

Education Report: Unified Funding System: Te Tiriti o Waitangi/Treaty of Waitangi analysis

To:	Hon Chris Hipkins, Minister of Education		
Date:	15 October 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1274314
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Messaging seen by Communications team:	No	Round Robin:	Yes

Purpose of Report

This report presents you with advice about the Unified Funding System (UFS) in the context of the Crown's responsibilities to honour Te Tiriti o Waitangi/Treaty of Waitangi.

Summary

This report outlines the approach to the design of the UFS, including the consultation that informed that design, in relation to the Crown's Te Tiriti o Waitangi/Treaty of Waitangi responsibilities, with a particular focus on the principles of partnership and active protection.

Overall officials consider that the Crown has met its obligations to honour Te Tiriti o Waitangi/Treaty of Waitangi – in undertaking an extensive engagement process, appropriately balancing Crown and Treaty partner interests and honouring the Treaty in the design of the UFS.

The three components of the UFS are designed to work together to provide Māori learners with more support to enrol in VET with good employment outcomes (particularly apprenticeships), complete VET qualifications at higher rates and, over time, have reduced or non-existent inequalities in employment rates. Additionally, VET provision should be more culturally appropriate and TEOs should improve their performance for Māori. The design also protects te reo and tikanga funding rates ahead of separate reviews being completed.

Implementation will be critical to continuing to meet the Crown's obligations to honour the Treaty. This is because partners have told us that how the system functions in practice is vital for its success. Additionally, the design and implementation of the performance measures in the learner component are critical to achieving system level change for Māori learners.

We therefore consider that there is a low risk that the implementation of UFS may not meet the Crown's obligations to honour the Treaty. However, we have mitigations in place to address this risk, including further engagement, careful operational and implementation plans and clear communication channels with Treaty partners. Further mitigations could also be considered.

Recommendations

The Ministry of Education (MoE) and the Tertiary Education Commission (TEC) recommend that you:

- a. **note** that officials have analysed the engagement process and the design of the Unified Funding System and consider that it meets the Crown's Treaty obligations
- b. **note** that there is a low risk that implementation of the design may not meet the Crown's Treaty obligations, but there are mitigations in place to address the risks we have identified and the option to further mitigate if required
- c. **indicate** if you would like any further mitigations to be included in the Cabinet paper to build on the work TEC are already undertaking and to act as a strong signal to Treaty partners:
 - i. a requirement for TEC to engage with Māori partners to inform the development of the performance parameters of the learner component Agree / Disagree
 - ii. a requirement to consider the Treaty in developing learner performance measures for TEOs and requiring officials to monitor and report to you on providers' performance against TEC's expectations Agree / Disagree
 - iii. a requirement that Māori interests are considered in the setting of national and regional skills priorities to inform strategic component funding Agree / Disagree
- d. **forward** this briefing to the Associate Ministers for Education


- e. **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



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15/10/2021



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Hon Chris Hipkins
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15/11/2021

Proactively Released

Background

1. We have drafted a Cabinet paper for you to consider about the policy design of the UFS (METIS1274343 refers). This paper considers how the proposed design aligns to obligations under Te Tiriti o Waitangi/Treaty of Waitangi.
2. The unified funding system (UFS) is part of the Reform of Vocational Education (RoVE) work programme. Other RoVE projects are changing the structure, functions, and governance of the vocational education and training (VET) system. Together, the RoVE reforms respond to the Crown's responsibilities to honour Te Tiriti o Waitangi/Treaty of Waitangi. The reforms work together to create a VET system that offers more equal opportunities and is more responsive to all its stakeholders. This paper focuses on the UFS.
3. UFS covers all provision at levels 3 to 7 (sub-degree) and all industry training. This means UFS funding supports important non-vocational provision including te reo and tikanga Māori.
4. The RoVE principles and objectives, UFS principles, and high-level design of the UFS components were agreed by Cabinet in July 2019 (see annex 2). These signalled the Crown's intentions to uphold and honour the Treaty, particularly the principles of partnership and active protection in the design of the UFS.

The Crown's relevant responsibilities under Te Tiriti o Waitangi/Treaty of Waitangi: partnership and active protection

5. The Government has a focus on improving educational outcomes for Māori learners and giving effect to Te Tiriti o Waitangi/Treaty of Waitangi and its principles. The Education and Training Act 2020 reflects this by establishing and regulating an education system that honours the Treaty and supports Māori-Crown relationships.
6. In developing the UFS we considered the Cabinet Office guidance on how policy-makers should consider the Treaty in policy development and implementation.¹ We also considered Crown Law advice to the Ministry of Education. This said that decisions which affect (or may affect) Māori should be well informed, reasoned and have a clear rationale. Decisions should be supported by a written record that engages with Treaty principles (METIS 1255207 refers).
7. Crown Law advised that there are three principles underpinning the Treaty that give rise to expectations on both the Crown and Māori. These principles are partnership, active protection and redress. We consider that the principles of partnership and active protection are relevant to the UFS.

