** that we take a phased approach to implementing an online mode to allow us to define and collect new data about online provision, and that an interim approach for 2023 uses the existing definition for "extramural delivery"

**Agree / Disagree**

*Learner eligibility for tuition subsidies you*

e.    **agree** that learner eligibility for tuition subsidies in the UFS should align with existing SAC learner eligibility requirements, which would:

    i.    remove eligibility for tuition subsidies for work-integrated learning for non-citizen, non-resident learners, with narrow exemptions

**Agree / Disagree**

    ii.    extend eligibility for tuition subsidies for work-integrated learning for people who are in the workplace who are not employees (e.g. volunteers, self-employed people and contractors)

**Agree / Disagree**

f.    **note** that officials will provide further advice on the design of an exemptions arrangement

*The employer-led mode and the learner success component you*

g.    **note** that providers will have a limited role in the employer-led mode, including no direct contact with learners and no role in directly supporting learning or wellbeing

h.    **agree** that the learner success component will not apply to the employer-led mode

**Agree / Disagree**

*Te reo and tikanga Māori provision you*

i.    **agree in principle**, subject to the results of modelling, to interim measures while the reviews of te reo Māori and mātauranga Māori funding and Te Hono Wānanga are underway, which would involve:

    i.    maintaining te reo and tikanga funding rates within the UFS at (or very close to) their current rates

**Agree / Disagree**

    ii.    funding extramural te reo and tikanga Māori provision at the same rate as face-to-face (i.e. exclude it from any extramural / online mode)

**Agree / Disagree**

j.    **note** that we will test this approach with the wānanga as the results of the modelling become clearer, to inform Cabinet decisions

*Treatment of other VET funds you*

**k.**    **agree** to withdraw the Qualifications Development Fund from 2023, and transfer its funding to the UFS

**Agree / Disagree**

l.　**note** that we propose to continue other related VET funds, such as Workplace Literacy and Numeracy and Centres of Vocational Excellence for the time being, and will provide further advice on Māori and Pacific Trades Training.

*Confirming the design of the strategic component you*

m.　**agree** that the strategic component will be made up of two elements:

　　i.　funding for Te Pūkenga to support it to meet its charter obligations to build a sustainable national network and to meet regional and national skills priorities

　　ii.　project funding available to wānanga, PTEs and universities to support them to meet national and regional skills priorities

**Agree / Disagree**

n.　9(2)(f)(iv)

o.　**agree** that TEC should set regional and national skills priorities for both elements of the strategic component, informed by advice from WDCs and RSLGs

**Agree / Disagree**

p.　**forward** this briefing to the Associate Ministers for Education

q.　**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**

**Vic Johns**
Policy Director
Te Ara Kaimanawa
Ministry of Education

26/08/2021

**Gillian Dudgeon**
Deputy Chief Executive – Delivery
Tertiary Education Commission

26/08/2021

**Hon Chris Hipkins**
Minister of Education

__/__/____

## Background

1. The unified funding system (UFS) consists of three components. You have recently taken decisions about the learner success component and the strategic component (METIS 1263885 and 1266423 refers). This paper focuses on the funding categories component, as well as responding to your feedback on earlier advice (see Annex 1 for the schedule of upcoming advice).

2. The first section sets out the design of the funding categories component based on our previous advice. We then seek decisions from you on key policy issues to help shape our modelling advice to you in September and October. Finally, we set out further advice about the strategic component to address your recent feedback.

