



**Briefing Note:** Unified Funding Work Programme: Progress update

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	13 September 2019	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1204429
<b>Drafter:</b>	Marny Dickson	<b>DDI:</b>	s 9(2)(a)
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<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

Purpose of paper

The purpose of this paper is for you to note progress towards developing a unified funding system for vocational education and provide feedback to officials on proposed next steps.

Summary

- Work to develop the unified funding system for vocational education is well underway. We have:
  - established a Funding Reference Group to support officials to develop a unified funding system for vocational education
  - developed an analytic work programme to explore potential factors to inform learner-based funding, as well as cost drivers and costs associated with different modes of education delivery and support for work-based learners
  - begun planning stakeholder engagement, including workshops with learners.
- We have also provided a potential high-level scope for future advice, including an Education Report in November 2019, and Cabinet report back in February 2020.

Proactive release

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Agree that this Briefing will be proactively released.

Agree / Disagree



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Tertiary Education  
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**Hon Chris Hipkins**  
Minister of Education

29/9/19

## Background

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1. The Government's vision of a strong, unified, sustainable system for all vocational education requires the development of a new unified funding system.
2. In July, Cabinet agreed to develop a unified funding system to apply to all provider-based and work-integrated education at certificate and diploma qualification levels 3 to 7 (excluding degree study) and all industry training [CAB MIN 0354 refers].
3. Cabinet also agreed to design principles, and noted that officials would work with end-users and sector experts to explore three new funding approaches:
  - a new funding category system
  - a new learner-based funding approach
  - a new approach for strategically important delivery.
4. You indicated your intent to report back to Cabinet in February 2020 to seek agreement to initial policy design and phasing options for the development and implementation of the unified funding system.
5. This briefing provides an update on our work to establish a Funding Reference Group, and to plan and undertake upcoming engagement and analysis.
6. We propose to provide you with initial advice on high-level policy design options in November. Your direction in response to this November briefing will form the basis for the February 2020 Cabinet report back. We expect to undertake further policy and operational work to enable the implementation of longer-term policy changes from 2023.

## Work programme update

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### **We have now established a Funding Reference Group to advise officials**

7. You previously agreed to the establishment of a Funding Reference Group (FRG), to support officials to develop and design the unified funding system [METIS 1187912 refers]. This group complements the planned Stakeholder Advisory Group and Te Taumata Aronui.
8. The purpose of the FRG is to ensure that work to design and deliver the unified funding system draws on an understanding of industry perspectives and the technical and operational knowledge and experience of sector experts. The FRG will support Ministry of Education (MoE) and Tertiary Education Commission (TEC) officials to:
  - a) generate and test ideas, and identify and address data and evidence gaps
  - b) provide insights on the likely impacts of potential change options on the tertiary education sector, employers, and learners
  - c) help identify related changes to data collection and financial systems required to operationalise and implement funding system reforms
  - d) plan for a managed transition from current funding settings towards full implementation of the unified funding system.
9. In selecting members for this group, we sought a mix of individuals with an operational understanding of how funding influences tertiary education delivery and support for work-based learners, industry experience, and an ability to engage with the strategic goals of the vocational education reforms.

10. The FRG has an independent chair and two external members with experience of industry and employer perspectives. There are seven members who are currently employed by tertiary education organisations or peak bodies with experience of different modes of delivery, in different regions, to different learner groups (two ITPs, two ITOs, a wānanga, a university, and a private training establishment peak body).
11. The first meeting of the Funding Reference Group will take place on Thursday 19 September. For a full list of members, and their current roles and experience, see Annex 1. Annex 2 provides the Terms of Reference for the Funding Reference Group.
12. We propose to provide links to the Terms of Reference and release the names of FRG members on the TEC's Reform of Vocational Education (RoVE) website, following the first meeting.

### **We have also begun new data analysis**

#### *Cost drivers and costs associated with support for work-based learners and education delivery*

13. We have begun to analyse income and cost data from the New Zealand Benchmarking Tool (NZBT) to explore delivery costs across broad fields of study. The NZBT contains comparative financial and student management information from all tertiary education institutions (TEIs).
14. Over September and October we will also be undertaking new analytic work to explore delivery cost data in more detail for specific providers and programmes. This analysis will focus on understanding and comparing relative costs associated high-quality and sustainable delivery in specific areas, including:
  - online delivery
  - work-integrated delivery
  - education delivery to learners in isolated areas
  - tailoring delivery to meet learner needs (including effective pastoral care and learner support services).
15. We also intend to undertake new data collection and analysis using financial data from the industry training organisation (ITO) sector. This will include a focus on cost drivers and costs associated with work-integrated delivery and arranging training (including variation by learner, industry/location, employer size/number of trainees). We are planning to work with the ITOs to collect and analyse this new information in September and October, alongside related work to support the establishment of the Workforce Development Councils (WDCs).
16. This analytic work programme will help to inform policy advice on the potential structure of a new funding system to unify the Student Achievement Component Fund at qualification levels 3 to 7 (excluding degrees) and the Industry Training Fund.