What does the principle of partnership mean in the context of the UFS?

8. Based on Crown Law's advice and Treaty jurisprudence, we believe the Crown's obligations of partnership as they relate to the development of the UFS are as follows:
 - identify relevant Māori partners

¹ CO (19) 5: Te Tiriti o Waitangi/Treaty of Waitangi Guidance

- undertake early and ongoing engagement with Māori to inform the policy process and development of advice
- undertake public consultation, including targeted engagement to seek and actively support Māori participation in public consultation
- make information and resources available, and undertake engagement in settings and manners, that empower Māori to be actively involved.

What does the principle of active protection mean in the context of the UFS?

9. We consider the Crown's obligations of active protection as they relate to the VET system are as follows:
 - protect te reo and mātauranga Māori as taonga
 - make VET available to Māori to close inequitable education outcomes
 - ensure VET is culturally appropriate
 - ensure VET organisations are performing well for Māori learners
 - focus specific attention on the needs of, and inequities experienced by, Māori, and if need be, provide additional resources to address their cause.
10. In the context of the UFS, if the VET system is not already achieving these obligations, the UFS should be designed in such a way to achieve them, or at least make progress towards achieving them. This means that the UFS should be designed to:
 - direct sufficient funding towards achieving these obligations
 - align funding incentives and accountabilities towards achieving these obligations.

The principle of partnership

11. We developed UFS advice in alignment with the obligations of partnership, by:
 - identifying relevant Māori partners;
 - undertaking early engagement and consultation with Māori;
 - using information from engagement to inform the policy process and development of advice; and
 - undertaking ongoing engagement to test the design.
12. There is a clear tension between the Crown's stewardship of a large funding system and some of these Treaty partners interests. We have carefully balanced work with partners with Crown interests and consider we have fulfilled our obligations to engage in good faith.

Our engagement with relevant Māori partners

13. A range of Māori voices were supported to engage in the early stages of policy design through the RoVE consultation and UFS specific engagements, through a range of

engagement fora and platforms. (See Annex 4 for a summary of key messages from engagement). The key messages from this were used to inform policy design.

14. For the UFS, Māori VET learners are key Treaty partners and we have sought their views. Much of the policy work on the learner success component focuses on data collected about, and engagement with, this group of learners. This is discussed further below.
15. Our engagement consisted of the following key activities:
 - Engagement on RoVE proposals. (During public consultation, approximately 190 conversations were held at 23 locations across New Zealand, attended by more than 5,000 people; 2,904 written submissions were also received.)
 - A series of 13 hui specifically targeting iwi and Māori business and education peak bodies. Regional hui were held for all other iwi and Māori.² Community events were open for all.
 - Information from other education work programme activities, including through the 2018 Education Summits, and the ITP Roadmap 2020 consultation.
 - Engagements on the implications of the RoVE decisions with a mix of stakeholder groups, including Māori and iwi specific hui, from 2019 onwards.
 - UFS workshops with Māori, Pacific and disabled learners in 2019. These invited learners to tell us the successes and challenges in the current system.
 - A Funding Reference Group, technical sector experts workshops and targeted engagement with providers and other stakeholders. This more technical work included representation from wānanga, and from other providers who work with Māori learners and their whānau.
16. These activities included discussions with Treaty partners with an interest in UFS, including wānanga and other Māori providers, Māori leadership, academics, teachers and other staff in the VET system, and other Māori who have expertise in education.
17. Māori-owned businesses also have an indirect interest in the UFS, as it affects the service they receive from the VET system. The engagement above, especially consultation in 2019 on RoVE design, informed the basic design of RoVE, including the way Treaty obligations have been included in the governance arrangements for Workforce Development Councils and Regional Skills Leadership Groups and in Te Pūkenga's charter. Workforce Development Councils are responsible for representing the interests of Māori-owned businesses in their investment advice to TEC. In addition, RSLGs are designed to reflect regional voices including those of Māori. Te Pūkenga have an obligation to develop meaningful relationships with Māori employers.
18. We used what we heard from our engagements with Treaty partners to frame the objectives of RoVE and its outcomes framework and the UFS design principles. The UFS principles implicitly include the key messages we heard from our Treaty partners. They do not explicitly identify the role these partners should play in the ongoing development of the policy. However, they are designed as part of the RoVE objectives and outcomes framework, which make the Crown's commitment to work with our Treaty partners clear (See Annex 2).