## The funding categories component is based on three elements: amount of learning, subject, and mode of delivery

3. The high-level design of the volume-based elements of the UFS are summarised in the diagram below.

| **Funding Category Component Funding** | | | | | **Learner Success Component Funding** per EFTS/STM | | **Funding Per Learner** |
|---|---|---|---|---|---|---|---|
| *Subject Category Rate* | X | *Amount of Learning* | X | *Mode Multiplier* | + | = | |
| $ per EFTS/STM | X | Credits / 120 | X | Mode Multiplier | | | |

4. This design is based on your earlier decisions, that:

   a. The funding category component should be volume-based, with rates based on subjects and modes (METIS 1210568 refers).

   b. There should be four modes to reflect different roles for providers and employers in delivering learning, and we should investigate a fifth mode for online learning (METIS 1233742 refers). We also advised you on the development of a shared definition for a unit of funding (what we referred to as a "chunk"), the use of ratios to differentiate the funding rates across modes, and planned work to rationalise subject rates and apply them to industry training.

   c. We could do detailed policy and operational design with the sector from March 2021, including testing the online mode (METIS 1251762 refers).

5. This paper updates you on the work we have done, following sector engagement and information gathering, to refine this design. We have aimed to design a simple, transparent system that broadly reflects differences in underlying costs to TEOs and incentivises work-integrated learning.

6. We will provide advice in late September exploring rate-setting scenarios for the UFS. Amongst other things, this will be an opportunity test how the learner success component and the funding categories component operate together (some scenarios are likely to set funding category component rates lower than the current Student Achievement Component (SAC) or industry training rates).

7. The UFS relates to certificate and diploma provision in tertiary education (levels 3-7). Related work programmes address: secondary-tertiary education provision, learner

and employer contributions to VET, and fee and wage subsidies (ABI & TTAF). Work continues on all these; following the May strategy session on improving the provision and pathways of senior secondary VET, we have been preparing to undertake targeted sector engagement to inform options for change.

**Subjects: We have consolidated subject groupings and will test this in the modelling**

8. We have worked with the sector to explore the cost of different subjects in industry training. This has helped us identify some cost pressures in specific industries. But overall it is difficult to compare the current cost structures with the system we are trying to build. Therefore, we have mapped industry training provision to SAC course classifications as a proxy for cost. We are using this as the basis for a consolidated set of funding rates by subject.

9. Based on current SAC rates, subjects can be grouped into four broad categories (see Annex 2 for more detail).

| Table 1: Potential UFS subject groupings |
| --- |
| 1. Humanities, Business and Social Service Vocations |
| 2. Trades, Creative, Health-related and IT-based Vocations |
| 3. Engineering, Health, Primary Industry and Science-based Vocations |
| 4. Specialist Low-Volume, High-Cost Vocations |

10. There are currently 11 funding categories used for SAC at sub-degree, and 2 rates for industry training. Having a smaller number of subject groupings supports a simple, transparent system. A trade-off is that each group will have a greater range of delivery costs within it (compared to the current SAC system). As with our current system, TEOs would be expected to manage their costs through the flexibility provided by a bulk funding approach.

11. We are working to refine these categories further and will report back in late September. The work will include:

   a. Considering marginal cases – where broadly similar provision may sit across two categories, such as engineering, construction and other trades.

   b. Exploring how a specialist low-volume, high-cost delivery rate could apply to select subjects.

   c. Further disaggregating and mapping industry training data to SAC course classifications, including testing the approach further with transitional ITOs (and providers who have taken on ITO responsibilities), since their funding is not currently differentiated by subject.

12. Advice below discusses a separate rate for te reo and tikanga provision, which we would also include if you agree.

**Modes of delivery: we are refining our approach based on sector feedback**

13. The modes are designed to incentivise TEOs and employers to collaborate in delivering high-quality learning. We have refined them following sector feedback, largely to be clearer about the kinds of activities each mode seeks to support (see Annex 3). Some stakeholders have also suggested that some modes should have flat rates that are not adjusted by subject; we will test this further as part of upcoming modelling.

5

**Amount of learning: As an interim arrangement we will need to maintain different units of measure between provider-based training and industry training**

14. Under the current funding system, we have two different approaches to linking funding to an amount of learning. The two systems are both based on a full-time study load idea (120 credits equals to one full-time year). But in industry training we link funding to the time a learner is active in a programme and to credits a learner has achieved. In provider-based VET, we link funding to a learner's enrolment in a course. In the UFS, we will need to move to a single, consistent method for funding an amount of learning.

