

## INFORMATION UPDATE

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### Indicative modelling of UFS delivery component: impact on rates of options for Pilot Training and Priority Engineering

#### **Rationale for Providing Information to Minister's Office**

In the *Education Report: Further advice on pilot training and priority engineering for the UFS* [METIS 1280994 refers] we indicated that options to set higher rates for Pilot Training and Priority Engineering would result in a reduction to other rates to make up this increased cost. This note responds to a request from your office to provide estimates for how each option to categorise and set the rates for these areas impacts the other rates. This will support your decision on the funding categories and approximate rates for Pilot Training and Priority Engineering, which is needed to inform final Unified Funding System (UFS) rates setting advice.

#### **Summary of the estimated impact on rates**

The table below shows the average reduction to the rates for each option on Pilot Training and Priority Engineering compared to the previous version of the rates you agreed to in response to *Education Report: Updated UFS modelling* [METIS 1276629] (option 2.2 provided in further advice). We have not included any deduction to the rates for extramural, assessment and verification or Te Reo Māori and Tikanga Māori as these are fixed rates. Annex 1 attached provides a detailed breakdown of the estimated rate changes for each funding category.

Option	Estimated cost	Average change to other rates
<b>Option 1:</b> Pilot Training at F4 (85% of SAC rate) and Priority Engineering at F3	\$0.7m	-\$10
<b>Option 2:</b> Pilot Training and Priority Engineering at F4 (85% of average SAC rate)	\$3.3m	-\$45
<b>Option 3:</b> Pilot Training at F4 (current SAC rate) and Priority Engineering at F3	\$1.4m	-\$20
<b>Option 4:</b> Pilot Training and Priority Engineering at F4 (average of current SAC rates)	\$5.5m	-\$75

The estimated rates provided are based on the current version of the UFS modelling tool. This will be further refined when we receive full year 2021 data and so the rates are indicative. This advice provides the approximate scale of the decreases to other rates that would result from a decision on the Pilot Training and Priority Engineering rates.

## Annex 1: detailed breakdown of updated UFS rates

### Option 1: Pilot Training at F4 (85% of SAC rate) and Priority Engineering at F3

The table below shows the impact on rates for the delivery component if Pilot Training is categorised at the new 'F4' rate and this is set at approximately 85% of the SAC 2021 rate and Priority Engineering stays at 'F3'. The 'cost' of this option is approximately \$0.7 million and the average change in rates is a deduction of approximately \$10.

Funding categories	Mode of delivery				
	Provider-based	Extramural	Work-based	Pathway to work	Assessment & verification
Humanities, Business and Social Service Vocations (F1)	\$5,440 (-\$7)	\$4,750	\$5,164 (-\$4)	\$6,252 (-\$6)	\$1,500
Trades, creative, IT and health-related vocations (F2)	\$8,704 (-\$12)	\$4,750	\$7,123 (-\$7)	\$8,863 (-\$10)	\$1,500
Engineering, Health, Science and Primary Industry Vocations (incl. Priority Engineering) (F3)	\$9,792 (-\$13)	\$4,750	\$7,775 (-\$8)	\$9,734 (-\$10)	\$1,500
<b>Pilot Training (F4)</b>	<b>\$12,114 (+\$2,309)</b>	<b>\$4,750</b>	<b>\$9,168 (+\$1,385)</b>	<b>\$11,591 (+\$1,847)</b>	<b>\$1,500</b>
Specialist Low-volume, high-cost vocations (F5)	\$16,320 (-\$22)	n/a	n/a	n/a	n/a
Te reo and Tikanga Māori (F6)	\$6,511	n/a	n/a	n/a	n/a

### Option 2: Pilot Training and Priority Engineering at F4 (85% of average SAC rate)

The table below shows the impact on rates for the delivery component if both Pilot Training and Priority Engineering are categorised at the new 'F4' rate at 85% of average SAC 2021 rates. The 'cost' of this option is approximately \$3.3 million and the average change in rates is a deduction of approximately \$45.