² This recognised that many Māori live in areas where they are not mana whenua and have an interest in decisions that will impact on where they live.

19. These messages were also used to inform advice throughout the development of the UFS including in the comprehensive briefing on the Learner component [METIS 1257567 refers]. We often checked proposals against these key messages to align funding policy with other shifts within the VET sector that respond to Treaty partner's views.
20. We have not included learners, whānau, hapū, iwi or other Treaty partners in the design of technical proposals. This is because we heard that what mattered to partners was less about the technical makeup of the funding system and more about TEOs' performance for Māori and the operational and investment decisions in the new system. The system has been designed with this feedback in mind.
21. We tested early proposals with Te Taumata Aronui. Their key focus was on holding providers to account and they want strong performance expectations in relation to Māori learners. The policy design includes this. It will continue to be a key focus as the UFS is operationalised, and we will continue to work with Te Taumata Aronui to ensure they can see this feedback reflected in the design.
22. It will be important to include all Treaty partners in the announcement, implementation and operation of the UFS. TEC have undertaken to work closely with our partners as this occurs. In general, we recognise the need to be responsive to any policy or operational issues that arise as implementation proceeds, and this includes any Treaty issues. In addition, the final policy design (including the design of the learner component) was not tested with Treaty partners due to the need to provide Ministers and Cabinet scope for uninterrupted consideration of advice prior to reaching decisions. It will be important to clearly communicate the design and how it responds to what we heard from partners, and if necessary adjust some elements of the design as implementation proceeds.

The principle of active protection: analysing the UFS

23. This section analyses, by component, how the development of UFS advice and the decisions you have taken align with the principle of active protection. There are some limited risks to the Crown and we suggest mitigations for these risks. See Annex 3 for a discussion of how the current system meets the principle of active protection.

Learner component

Your decisions for the learner component

24. This section sets out the policy design of the learner component based on your decisions to date. See Annex 2 for the principles that informed development of the learner component.
25. Policy work for the learner component had a significant focus on VET system performance for learners, particularly Māori learners. We assessed VET system performance for Māori learners through engagement, a literature review, and analysis of current funding and learner data. The analysis of learner data focused on participation rates, qualification completion rates and employment outcomes (employment rates and median salaries).
26. We found that Māori learners were more likely to participate in UFS-funded provision than New Zealand Europeans, but less likely to participate in industry training (especially apprenticeships). Māori also experience poorer employment outcomes (although the outcomes were better for the comparatively small number of Māori apprentices). The analysis suggested that the UFS should incentivise and support providers to support Māori learners to achieve qualifications that have strong employment outcomes.

27. You indicated, based on our modelling to date, that we should continue to provide advice based on the learner component allocating around 8% of total UFS funding (METIS 1272025 refers). You have agreed in principle that learner component funding should be primarily linked to enrolments of learners with low prior achievement³ and to enrolments of disabled learners (METIS 1263885 refers). Our modelling to date shows that the learner component rate for these learners could be around \$1,100-\$1,300 per full-time equivalent learner (FTEL) (METIS 1272025 refers); this is subject to change as we refine our modelling. This compares to around \$135 for current Equity Funding.
28. You also agreed that a portion of learner component funding will be allocated based on enrolments of Māori and Pacific learners, at 2021 Equity Funding rates and 2022 Equity Funding scope.⁴ For 2022 you expanded the scope of Equity Funding to include all UFS eligible provision, that is, all industry training and PTE provision at levels 3-7 (sub-degree). This significantly increases the number of eligible Māori learners.
29. For Māori (and Pacific) learners who also have low prior achievement and/or are disabled, providers will receive both funding rates. This means that Māori learners who have low prior achievement and/or are disabled will attract the highest level of funding. This recognises that these learners have compounding levels of disadvantage and thus higher likelihood of needing support to be successful in VET.
30. This approach to calculating funding for the learner component based on enrolments of the four learner groups identified above will be a proxy for actual learner need at TEOs. TEOs' funding will be calculated based on enrolments of these learners, but TEOs will be expected to identify and support the needs of all their learners and allocate their funding accordingly. This means funding is not earmarked for the four learner groups linked to funding or any particular individual learners. In addition to this funding allocation methodology, you have also signalled your expectation that TEOs are accountable for their learner component funding, in part by linking a portion of funding to their achievements related to their learners and to learner success (METIS 1261676 refers). You currently have a further paper to consider on an approach for performance expectations and incentive payments for the learner component [METIS 1268057 refers].
31. This use of proxy measures to allocate funding, supported by performance measures, allows TEC to take into account multiple factors in the use of the learner component. For example, it allows flexibility to target Māori achievement in apprenticeships, or in priority industries, or in provision which is more culturally appropriate.