15. This is technically challenging, because it involves changing the "deep wiring" of the system: these different measures are the basis for separate data reporting and collection systems (SDR and ITR), which in turn provide different methods for calculating full-time-equivalent funding rates (EFTS and STMs).

16. As well as creating a consistent basis for administering the UFS, a single method is important for ensuring that what people learn is accounted for consistently regardless of their mode of learning. Amongst other things, this will allow providers to track progress if learners change provider or mode of learning.

17. TEC is working on changes to the current data collection system (funded through Budget 2021), and is currently looking at potential solutions. This system will be important for ensuring the UFS (along with monitoring and reporting) accurately reflects how learning occurs (especially work-based learning), reduces administrative burden, and provides flexibility to change over time. As part of any solution, it will be important to ensure it has the functionality to gain business intelligence and insights such as new performance measures and better tracking of learners through the system to ensure the UFS is supporting the broader outcomes of RoVE.

18. We intend to move to a shared unit as part of the new data system in the longer term. At least for 2023, we propose to continue using EFTS and STMs as the unit of funding as an interim solution. This provides time to work with providers on a shared unit, which is important to ensure that the necessary IT changes are robust and that there is time to work through any adjustments required to business systems (for example, to align the way providers record enrolments or learning progress).

## We are seeking decisions on five policy issues to help us progress modelling

19. This section focuses on five policy issues:

    a. developing a mode for online provision

    b. determining learner eligibility for funding

    c. applying the learner success component to the employer-led mode

    d. setting funding rates for te reo and tikanga Māori provision

    e. treatment of other VET funds.

**We propose a phased approach to implementing an online mode**

20. We have done further work on a separate mode for provider-based online learning in line with your earlier decisions (METIS 1233742 and 1251762 refer).

21. The aim of a separate provider-based mode for online learning is to reflect the cost of online delivery and ensure providers can continue to invest in online delivery

infrastructure. It is also important to consider price relativities with work-integrated learning, where much of the learning is supported by online tools.

22. Our initial work suggested that an online mode could be funded at a lower rate than the provider-led mode. We tested this proposal with key stakeholders, especially Te Pūkenga and Te Wānanga o Aotearoa who have significant extramural delivery.[1] We heard that online delivery is most cost-effective at scale (with some high upfront costs a feature of this delivery, as well as relatively frequent upgrade cycles). This reflects the limited data we have available.

23. As a result, some providers raised concerns about the potential impact on low-volume provision, in particular in niche provision in remote areas. Our view is that the UFS provides several mechanisms for addressing this: the strategic component for Te Pūkenga and wānanga, subject cost differentiation, and the flexibility offered through bulk funding. However, there are a few PTEs who deliver extramurally who will have much less flexibility to manage this shift. (We will analyse the effects on PTEs as part of modelling work in September).

*We have limited information about online provision, so we propose to start with an extramural mode while we refine an online mode further*

24. In the long-term, an online learning mode will require new data based on a refined definition. Amongst other things, it will need to be clear on the boundary with blended learning (i.e. a combination of online and face-to-face learning).

25. At the moment, the closest measure available is "extramural delivery". We recommend using this as an interim measure in 2023, so that the UFS can be designed from the start with a lower online rate. We would work to introduce a more refined measure for 2024. Whilst the extramural reporting is not perfect (some stakeholders reported inconsistent use of this field, and it is broader than an online measure would be, including other off-site provision such as marae-based/home-based with tutor visits), it is a reasonable proxy for a limited period.

26. The alternative is to delay the introduction of an online mode until 2024. We do not recommend this because making a separate (downward) shift for this rate separately from the other UFS changes would be challenging, and would limit the scope of what can be done for other modes in 2023.

27. On balance we think that the clear signalling of the UFS behaviour shifts this approach would send outweighs concern that the initial definition is only an interim measure.

