



Education Report: Draft Cabinet paper on the design of the unified funding system

To:	Hon Chris Hipkins, Minister of Education		
Date:	12 November 2021	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1274343
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of report

This report provides a draft Cabinet paper on the design of the unified funding system (UFS) for vocational education for your feedback ahead of Ministerial consultation.

Recommendations

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

- note** that the attached draft Cabinet paper seeks agreement to the overall design of the UFS and delegation to you to finalise funding rates following further detailed analysis
- indicate** if you have any feedback on the draft Cabinet paper by 15 November
- note** that if you have feedback, we will provide a revised draft to your office on 16 November for Ministerial consultation
- agree** to proactively release this education report within 30 days of Cabinet decisions being made with any redactions in line with the Official Information Act 1982.

Agree **Disagree**



Katrina Sutich
Group Manager, Tertiary
Ministry of Education

12/11/2021



Gillian Dudgeon
Deputy Chief Executive
Tertiary Education Commission

12/11/2021

Hon Chris Hipkins
Minister of Education

26 / 11 / 2021

Background

1. The attached draft Cabinet paper seeks decisions on the key design aspects of the UFS. This will be the first time that Cabinet has received advice on the UFS since agreeing to the Reform of Vocational Education (RoVE) proposals in July 2019 [CAB-19-MIN-0354 refers].
2. The Cabinet paper seeks approval of the design of the UFS, with final decisions on funding rates delegated to you and the Minister of Finance. The paper therefore focusses on the high-level design decisions while giving a general sense of the likely shifts in funding and impacts on the sector.

Contents of the Cabinet paper

3. The Cabinet paper has been drafted based on your decisions on the UFS to date.
4. In some areas, we have drafted content based on your initial decision, where you have yet to take detailed design decisions (including content on programme design and an exemptions scheme for eligibility). We intend to provide advice on these two issues before the Cabinet paper is lodged and can revise the Cabinet paper to include more fulsome content on these issues if required after Ministerial consultation.
5. The intention is that the bulk of the paper will be proactively released, other than specific funding rates and the details of likely funding shifts, which would be withheld as being under active consideration until final decisions are made in April 2022. This will allow us to clearly communicate the shape of the system from 2023 to the sector, without prematurely setting expectations about exact rates and funding shifts.

Feedback from agencies

6. We have undertaken agency consultation on an earlier version of the draft Cabinet paper and received feedback from eleven agencies. The consultation draft was substantially longer than the attached version.
7. In general, agencies were supportive of the paper. Feedback from the Ministry of Social Development, Ministry for Pacific Peoples, Ministry of Primary Industries, and the Office for Disability Issues noted the significant improvements in support for learners.
8. The Treasury noted the departure from the status quo, and suggested ways to highlights the benefits of this approach. They were interested in the impact of final funding rates and the long-term impacts on employers, the labour market generally, and the economy.
9. Several agencies made relatively minor suggestions on the content of the Cabinet paper, which we have addressed in the paper as appropriate.
10. Feedback from the New Zealand Qualification Authority raised concerns that the definition of modes may not be sufficiently flexible, while Education New Zealand did not support the proposed changes to tuition subsidy eligibility for non-resident work-based learners. After considering this feedback, we remain comfortable with the proposed approach.

Timeline and next steps

11. We recommend that you proceed directly to Ministerial consultation to ensure we can lodge on 2 December. However, if you have feedback, we ask that you provide this by

Monday 15 November so we can prepare an updated version for Ministerial consultation on 16 November.

12. The following table outlines our expected milestones for the Cabinet process for this paper.

Date	Milestone
15 November	Indicate if you have any feedback
16 November	If needed, MoE to provide revised version to your office for Ministerial consultation
16 November – 26 November	Ministerial consultation
1 December	Ministry provides final version for lodging
2 December	Cabinet paper lodgement (10am deadline)
8 December	Consideration by Cabinet Social Wellbeing Committee
13 December	Consideration by Cabinet

Annexes

Annex One: Draft Cabinet paper - Design of the unified funding system underpinning the Reform of Vocational Education