If the learner component works the way it is intended, then it will align with the principle of active protection...

32. If the learner component works as intended Māori learners could receive more support to enrol in VET with good employment outcomes (particularly apprenticeships), complete VET qualifications at higher rates and, over time, have reduced or non-existent inequalities in employment rates. Additionally, VET provision could be more culturally appropriate and TEOs could improve their performance for Māori. This would improve the

³ Learners who have not previously attained a qualification at level 3 or above on the New Zealand Qualifications Framework.

⁴ Equity Funding rates for 2021 are \$135 per FTEL (except NZQF level 7 non-degree) and \$325 per FTEL at NZQF level 7 non-degree. For the purposes of modelling rates for the learner component, we have applied a CPI adjustment to these rates to make them \$137 and \$325. Only a very small proportion of VET provision is at level 7 non-degree, so the rate for most Māori learners will be \$137.

performance of the VET system for Māori, lessen or eliminate inequities for Māori learners, and align with the principle of active partnership.

...however there are risks with this...

33. There is a risk that the design of the learner component, required to respond to the multiple factors affecting Māori learner needs, may not provide clear signals about the way the UFS is intended to support Māori learners. This has several dimensions:
 - Providers may not respond strongly enough to the performance incentives, and hence may not direct sufficient support to Māori learners in priority areas.
 - The specific funding rates for Māori learners are lower than the rates for learners with low prior achievement and disabled learners. This may be seen as an indicator of priority, particularly in the context of the decrease in funding rates for Māori due to the 1-year increase in 2022.⁵
 - Māori stakeholders may feel that their feedback about current VET system problems for Māori learners is not reflected in the policy design. (See Annex 4 for a summary of feedback).
34. This could lead to a further risk, that the design of the learner component could have a mana-diminishing effect for Māori learners, Māori staff at TEOs, whānau, hapū and iwi.
35. If these risks were realised it could limit the likelihood of the learner component aligning with the principle of active protection.

...which we can limit to a reasonable degree...

36. Operationalising and implementing the learner component carefully is key to mitigating the risks identified above. The learner component is designed to work as part of all the UFS funding components to fund and incentivise outcomes for learners and communities, including Māori.
37. In operationalising the UFS and designing its investment priorities and approach the TEC will build on its existing Ōritetanga learner success approach to ensure that these settings have been developed with Māori and deliver on their needs and aspiration. TEC will undertake further engagement with Māori in the process of developing performance expectations, funding priorities, and the requirements for TEOs to engage with Māori and iwi in planning and delivery. This would augment our engagement with Māori to date and help to ensure that the performance elements of the learner component support active protection.
38. Funding interventions should also be supported by TEC engagement and forward planning with TEOs. This will help hold TEOs to account for ensuring their learners are well supported to succeed, and that the funding allocations and incentives enable TEOs to achieve learner success. Individual TEOs engage with Māori as part of their Investment Plan process, which will include what they're aiming to achieve for their Māori learners. Te Pūkenga will have a key role in this.

⁵ For 2022 Equity funding will be expanded to cover all Māori and Pacific learners in VET provision (that is it will be extended to cover Levels 3 to 4; and into industry training and PTEs). It will also be raised to match the Equity Funding rate for degree-level education (around a \$200 increase). We clearly communicated this was an interim step for one year only.

39. This would align with the TEC's role in implementing the Tertiary Education Strategy and the Education and Training Act 2020's focus on honouring Te Tiriti o Waitangi/Treaty of Waitangi and supporting Māori/Crown relations. This includes the TEC's focus on building learner success capability within TEOs and developing a Treaty framework to drive TEC's priorities and partnerships.
40. We will also seek to mitigate the identified risks through careful communication about the rationale and design of the learner component (and hence expectations for how providers will support Māori learners), and through monitoring the impacts of the learner component for Māori learners and advising you if there are any adjustments to be considered.