**We propose changes to learner eligibility for tuition subsidies**

28. Earlier this year we provided you advice about eligibility for government tuition subsidies under the UFS (METIS 1249472 refers).[2] You agreed that we should explore the following changes with key stakeholders:

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[1] Other TEOs were: National Trade Academy, the New Zealand Skills and Education College, Primary ITO and Competenz.

[2] Currently eligibility for tuition subsidies for provider-based learners is based on being a domestic student as defined in the Education and Training Act 2020, while eligibility for tuition subsidies for industry training is based on being legally employed.

<ol type="a" start="1">
<li>removing eligibility to training subsidies for non-domestic learners, which would make employers responsible for funding training for these learners. You also asked us to investigate an exemption framework for 'national interest' training.</li>
<li>extending funding for work-integrated training to people in the workplace who are not employees, such as the self-employed, contractors and volunteers.</li>
</ol>

29. We discussed the proposals with targeted stakeholders.[3] They supported extending eligibility to people in the workplace who are not employees, and did not raise any new matters that would alter our original advice. However, they raised concerns about removing eligibility for non-domestic learners.

*Removing eligibility for non-domestic learners could have impacts…*

30. Stakeholders were concerned that removing public funding for non-domestic learners would lead to these groups not being trained (currently around 10-15% of industry trainees are 'non-domestic', they are mostly trainees rather than apprentices). There was also some concerns that employers would shift the costs onto trainees, and/or provide informal learning.

31. As a result, stakeholders were concerned about skill shortages, particularly in industries with a high number of non-domestic trainees at present (mainly primary industries and care and support, but there are also a high number of these learners in construction, manufacturing and food services). One stakeholder also raised concerns about training for the partners of skilled migrants, who are not work-tested at present. Stakeholders were also concerned about the impact on pathways to future employment and more long-term visas.

32. Stakeholders support an exemption framework for work that relies on overseas labour without the ability to readily access this from New Zealand, 9(2)(ba)(i) For all such workers training would be needed to enable them to carry out work within a New Zealand context.

33. Stakeholders also raised the need for grandparenting arrangements to mitigate the potential for non-completion of training for those learners already enrolled in training.

*…but it aligns with other Government priorities and the impacts could be managed through an exemptions framework*

34. We remain of the view that non-domestic learners should not be eligible for tuition subsidies. We consider the costs of work-based training should be employers' responsibility when hiring from overseas.

35. This view aligns with the Government's rebalance approach for immigration which aims to incentivise businesses to develop local workforces before seeking to source labour from overseas and to lift working conditions, improve the skills training and career pathways for workers, and contribute to greater productivity by encouraging investment in higher skill levels and technology. This will also help to reduce the economy's reliance on lower-skilled migrant workers while the flow of people across borders will remain uncertain, even after our borders are reopened.

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[3] We received views on the impacts of these two proposals from transitional Industry Training Organisations (BCITO, Primary ITO, Competenz, Skills Org, Skills Active, Careerforce, and Service IQ), Business New Zealand and the New Zealand Council of Trade Unions.

36. This eligibility change will also create a market for VET providers to charge international fees to work-based learners. This will help ameliorate the effects of the likely reduction in the international market for off-job sub-degree VET that will result from the immigration reset.

37. We consider that TEC will require some flexibility to provide funding where there is a public good. However, the criteria for such exemptions will need to be narrow, to ensure that provider-based international education is not undermined, and to minimise transaction costs for industry, providers and TEC. For example, we could explore principles like the NZ training must complement skills that can only be acquired overseas, and that these skills unlock wider benefits to New Zealand (e.g. by creating business opportunities that benefit New Zealand workers).

38. Note that we have consulted MBIE on these changes. They agree to the proposed changes to eligibility, but do not see a compelling argument for exemptions to be required for some jobs or groups of temporary migrant workers. MBIE also notes that the cost of administering an exemption regime is likely to be high and contentious relative to the small numbers likely to receive an exemption and the value of the training in question.