*Also need to consider capital intensive delivery.*

#### *Learner-based analysis*

17. We are beginning new analysis to explore potential factors for consideration within learner-based funding. Our initial focus is on learner groups who are underserved within the current VET system (Māori, Pacific peoples and disabled learners). We are also exploring other potential factors associated with participation or achievement in VET which are, or could be, visible to providers at the point of enrolment.

18. These factors, which may signal a need for greater tailoring of education delivery and support, include:
  - low literacy and numeracy
  - low socio-economic status
  - living in an isolated area.
19. This analysis will help us to identify current system performance for different learner groups, the size and distribution of different learner groups, and how these learner groups overlap. The analysis will inform future advice on how funding could be targeted to improve VET system performance to meet learner needs.

**We are planning initial stakeholder engagement, to include workshops with learners**

20. We are also planning new targeted engagement in October to inform the design of a learner-based component to the new unified funding system.
21. The unified funding work will build on past engagement with stakeholders through the Kōrero Mātauranga | Education Conversation and RoVE consultation. It will also draw from and inform future RoVE-wide stakeholder engagement, including communication with industry and employers through work to support the new WDCs.
22. We plan to undertake targeted workshops with learners from groups who are currently underserved within the VET system (Māori, Pacific peoples and disabled learners). The purpose of this engagement is to better understand learner needs, and how providers can tailor support for work-based learners and education delivery to meet the needs of different learner groups.
23. We will also be engaging with staff involved in the delivery of student support and pastoral care services, to gain a greater understanding of take up and demand for existing learner support services, effective practice, and future service design and delivery considerations.
24. Other stakeholder engagement includes engagement with providers and ITOs using existing channels, and connecting via teleconference with international organisations to understand funding systems for vocational education in other jurisdictions.

**Proposed scope for upcoming advice**

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**We propose to provide you with advice on high-level policy design options and potential phasing in late November to inform a February Cabinet report back**

25. Upcoming policy advice will be informed by our work with the FRG, engagement activities, our analytic work programme, and the TEC's operational policy and service delivery expertise. We propose to provide you with an Education Report in November that addresses the following high-level policy design questions:
  - the basis for a *new funding category system* to fund education delivery and support work-based learning with different relative costs (e.g. funding rates based on subject/disciplines and/or delivery modes such as online, work-based, work-integrated, classroom-based, etc.)
  - *how funding could attach to different types of education delivery and support for work-based learners* (e.g. an aligned unit of funding; funding rates based on courses, programmes or qualifications)

- proposed factors to be included in a new *learner-based funding* approach to support different learner groups, and the basis for allocating learner-based funding (e.g. enrolments, qualification completions, etc.)
- the rationale for a new funding approach for *strategically important delivery*, including areas of focus, and how providers could access and retain funding.

26. s 9(2)(f)(iv)

**We recommend that prior to making final policy design decisions, you seek Cabinet approval in February to consult on specific policy proposals**

27. You have indicated that you want officials to work closely with the sector to develop and implement the new unified funding system. We propose that the February Cabinet report seeks approval for the specific high-level policy design proposals you wish to consult and engage with the sector on.
28. Undertaking further engagement and consultation with the sector and key stakeholders prior to making final policy design decisions will help to build sector buy in, identify operational and implementation challenges, support transition planning, and prevent potential unintended consequences.

**There will be substantial further policy analysis, advice, operational design and implementation planning required prior to full implementation**

29. This is a multi-year work programme. Outstanding areas of policy advice which will be reliant on new data collection, modelling and analysis include:
  - finalising funding categories and setting *rates* for education delivery and support for work-based learners
  - confirming *how* learner-based funding should be calculated
  - confirming the *proportion* of total funding that should be allocated on the basis of delivery mode or type, learner, and strategic priorities.
30. Major funding policy changes will impact IT systems (including data collection systems used by the TEC and providers), people, operational policies and business processes.
31. Following initial advice to you in November, and February Cabinet decisions, the TEC will continue work to consider the operational impact of short- and longer-term policy proposals. This will inform transition planning for the implementation of any early elements of the unified funding system in 2021, and longer-term policy and operational changes, likely to be implemented from 2023.
32. The operational design of a new funding system is critical to its success: i.e. its ability to achieve the intended policy outcomes. Following decisions by Cabinet in 2020, and in the years that follow, the TEC will work closely with providers to ensure they are supported during the period of change.