...which you could choose to further mitigate

41. There are some policy decisions to be made in the learner component that could also mitigate these risks. For example, you still have decisions to make about the performance elements of the learner component. We will be providing you with advice about this in the coming months, and we will include options for reflecting the principle of active protection in your decisions.
42. TEC already have, through its letter of expectation, the Tertiary Education Strategy and Ka Hikitia an obligation to honour the Treaty and work with Treaty partners. In developing any new performance measures TEC are planning to expand and enhance the successful Ōritetanga learner success approach across the VET system.
43. However, you may wish to go even further and explicitly direct TEC to engage with Māori partners to inform the development of the learner component performance parameters and to consider the Treaty in developing performance measures for TEOs and monitoring TEOs' performance against TEC's expectations. Alternatively, you could choose to ask Cabinet to direct you and the TEC to undertake the above measures. Either of these approaches would strongly signal to Treaty partners your commitment to reflect their voices in the design of the learner component.
44. Similarly, TEC do, and will have, strong monitoring approaches to Māori learner success. Again, you could reinforce the importance of this monitoring by asking Cabinet to direct you and officials to undertake this monitoring, report any unintended consequences or negative impacts for Māori to you, and provide you with advice to improve the design of the learner component in response. This would again, strongly signal your intent to recognise the Crown's treaty partners. In particular, it would respond to Te Taumata Aronui's advice that they want strong signalling around holding providers to account in relation to Māori learners.
45. These steps would further mitigate the risks we identified and increase the likelihood of the learner component aligning with the principle of active protection.

Funding category component

Your decisions for the funding category component

46. The proposed design of the funding category component allocates funding according to subject groupings and mode of delivery. The changes to funding by mode of delivery bring provider-based and work-based funding rates closer. This means that providers will have more funding to support learners in work-based training, including Māori learners, and provide the support they need to achieve their qualifications.

47. You have also agreed to create a new mode of provision called “work-based learning: pathway to work”. This mode funds providers at a higher rate to support learners moving from provider-based to work-based and to help learners establish their learning in work.
48. The design also makes specific provision for te reo and tikanga Māori provision at NZQF levels 3 to 7 (excluding degrees). This reflects the Cabinet decision to review mātauranga Māori and te reo as part of the UFS [CAB-19-MIN-0354 refers].⁶ The design proposes to maintain te reo and tikanga Māori funding rates within the UFS at (or very close to) their current rates, and to fund extramural te reo and tikanga Māori provision at the same rate as face-to-face provision (i.e. to exclude it from any extramural / online mode) (METIS 1267373 refers). Funding rates for other humanities and arts provision, and for other extramural / online provision, will likely decrease as part of the UFS.

We consider that the funding category component aligns with the principle of active protection

49. In summary, the funding category component will address the principle of active protection in two ways. First, the changes to funding by mode of delivery will encourage greater use of work-based learning, and stronger pathways into work-based learning.
50. This will address problems with the current system that entrench inequalities for Māori learners and will put incentives in place for TEOs to help to address these inequalities.
51. Second, the decision to protect te reo and tikanga Māori rates acknowledges the current problems with funding for te reo and tikanga Māori provision and actively protects their funding. This is an important interim step while two reviews occur: a review of funding for te reo and mātauranga Māori across all levels of tertiary education, including VET, and Te Hono Wānanga which recognises the unique role and functions of wānanga and aims to develop a funding system that better supports these functions.
52. As part of its role to operationalise and implement the UFS, TEC will also have a role in aligning the funding category component with the principle of active protection. There are a number of ways TEC can align its work with this principle, including making investment decisions that direct or incentivise TEOs to support Māori learners into work-based learning via the “pathway to work” mode and by ceasing to fund provision with poor outcomes.

Strategic component

Your decisions for the strategic component

53. The proposed strategic component is intended to address the UFS design principle of strategically supplying important delivery to meet national priorities, addressing regional labour-market demand and being highly responsive to employer skill needs.
54. The strategic component is made up of two elements:
 - 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; and
 - project funding available to PTEs to support them to meet national and regional skills priorities.

⁶ We cannot currently identify mātauranga provision in data. We are using te reo and tikanga as a partial proxy for mātauranga provision.

55. Funding for wānanga is being considered through the separate Te Hono Wānanga work programme, which aims to support wānanga to address concerns related to the protection of te reo and mātauranga Māori as taonga.
56. The TEC will be responsible for allocating this component, including setting skills priorities and monitoring Te Pūkenga. Workforce Development Councils and Regional Skills Leadership Groups will inform the priorities for this funding through their investment advice. You will specify a high-level process in a funding determination issued under section 419 of the Education and Training Act 2020, that requires the TEC Board to set priorities based on advice from WDCs and RSLGs [METIS 1266423 refers].
57. The strategic component could, if necessary, provide additional flexibility to support regional and national skills priorities for Māori, such as support for iwi development goals.