39. If you agree to proceed with our proposed changes to eligibility, we will work with TEC on an exemptions regime, and explore the feasibility of grandparenting arrangements for current non-domestic trainees.

**We propose that the learner success component should not apply to the employer-led mode**

40. The employer-led mode would support learners who are in employment and who receive support for their learning and wellbeing directly from their employer. Providers would have a limited role, focused on supporting learners' qualifications to be transferable, including quality assurance of assessment. This means that providers will have very little direct contact with learners.

41. Because of this approach, we do not recommend applying the learner success component to the employer-led mode. This approach would be simple, and recognises that providers would have limited opportunity to engage with and support learners in this mode.

42. The main alternative is to provide funding at a lower rate than provided for other modes (if it were provided at the same rate, it would be out of proportion with the rate we envisage for the employer-led mode). This would signal our expectation that learners be supported across all modes of study, but it would create a more complex system, with obligations on providers to ensure that employers engage with all learner support needs.

**We propose to maintain funding rates for te reo and tikanga Māori provision at (or close to) their current rates**

43. The scope of the UFS includes te reo and tikanga Māori provision at NZQF levels 3 to 7 (excluding degrees) [CAB-19-MIN-0354 refers]. Currently, 8,690 EFTS of this provision would fall within the UFS. Just over 99% of these are funded at the lowest funding rate ($6,408 per EFTS in 2020), meaning the 2020 value of delivery of these EFTS was approximately $55.7 million (roughly 7% of all UFS funding). Most of these EFTS (7,660 or 88%) were delivered by wānanga.

44. There are two related ongoing reviews:

a. A review of **funding for te reo and mātauranga Māori** across all levels of tertiary education is on a different timeline to the UFS. We expect to provide Ministers with initial advice in the coming weeks, including a proposed approach to engage with the sector to better understand funding priorities and challenges, and opportunities for change.

b. **Te Hono Wānanga** recognises the unique role and functions of wānanga and aims to develop a funding system that better supports these functions.

*There are challenges with including te reo and tikanga Māori provision within the UFS*

45. If te reo and tikanga Māori provision is funded at the same rate as other provider-based humanities provision, the rate is likely to be lower than the current rate. This is because prioritising funding for work-integrated learning as well as providing funding for the learner and strategic components will likely result in a decrease to "headline" funding rates for most provider-based study.

46. A reduction in funding rates would be at least partially compensated for by the addition of the learner success component, but this funding would not be distributed evenly over all providers. Further, the design of the strategic component is focused on vocational skills needs and seems unlikely to significantly support te reo and tikanga Māori provision.

47. This risks exacerbating existing funding concerns in relation to te reo and tikanga Māori provision, undermining the funding reviews for these subjects as well as relationships with Te Tiriti o Waitangi partners such as the wānanga.

*We propose maintaining existing funding rates as an interim step*

48. We consider that it is important to at least maintain "headline" funding rates for te reo and tikanga Māori provision in the interim while we progress potential longer-term changes as part of the review. Any reduction in funding rates, even if they are only temporary pending the outcomes of the review, would risk undermining the broader review. In addition, te reo and tikanga Māori provision is different from most of the provision funded through the UFS, in that it is not primarily vocational, and hence the incentives for work-integrated learning are not central to its design.

49. We propose, subject to the results of modelling, to maintain funding rates for te reo and tikanga Māori provision at (or close to) their current SAC funding rates. This would likely result in them being in a different funding category from other humanities subjects, either grouped with other subjects in the funding category above or in their own funding category. (For example, Annex Two groups te reo and tikanga Māori provision with trades, creative, IT and health-related vocations). The learner success component would also apply to this provision (as with other UFS provision), providing a consistent approach to learner support.