**Next Steps**

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33. Please provide officials with any feedback relating to our current engagement and analytic work programme, or the proposed scope and timing of upcoming advice.

## Annexes

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Annex 1: Funding Reference Group Members

Annex 2: Funding Reference Group Terms of Reference (including background annexes)

Proactively Released

## Annex 1: Funding Reference Group Members

	<b>Name</b>	<b>Current role and organisation</b>
1	Jeremy Morley (Chair)	PwC Director Jeremy brings significant professional experience and understanding of tertiary education organisations and finances, education delivery, and support for work-based learning, Crown monitoring, and strategic planning.
2	Lindsay Baxter	Tumutaumatua - Executive Director - Strategy, Quality and Performance Te Wānanga o Aotearoa
3	Wayne Cook	Chief Financial Officer MITO
4	Kim Crosland	Chief Executive ITENZ
5	Philip Cullen	Deputy Chief Executive/Chief Operating Officer Otago Polytechnic
6	Nigel Davenport	Chief Executive Officer Aoraki Development Limited
7	Carolyn Dimond	Chief Financial Officer Massey University
8	Sean Kirk	Chief Financial Officer Competenz
9	Michelle Teirney	Executive General Manager Strategy & Support Services MIT
10	Frances Valentine	Chief Executive Officer The Mind Lab



## Annex 2: Terms of Reference - Funding Reference Group

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### Background

Cabinet has agreed to the development of a unified funding system as part of the Reform of Vocational Education. Funding system reform is essential to achieve a vocational education system that is sustainable and fit for the future of work, delivering what learners, employers and communities need to be successful.

A unified funding system will encourage more work-relevant and tailored support for learners, support closer integration of work-based and provider-based learning, and enable new models of education delivery which are responsive to employer and industry demand.

### Role of the Funding Reference Group

The next stage of the Government's vocational education reforms, including the development of the unified funding system, will be informed by the perspectives of:

- Te Taumata Aronui, a Māori education group, which will guide the Crown in its tertiary education work with Māori to improve outcomes for Māori learners and communities.
- a Stakeholder Advisory Group, to reflect the perspective of end-users, including employers, Māori, Pacific peoples and disabled learners.

The purpose of the Funding Reference Group is to ensure that work to design and deliver the unified funding system draws on an understanding of industry perspectives and the technical and operational experience of sector experts. The Funding Reference Group will support Ministry of Education (MoE) and Tertiary Education Commission (TEC) officials to:

- a) make well-informed judgements about how to balance different strategic objectives, identify funding design trade-offs, and understand how current and future funding policy settings are likely to influence behaviour of different actors in the system
- b) identify and address data and evidence gaps, and interpret new analyses of cost drivers associated with:
  - types of delivery or delivery modes
  - tailoring delivery to meet the needs of different learner groups
  - strategically important delivery (including costs associated with regional isolation).
- c) generate and test change options, including the structure and design of new funding approaches, choice of funding categories and indicators, and the relative weighting to be placed on different funding components
- d) assess potential impacts (intended and unintended) of potential funding changes on:
  - provider performance and the supply of education and training
  - outcomes for end-users (including Māori, Pacific peoples, disabled learners, and employers)
- e) identify related changes to central data collection, tertiary education organisation (TEO) student management and financial (and other) agency systems required to operationalise and implement funding system reforms
- f) plan for a managed transition from current funding settings towards full implementation of the unified funding system, including phasing options and the introduction of elements of the unified funding system from January 2021.

## Scope of the unified funding system and related work

Cabinet has agreed that the new unified funding system will apply to *all* education and training currently funded by the Industry Training Fund (ITF), and by the Student Achievement Component (SAC) fund at qualification levels 3-7 (excluding degree study). This means developing a new funding system for:

- a) work-integrated and provider-based learning at certificate and diploma levels 3-7 (excluding degree study), and all work-based learning
- b) education and training arranged and delivered by the New Zealand Institute of Skills & Technology as well as wānanga, private training establishments (PTEs) and universities.