The is a low risk that the strategic component may not align with the principle of active protection

58. As currently designed the strategic component does not explicitly address the needs of whānau, hapū and iwi for support for small-volume targeted delivery related to iwi and regional development (see Annex 4). However, the priorities for this component will be set by the TEC with advice from WDCs and RSLGs. Given the governance arrangements and Treaty focus of the WDCs, along with strong Māori representation on the RSLGs and the charter requirements of Te Pūkenga to deliver to iwi and hapū, we expect that the strategic component will help ensure new approaches to meeting the needs of Māori learners and their whānau are promoted.
59. Furthermore, operational decisions about the setting of skills priorities provide an opportunity to send clear signals to the sector about the outcomes the strategic funding component is intended to support, including meeting the needs of iwi, hapū and whānau, not only as communities and employers, but as partners to the Treaty.
60. Whilst the proposed design offers mechanisms for addressing the needs of whānau, hapū and iwi, these needs are diverse and complex, and there is a small risk that Treaty partners may not consider that their views have been represented without a direct opportunity to consider Māori interests in priority setting.

We could consider making the responsibility to whānau, hapū and iwi more explicit

61. Previous advice indicated that the TEC may also consider involving other entities to inform these priorities, such as iwi, and that consideration of priorities within the strategic component will also need to align to broader system priorities as outlined in the Tertiary Education Strategy and the outcomes sought from RoVE [METIS 1266423 refers]. This may be sufficient to ensure Treaty partners views are represented.
62. If you wish to make this more explicit, you could consider directing or asking Cabinet to direct that Māori interests are considered in the setting of national and regional skills priorities to inform strategic component funding.

Next steps

63. We seek your feedback on the issues laid out in this paper by 26 October so we can reflect it in the version of the UFS Cabinet paper that is shared for Ministerial consultation (currently scheduled for 3 November).

Annexes

Annex 1: Sequence of key UFS decisions

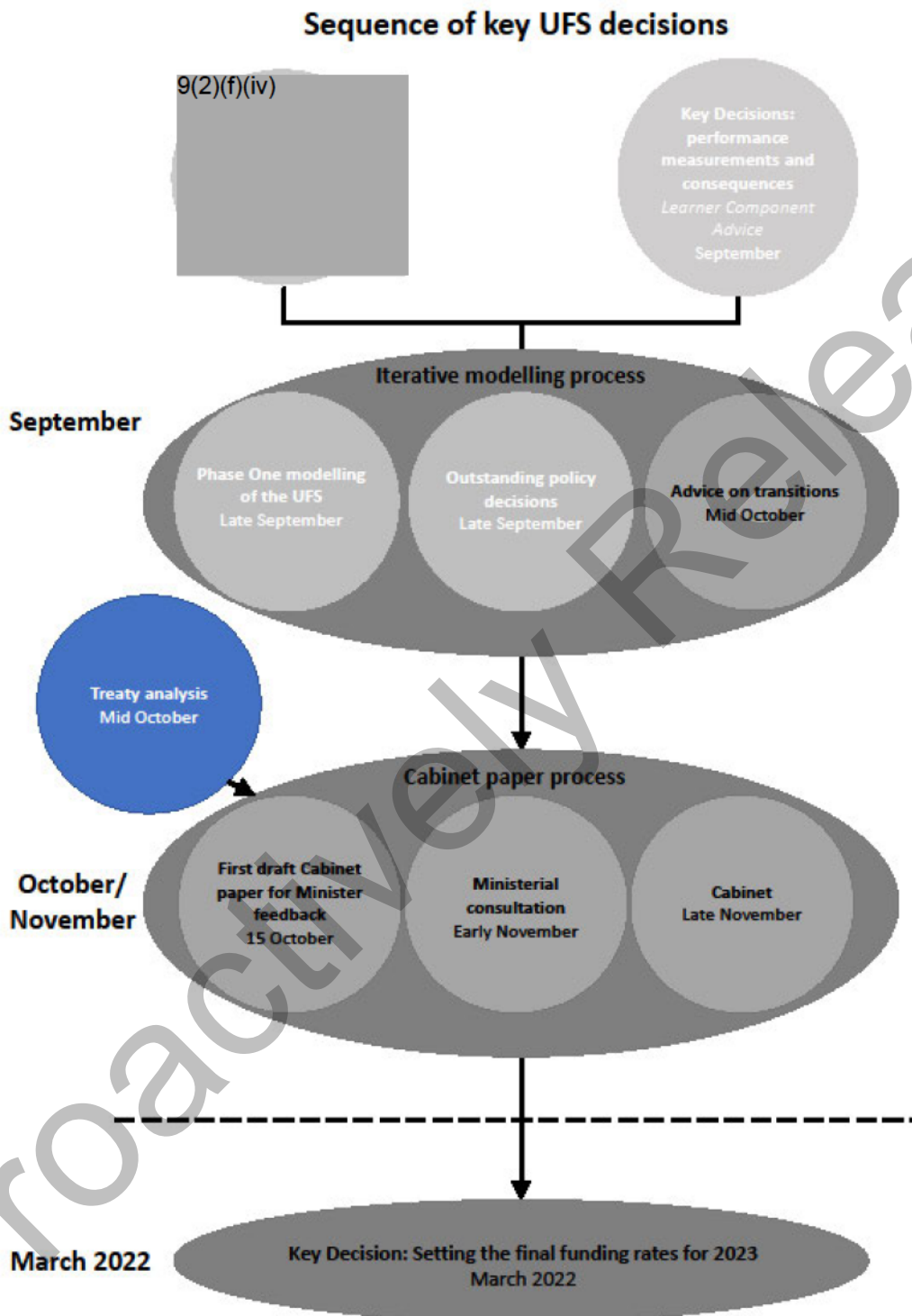
Annex 2: Relevant RoVE and UFS frameworks