Funding categories	Mode of delivery				
	Provider-based	Extramural	Work-based	Pathway to work	Assessment & verification
Humanities, Business and Social Service Vocations (F1)	\$5,415 (-\$32)	\$4,750	\$5,149 (-\$19)	\$6,232 (-\$26)	\$1,500
Trades, creative, IT and health-related vocations (F2)	\$8,664 (-\$52)	\$4,750	\$7,099 (-\$31)	\$8,831 (-\$42)	\$1,500
Engineering, Health, Science and Primary Industry Vocations (F3)	\$9,747 (-\$58)	\$4,750	\$7,748 (-\$35)	\$9,698 (-\$46)	\$1,500
<b>Pilot training and Priority Engineering (F4)</b>	<b>\$12,000 (+\$2,195)</b>	<b>\$4,750</b>	<b>\$9,100 (+\$1,317)</b>	<b>\$11,500 (+\$1,756)</b>	<b>\$1,500</b>
Specialist Low-volume, high-cost vocations (F5)	\$16,245 (-\$97)	n/a	n/a	n/a	n/a
Te reo and Tikanga Māori (F6)	\$6,511	n/a	n/a	n/a	n/a

### Option 3: Pilot Training at F4 (current SAC rate) and Priority Engineering at F3

The table below shows the impact on rates for the delivery component if Pilot Training is categorised at the new 'F4' rate and this is set in line with the SAC 2021 rate and Priority Engineering stays at 'F3'. The 'cost' of this option is approximately \$1.4 million and the average change in rates is a deduction of approximately \$20.

Funding categories	Mode of delivery				
	Provider-based	Extramural	Work-based	Pathway to work	Assessment & verification
Humanities, Business and Social Service Vocations (F1)	\$5,434 (-\$13)	\$4,750	\$5,160 (-\$8)	\$6,247 (-\$11)	\$1,500
Trades, creative, IT and health-related vocations (F2)	\$8,694 (-\$22)	\$4,750	\$7,117 (-\$13)	\$8,855 (-\$18)	\$1,500
Engineering, Health, Science and Primary Industry Vocations (incl. Priority Eng.) (F3)	\$9,781 (-\$24)	\$4,750	\$7,769 (-\$14)	\$9,725 (-\$19)	\$1,500
<b>Pilot Training (F4)</b>	<b>\$14,252 (+\$4,447)</b>	<b>\$4,750</b>	<b>\$10,451 (+\$2,668)</b>	<b>\$13,302 (+\$3,558)</b>	<b>\$1,500</b>
Specialist Low-volume, high-cost vocations (F5)	\$16,302 (-\$40)	n/a	n/a	n/a	n/a
Te reo and Tikanga Māori (F6)	\$6,511	n/a	n/a	n/a	n/a

### Option 4: Pilot Training and Priority Engineering at F4 (average of current SAC rate)

The table below shows the impact on rates for the delivery component if both Pilot Training and Priority Engineering are categorised at the new 'F4' rate and this is set in line with the average SAC 2021 rate for the two areas of provision. The 'cost' of this option is approximately \$5.5 million and the average change in rates is a deduction of approximately \$75.

Funding categories	Mode of delivery				
	Provider-based	Extramural	Work-based	Pathway to work	Assessment & verification
Humanities, Business and Social Service Vocations (F1)	\$5,393 (-\$54)	\$4,750	\$5,136 (-\$32)	\$6,215 (-\$43)	\$1,500
Trades, creative, IT and health-related vocations (F2)	\$8,629 (-\$87)	\$4,750	\$7,078 (-\$52)	\$8,804 (-\$69)	\$1,500
Engineering, Health, Science and Primary Industry Vocations (F3)	\$9,708 (-\$97)	\$4,750	\$7,725 (-\$58)	\$9,666 (-\$78)	\$1,500
<b>Pilot Training and Priority Engineering (F4)</b>	<b>\$13,500 (+\$3,695)</b>	<b>\$4,750</b>	<b>\$10,000 (+\$2,217)</b>	<b>\$12,700 (+\$2,956)</b>	<b>\$1,500</b>
Specialist Low-volume, high-cost vocations (F5)	\$16,180 (-\$162)	n/a	n/a	n/a	n/a
Te reo and Tikanga Māori (F6)	\$6,511	n/a	n/a	n/a	n/a