50. To support this interim approach, we also recommend that this provision should be excluded from an online mode. This is because a substantial part of te reo and tikanga Māori delivery is extramural, and the online mode would be funded at a lower rate. (Also, Te Wānanga o Aotearoa offers extramural te reo Māori programmes with some marae-based or other community-based elements, which will require appropriate funding). Any decisions about the funding rates for online provision of te reo and tikanga Māori would be better considered as part of the funding review.

51. The interactions of these proposals is complex, and we will explore them further through modelling and report back at the end of September. Our initial analysis suggests that the cost of maintaining current funding rates should be manageable.

52. This approach is likely to mitigate concerns wānanga and other Tiriti partners may have about the impact of the UFS on funding for te reo and tikanga Māori provision. Subject to your in-principle agreement, we will undertake targeted engagement with wānanga to confirm their comfort with this approach.

53. Alternatively, we considered the option of removing te reo and tikanga Māori provision from the scope of the UFS, at least until the reviews are completed. This option would also maintain current funding rates and would remove risks associated with the perception that the UFS is not designed to promote te reo or tikanga Māori provision. But it could create concerns that te reo and tikanga Māori provision misses out on the benefits of the learner success component. This approach would likely also be more complex, as a residual amount of te reo and tikanga Māori provision would continue to be funded through the UFS, where it forms part of a broader VET programme.

**Treatment of other VET funds**

54. There are a number of smaller funds that intersect with the proposed coverage of the UFS. These are:

    a. Qualification Development Fund

    b. Māori and Pasifika Trades Training (MPTT)

    c. Level 3 Youth Guarantee

    d. Workplace Literacy and Numeracy

    e. Centres of Vocational Excellence

55. We propose that the Qualification Development Fund should be withdrawn, and the funding allocated through the unified funding system. This fund provides $1 million per year for qualifications review and development. Its purpose has been overtaken by the establishment (and funding) of Workforce Development Councils.

56. We propose that the other funds continue alongside the UFS for the time being, but that we monitor the effects as the UFS is implemented. We want to ensure the UFS is performing before changing other funds, but in the long term we may need to address double-funding or overlaps in fund purposes.

57. MPTT is funded through a mix of SAC funding and separate funding elements (the fees-free top-up, brokerage rate, and consortium funding). UFS funding would replace the SAC funding element. We will do further work to explore simplifying this funding.

58. There is also an overlap issue for levels 1 and 2 training. Provider based level 1 and 2 training is excluded from the unified funding system while level 1 and 2 industry training is included. We propose maintaining this distinction while the review of foundation education is completed.

## Confirming the design of the strategic component

59. You recently indicated that you would like to introduce strategic funding in three areas: a dedicated strategic fund for Te Pūkenga, a separate project fund for other providers

(not Te Pūkenga or wānanga), and a third strategic fund for wānanga (METIS 1266423 refers). This section responds to your feedback.

60. You indicated that Te Pūkenga's ability to fulfil its goals and priorities should not be compromised by the uncertainty of contestable funding. Therefore, we propose that Te Pūkenga-specific funding should have a broader purpose to enable it *both* to build its national network of provision *and* to respond to national and regional skills priorities. Te Pūkenga would have flexibility over this funding to deliver on these dual priorities, with oversight from TEC through its usual mechanisms.

61. 9(2)(f)(iv)

62. Given this, we believe a separate fund for wānanga within the strategic component of the UFS would provide unnecessary duplication in the funding system. Instead, we propose that the project funding element could support proposals for funding from wānanga that relate to VET. This would mean that the funding would be open to wānanga, PTEs, and universities who deliver VET (but not Te Pūkenga).

63. For *both* Te Pūkenga-specific funding and project funding for other providers, we propose that their allocation will be informed by national skills priorities on advice from WDCs and RSLGs.

## Next steps

64. We have developed a model that generates potential funding rates for the UFS. As you make in principle decisions on the three components, we can refine the settings for the model. This helps to reduce the number of changing variables in our advice to you in September. The model also generates sub-sector and provider-level funding amounts, which helps us compare how funding could differ under the UFS compared to previous years.