Annex 3: How the current system meets the principle of active protection

Annex 4: Key messages from engagement

Proactively Released

Annex 1: Sequence of key UFS decisions



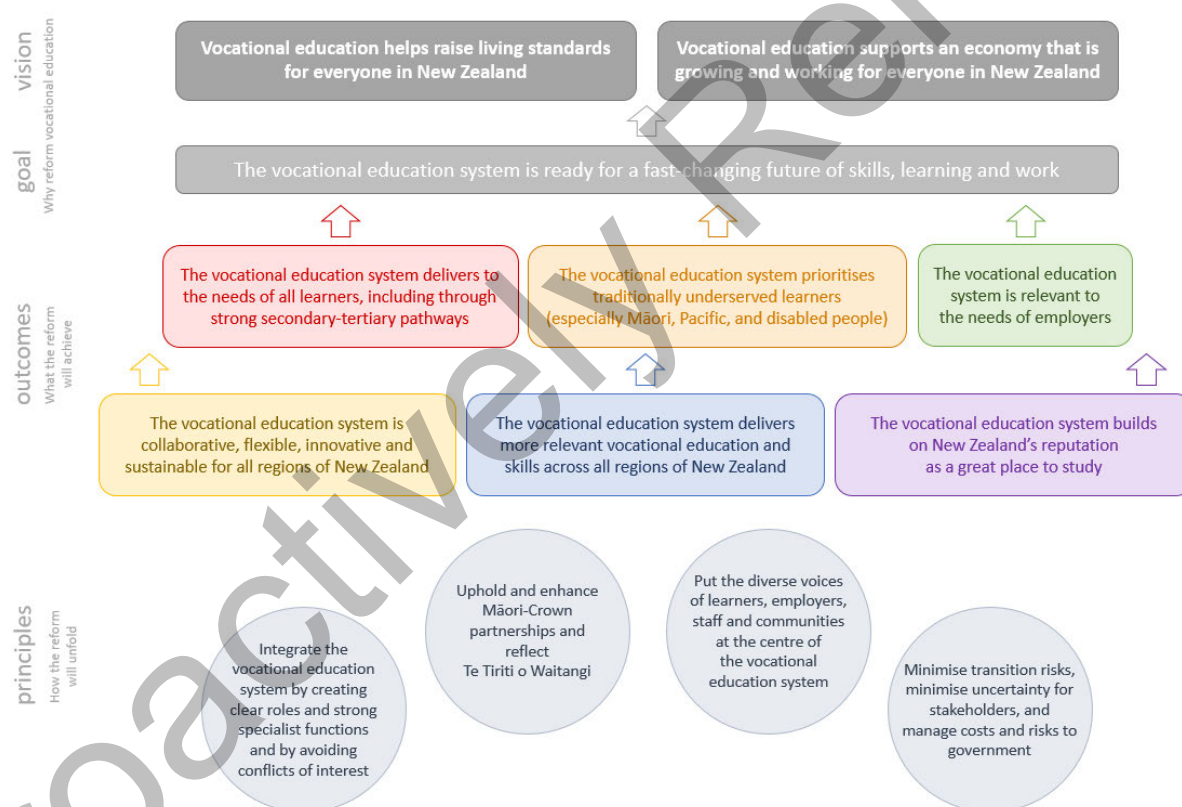
Annex 2: Relevant RoVE and UFS frameworks

RoVE objectives

1. In July 2019 (CAB-19-MIN-0354) Cabinet agreed “that the objective of the changes below is a strong, unified, sustainable vocational education system that delivers the skills that learners, employers and communities need to thrive” and “that part of [this objective] is meeting the needs of learners who have traditionally been underserved by the education system such as Māori, Pacific and disabled learners, particularly as Māori and Pacific will form a growing part of the working-age population in the future”.