Core work to develop a unified funding system will focus on *government* funding for education delivery and support for work-based learning.

The Funding Reference Group will be kept informed of related reviews of funding for te reo Māori and Mātauranga Māori, which will occur alongside the development of the unified funding system. This related work will involve the Crown and wānanga working together to co-design solutions to ensure the funding system reflects and supports the kaupapa Māori approach of these providers. This work is also expected to involve other tertiary providers involved in providing te reo Māori and Mātauranga Māori delivery.

Officials may also seek the views of the Funding Reference Group to support the development of future advice in related areas of funding policy, such as:

- a) funding for transition arrangements to support changes to vocational education roles and functions, including the establishment of the New Zealand Institute of Skills & Technology, and the introduction of Workforce Development Councils and Regional Skills Leadership Groups
- b) learner fee regulation and fees-free entitlements
- c) employer incentives and contributions to vocational education
- d) how funding changes aligned to the unified funding system could be adapted or applied to:
  - o provider-based foundation tertiary education at qualification levels 1-2
  - o higher education at degree-level and above
- e) funding for initial vocational education through secondary-tertiary learning opportunities (dual enrolment in school and tertiary education)
- f) any consequential impacts of unified funding changes for student loans and allowances.

## Design principles and focus areas for future work

Cabinet has agreed to the following design principles to guide the development of the unified funding system. The unified funding system should:

- a) reward and encourage the delivery of high-quality education and training which meets the needs of learners, communities and employers
- b) support access to work-based education and training and encourage the growth of work-integrated delivery models
- c) supply strategically important delivery to meet national priorities, address regional labour-market demand, and be highly responsive to employer skill needs
- d) allocate funding through simple and transparent funding mechanisms which ensure provider accountability, and provide for greater stability as a platform to invest in innovation and growth.

These principles for the unified funding system align with the high-level outcomes expected from the Reform of Vocational Education, but focus on the specific role of the future funding system in driving system change.

To apply the design principles for the unified funding system, future work should focus on the development of three new funding design components:

- a) *a new funding category system* to set funding categories for different modes or types of tuition/training with different underlying costs, and the relative funding weight to assign to each category
- b) *a new learner-based funding approach* to recognise the higher costs of delivery that responds to a range of students'/trainees' needs, and to incentivise improved system performance for traditionally underserved learners (especially Māori, Pacific peoples and disabled learners)
- c) *a new funding approach for strategically important delivery* to support national priorities and to increase responsiveness to regional labour-market demand.

The specific structure and design of new funding components to support the unified funding system will be worked through by officials in consultation with the Funding Reference Group.

## **Detailed function and operations of the Funding Reference Group**

### **Membership**

The Funding Reference Group will have 10 members, including an independent Chair.

The Group will include individuals with industry expertise and an operational understanding of how funding influences tertiary education delivery. Members will be selected on the basis of their skills, experience and expertise in the following areas:

- industry and employer perspectives, skill needs, and training requirements
- tertiary education funding and its application within different types of TEOs (including industry training organisations (ITOs), institutes of technology and polytechnics (ITPs), wānanga, PTEs and universities)
- planning and operational decision-making within TEOs
- TEO finances, delivery costs and cost drivers, and data management systems.

With the agreement of the Chair, external attendees may be invited to attend meetings on occasion to discuss or present on a particular topic. This will provide an opportunity to learn from funding design approaches used other sectors, and to ensure responsiveness to different user groups.

### **Conducting the business of the Group**

Funding Reference Group members are expected to:

- participate in meetings and workshops
- generate and test ideas
- review work outside of meetings
- draw on the views and expertise of a wider network of contacts (when appropriate)
- work together, and with other advisory groups, to advise MoE and TEC on potential funding changes.

Officials will facilitate connections between the Funding Reference Group and Te Taumata Aronui, the Stakeholder Advisory Group, and any other bodies or work-streams involved in developing related advice or implementing the Government's wider vocational education reforms.

### **Meetings**

Officials will support the advance scheduling of meetings, including compiling agendas, in consultation with the Chair. Officials will also support discussions by preparing background materials, including presentations, issues and options papers.

All members of the Funding Reference Group are expected to attend scheduled meetings. The Chair may nominate another member to chair, if s/he is unable to attend a meeting. If a member is unable to attend, there will be no proxy for that member at the meeting.

One-day meetings in Wellington will be held approximately once a month. Meetings may be supplemented by additional engagement by email, video or teleconference, as needed.