65. We will develop a range of scenarios to discuss with you, and we will test the affordability of the potential funding rates if enrolment patterns change.

66. We will be receiving updated 2021 enrolment data shortly, and we will be able to begin reporting to you on the results of the modelling. This will support you to begin considering rates for the funding categories and learner success components, and the proportion of funding between the three UFS components. We will provide advice to you on this in September. If it is possible, your feedback on this paper by 3 September would allow us to reflect your decisions in the first stage of the modelling.

67. Following this work, we will provide a draft Cabinet paper in early October, aiming for Cabinet in November.

## Annexes

Annex 1: Sequence of key UFS decisions

Annex 2: Subject groupings and volume of delivery

Annex 3: Modes of delivery

## Annex 1: Sequence of key UFS decisions

**Sequence of key UFS decisions**

We need decisions before modelling on the key parameters of the UFS design, to lessen the number of permutations in the modelling.
There will be other pieces of advice adjacent to the UFS that will also require decisions from you.

**July**

Key Decision: base design
*Strategic Component Advice*
Late July

Key Decision: funding allocation methodology
*Learner Component Advice*
Late July

**August**

Key Decisions: performance measurements and consequences, 9(2)(f)(iv)
*Learner Component Advice*
Late August

Key decisions: eligibility, modes and multipliers, subject groupings, units, miscellaneous issues
*Funding Category Advice*
Late August

**September**

**Modelling**

Key decisions on shape, impacts, rates, and transition approach
Late September
Iterative advice, as we present options and provide more detailed modelling of impacts as a result of your decisions

**October**

Cabinet agreement to the detailed design of the unified funding system
Late November
Will inform TEC's Investment Guidance to the sector for 2023, released in December

**November**

**March 2022**

Key Decision: Setting the final funding rates for 2023
March 2022

# Annex 2: Subject groupings and volume of delivery (three subject groups + specialist category, 2020 volumes)

| | | | | Provider-based (EFTS) | | | | T-ITO-arranged (STMs) | | Sub-Total | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Humanities, Business and Social Service Vocations | SAC rate | Universities | Te Pūkenga | Wānanga | PTEs | NZAs ($5,294) | Trainees ($3,258) | | |
| 1 | A | Arts and Languages; Social Sciences; Management and Commerce; Health Therapies | $6,408 | 1,330 | 7,440 | 1,740 | 5,700 | - | - | 24,360 | 40,010 |
| | | Community Support Services; Recreation and Sport; Compliance and Security; First Aid | | - | - | - | - | 1,190 | 6,960 | | |
| | J | Business, Accountancy, Law; Computer Applications; Hospitality; Logistics | $6,408 | 490 | 5,540 | 1,890 | 3,780 | - | - | 15,650 | |
| | | Business, Finance, Retail, Real Estate, Hospitality | | - | - | - | - | 50 | 3,900 | | |
| **Trades, Creative, IT and Health-related Vocations; Te Reo and Tikanga Māori** | | | | | | | | | | | |
| 2 | B | Computer Science; Fine Arts; Design; Architecture; Health-related Professions | $9,803 | 210 | 3,360 | 720 | 2,180 | 10 | 0 | 6,480 | 41,880 |
| | I | Teaching | $9,732 | - | 40 | 40 | 40 | - | - | 120 | |
| | X | Te Reo and Tikanga Māori | ($6,408) | 200 | 540 | 7,660 | 300 | - | - | 8,690 | |
| | P | Building, Construction and related trades; Automotive Industry; Hairdressing; Cookery and Food Processing | $10,589 | 100 | 7,200 | 10 | 2,800 | 13,620 | 2,870 | 26,590 | |
| **Engineering, Health, Science and Primary Industry Vocations** | | | | | | | | | | | |
| 3 | L | Agriculture and Horticulture (inc. Forestry) | $11,015 | 100 | 2,070 | 340 | 550 | 1,890 | 2,470 | 7,420 | 24,400 |
| | V | Science | $11,461 | 540 | 1,890 | - | 790 | - | 20 | 3,240 | |
| | C | Engineering, Technology, Health Sciences | $11,785 | 40 | 1,390 | 20 | 850 | - | - | 12,650 | |
| | | Mechanical, Manufacturing and Fabrication Engineering; Electrical Engineering; Civil Engineering and Infrastructure; Maritime Engineering; Aviation Engineering | | - | - | - | - | 6,180 | 4,180 | | |
| | N | Priority Engineering (L5-6) | $13,076 | 40 | 770 | - | - | - | - | 810 | |
| | M | Pilot Training | $14,028 | - | - | - | 290 | - | - | 290 | |
| **Specialist Low-Volume, High-Cost Vocations** | | | | | | | | | | | |
| 4 | S | Foreign-Going Nautical | $19,501 | - | 120 | - | - | - | - | 120 | 150 |
| | H | Agriculture and Horticulture (L7) | $21,252 | 10 | 0 | 10 | - | - | - | 20 | |
| **TOTAL EFTS/STMs** | | | | 3,050 | 30,360 | 12,420 | 17,270 | 22,950 | 20,400 | | 106,440 |

**Notes:** T-ITO-arranged delivery has been mapped to SAC course classifications and funding categories and is subject to further testing and quality assurance. The inclusion of the 2020 funding rates shows how provision with broadly similar SAC funding (and costs) has been grouped – not to indicate potential UFS funding rates. Volumes are rounded to nearest 10.

# Provider role in each mode

**KEY**

MOST PROVIDER ACTIVITY → LEAST PROVIDER ACTIVITY

*Note: Updated Jan to include Distance column following further advice to the Minister , and refined July 2021*

| | Provider-led | 'Distance' – extramural mode *For testing only* | Work integrated for learners brokered into employment | Work integrated for learners who are employed | Employer-led |
|---|---|---|---|---|---|
| **BROKERING LEARNERS INTO EMPLOYMENT** | | | Provider works with employers to transition learners into work. Provider supports learner to establish their work and learning | | |
| **SUPPPORTING EMPLOYERS TO ENTER THE TRAINING SYSTEM** | | | Provider supports employers to identify training needs, assess employer's ability to train and identifies any additional training that may be need to augment employers capability | | |
| **DEVELOPING EMPLOYERS CAPACITY AND CAPABILITY TO TRAIN** | | | Providers support employers to develop their capability to train and where appropriate to provide and learning support and pastoral care | | Supporting providers to maintain their ability to train and provide learning support & pastoral care |
| **TEACHING AND LEARNING AND/OR RESOURCE PROVISION (WHICHEVER APPLIES)** | Deliberate acts of teaching and learning undertaken by providers at an education delivery site | Deliberate acts of teaching and learning delivered extramurally incl. technology enabled delivery | Providers responsible for ensuring that employers support skill acquisition and/or to support learners to undertake self-directed learning through resource provision | | |
| **LEARNING SUPPORT AND PASTORAL CARE** | Provider responsible for providing learning support and pastoral care | Provider responsible for providing learning support and pastoral care | Provider is responsible for ensuring learner receives learning support and pastoral care | | |
| **PROGRAMME DEVELOPMENT** | Providers working with employer bodies and the community to develop programmes to meet regional and national skills priorities | Providers working with employer bodies and the community to develop programmes to meet regional and national skills priorities | Providers work with WDCs, industry bodies and the community to develop programmes to meet regional and national skills priorities. Providers work with employers to tailor programmes to meet their specific skill development and where necessary develop learner specific training plans | | Employers have developed programmes to meet their skill requirements. Providers work with employers to map this training to NZQF and have the training accredited |
| **VERIFICATION** | | | Providers support employers to develop capacity for verification of skill acquisition and practice | | |
| **ASSESSMENT** | Provider is responsible for the quality of assessment. They may undertake the assessment, purchase it from an external assessor, or support employers to assess | | | | |