Officials will record minutes in the form of action points, which will be approved by the Chair.

### **Timing**

The development and full implementation of the unified funding system is expected to a multi-year work programme.

Members of the Funding Reference Group will be appointed for a one-year period to support the initial development phase of this work (from September 2019 to September 2020).

The longer-term duration of the Funding Reference Group and potential future membership beyond September 2020 will be considered in due course.

### **Reimbursement of costs**

MoE/TEC officials will book or reimburse travel costs associated with attendance at meetings. Further costs will be subject to negotiation.

### **Confidentiality**

Members of the Funding Reference Group will receive papers covering background information, issues, and potential changes to the design of the tertiary education funding system. These papers may at times include contentious issues, options and analysis.

While advice remains under development and subject to active consideration by Ministers, papers provided to the Funding Reference Group, and any subsequent group discussions must remain confidential to the group. This is intended to support the free and frank communication of ideas, and to inform the development of robust advice to Ministers.

As the work of the Funding Reference Group progresses, the Chair, in consultation with officials, will determine what, if any, information may be suitable for members to share with any wider networks or groups of external stakeholders, including peak bodies and end-user groups.

Any information or advice provided by government agencies, or produced by the Funding Reference Group, will be subject to the provisions of the Official Information Act 1982.

## Annex A: How our current funding system works – issues and challenges

### How the current tertiary education funding system works

Government funding for tertiary education organisations (TEOs) is driven by the *funding rate* for different types of education and training, multiplied by the *volume of delivery* (student/trainee enrolments and the amount of teaching and learning):

- **The Student Achievement Component (SAC)** funds tertiary education delivery for learners enrolled with a provider. Differences in SAC funding rates are intended to reflect broad differences in delivery costs across fields of study (e.g. business, agriculture and horticulture, engineering and technology etc.).
- **The Industry Training Fund** provides a much lower funding rate for work-based learners who have a training agreement with their employer. This reflects different expectations about cost structures for work-based learning. Employers contribute directly to the financial cost of training, and indirectly through the use of their own staff and assets for training. There are two funding rates: a standard rate for trainees, and a higher rate for apprentices.

TEOs also receive significant levels of funding from non-government sources. In 2017:

- ITPs received approximately \$188 million in **international student fees**.
- **Domestic student fees** made up approximately 33% of all tuition funding for provider-based tertiary education.
- **Employer contributions** made up 22% of revenue received by Industry Training Organisations.

The current tertiary education funding system is relatively polarised and inflexible with little incentive for collaboration across our system. Having separate funds for work-based learning and provider-based learning results in limited work-integrated learning opportunities for provider-based learners and limited tailoring of learning and pastoral care support for work-based learners. There are also challenges in maintaining a sustainable network of provision through changes in the business cycle. In general, provider enrolments decrease and demand for work-based learning increases in times of high employment and vice versa.

There is an opportunity to change how we fund education delivery to support improved outcomes for traditionally underserved learners (especially Māori, Pacific and disabled learners). Tertiary education funding does not generally encourage or support TEOs to target help to those who need it most, or to tailor their learning or pastoral care support to meet individual learners' needs. The funding system assumes all learners are the same within TEOs and in different TEOs and regions. Providers are incentivised to offer longer pre-employment pathways to students, rather than the best mix of work- and provider-based learning to meet learner, community and employer needs.

The funding system is enrolment-focused and one-size-fits all. This has a history of working well for large education providers such as universities that can cross-subsidise across large multi-year programmes and courses with high economies of scale (e.g. first-year lectures) to areas of delivery with less scale. This does not work as well for providers delivering vocational education programmes, or providing intensive te reo Māori and Mātauranga Māori programmes, as there are fewer opportunities to teach at scale.

Funding settings for tertiary education do not actively encourage TEOs to supply strategically important delivery or to meet regional skill needs. In regions or areas of provision where there are significant mismatches between funding and delivery costs, TEOs face incentives to adjust the quality, volume or mix of provision.

Mismatches between delivery costs and funding levels can influence TEO decisions about the viability of delivery in areas that are relatively under-funded, with a negative impact on teaching and learning quality and/or learner access to education. TEOs also face incentives to prioritise the supply of education and training programmes in areas that are relatively more profitable, regardless of industry or employer demand.

## Annex B: Overview of public consultation on the unified funding system

### Proposal three of the Reform of Vocational Education (RoVE): develop a unified funding system

The RoVE consultation material proposed the development of a unified funding system for vocational education, the details of which would be worked through after consultation. The consultation materials indicated that the new funding system would likely include:

- a consolidated set of funding rates for both on-job and off-job provision
- funding for strategically important delivery that comes at higher costs
- employer contributions to the cost of on-job training and fees to learners in some cases.

1. There is broad stakeholder support for funding reform. Around 84% of submissions on this proposal supported the creation of a unified funding system, including almost all institutes of technology and polytechnics (ITPs) and industry training organisations (ITOs).
2. Common themes were that the funding system should be equitable, simple, transparent, and ensure accountability. The majority of feedback on specific funding design questions came from tertiary education organisations (TEOs).
3. Submitters suggested several factors associated with higher cost delivery that they thought could be reflected in the new funding model:
  - 3.1. funding levels should be sufficient to enable responsive delivery to meet the needs of learners, as well as employers and industry
  - 3.2. the funding system should prioritise learners who require additional support to achieve success. Some submitters also suggested a form of social index grant, or targeted funding based on the socio-economic composition of enrolled learners
  - 3.3. education and training that is more expensive to deliver, due to higher capital costs, for example, should be funded at (relatively) higher rates
  - 3.4. the funding system should recognise the higher costs of regional delivery in sparsely populated and isolated areas
  - 3.5. strategically important areas of provision, either in terms of importance to New Zealand, or in the context of particular regions or learner groups, such as Māori.
4. There were some themes which were more important to particular groups of stakeholders.
5. **ITPs** expressed concerns about the current volume-driven funding model and recommended that the unified funding system should:
  - 5.1. enable and encourage providers to respond to changes in demand, but also to insulate providers from changes in the economic cycle
  - 5.2. provide multi-year funding, as opposed to annual funding allocations
  - 5.3. introduce some form of base-funding, e.g. to cover basic running costs such as administration, core staffing, and infrastructure.
6. **Wānanga** reinforced the importance of a holistic view of learner success (beyond employment) which takes into account benefits to whānau, hapū, iwi and community. Particular priorities for wānanga included:

- 6.1. ensuring the future funding system supports Māori pedagogies, Mātauranga Māori, te reo Māori and tikanga Māori delivery
  - 6.2. designing a more equitable funding system to take into account factors such as geographic isolation, transportation, financial hardship, and other barriers which affect learner access to vocational education
  - 6.3. ensuring that the funding system reflects the fixed overhead costs that are associated with part-time learners
  - 6.4. building in financial incentives to encourage employers to offer work-based training (e.g. employer subsidies for employing apprentices).
7. **Private Training Establishments (PTEs)** expressed concern that funding for education and training has not kept up with delivery costs, and indicated that any differentiation in funding rates should reflect costs more accurately. PTEs also expressed support for:
- 7.1. more integrated funding, so that learners can move more easily across different modes of learning (e.g. from full-time study to apprenticeships)
  - 7.2. greater alignment of work-based and provider-based pastoral care support
  - 7.3. the introduction of a mixed model of volume and base funding to cover fixed costs and address sustainability issues across the business cycle.
8. **ITOs** wanted a new, fairer funding system to address unnecessary competitive behaviour, take into account differences in delivery costs, and incentivise employers to engage in formal vocational education and training. Specific suggestions from individual ITOs included:
- 8.1. targeting funding to support strategically important delivery (e.g. to address regional or industry skill shortages)
  - 8.2. varying funding rates on the basis of costs associated with factors such as location, delivery mode, industry, capital investment, health and safety requirements, and learner needs.
9. **Iwi and Māori entities** raised some specific concerns about current tertiary education funding. Key themes were as follows:
- 9.1. Iwi and Maori entities are looking to upskill and engage their own people in the development of their assets, particularly in the export sectors (primary and tourism), but also in social services (health and social services). Iwi typically want to upskill a small number of their own people locally to manage things like farm, fishing, property or tourism assets.
  - 9.2. The tertiary education funding system is seen as constraining the ability of providers to offer local, small volume programmes that are aligned to this very fast growing and key area of regional development. We heard that this has contributed to reduced iwi and Maori confidence in vocational education providers in many regions across the country.
10. Key concerns raised by submitters about the unified funding system typically related to:
- 10.1. transition challenges (e.g. providers would like interim funding to assist them to build their capability to support work-based learning, and to develop work-integrated delivery models)
  - 10.2. uncertainty about what the final package of reforms might look like and its potential impacts (e.g. some employers were concerned that they might face higher contributions to vocational education and training in the future).