RoVE Outcomes Framework

2. The Cabinet paper included the following Outcomes Framework for RoVE, which has guided the development of RoVE projects, including the UFS. This framework includes a principle to “uphold and enhance Māori-Crown partnerships and reflect Te Tiriti o Waitangi” in the way the reform will unfold.



UFS principles

3. Cabinet agreed that the following design principles to guide the developing of the UFS. The UFS should:
 - reward and encourage the delivery of high-quality education and training which meets the needs of all learners, communities and employers
 - support access to work-based education and training and encourage the growth of work-integrated delivery models

- supply strategically important delivery to meet national priorities, address regional labour-market demand, and be highly responsive to employer skill needs
- 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.

UFS components

4. Cabinet agreed that officials will work end-users and sector experts to explore three new funding approaches:
 - *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
 - *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 and disabled learners)
 - *a new approach for strategically important delivery* to support national priorities and to increase responsiveness to regional labour-market demand.

Learner component principles

5. You agreed the following principles to inform the learner success funding component (METIS 1257567 refers):
 - Principle 1 Funding incentivises improved responsiveness to learners' needs and outcomes for learners, particularly for learners who have traditionally been underserved by the VET system.
 - Principle 2 Funding recognises that supporting some learners can come at higher costs to TEOs.
 - Principle 3 Funding supports government's objectives for the NELP and TES and RoVE.
 - Principle 4 Funding design:
 - a. is simple, transparent and predictable
 - b. enables accountability with measurable links to improvements in learner success
 - c. avoids perverse incentives.

Annex 3: How the current system meets the principle of active protection

Table 1: Summary of the current systems match with Crown obligations to uphold the Treaty

Obligations on the Crown	Alignment with the current system	
a. protect te reo and mātauranga Māori as taonga	Partial alignment	<ul style="list-style-type: none"> -The Crown has an obligation under Te Tiriti to protect te reo and mātauranga Māori as a taonga. -99% of te reo and tikanga Māori provision is funded at the lowest VET funding rate and wānanga deliver most of this provision -This may not sufficiently support providers to offer this provision.
b. make provision at levels 3-7 (sub-degree) and all industry training available to Māori that will close inequitable education outcomes	partial alignment	<ul style="list-style-type: none"> -Māori participation rates in UFS eligible provision are high, particularly in te reo and tikanga qualifications but not in areas with substantial elements of work-based learning or strong employment outcomes. -Qualification completion rates for Māori and NZ European learners are similar, but Māori apprentices and young Māori learners have lower qualification completion rates than NZ European apprentices. - Employment outcomes information show large differences in employment rates and earnings for Māori VET graduates compared to NZ European VET graduates. -Industry training is funded at a much lower rate than provider-based which may entrench these inequities. - These inequities in industry training contribute to and may exacerbate inequitable outcomes for Māori from VET.
c. ensure VET is culturally appropriate	partial alignment	<ul style="list-style-type: none"> -Examples of good practice are standalone -Māori learners see a lack of cultural competency and responsiveness to their needs
d. ensure VET organisations are performing well for Māori learners	partial alignment	<ul style="list-style-type: none"> -Providers are incentivised to keep learners in provider-based study rather than supporting them into employment and work-based learning -Funding policies have limited accountability arrangements for TEOs performance for Māori learners - The current system does not allow for flexible responses to the needs of whānau, hapū and iwi. -There is no funding available that is not linked to volume and volume linked funding cannot easily be moved around to respond to emerging needs. This means that providers carry all the risk of establishing new delivery and where this delivery is not at a sufficient volume providers may choose not to undertake that activity.
e. focus specific attention on the needs of, and inequities experienced by, Māori and, if need be, provide additional resources to address their cause	partial alignment	<ul style="list-style-type: none"> -Current Equity Funding in VET is intended to support only a very small portion of Māori learners in VET and is very low

Annex 4: Key messages from engagement

- Māori and iwi want to ensure that any changes resulted in greater opportunities and success for Māori learners.
- Wānanga emphasize that their freedom to operate and develop as institutions with significant autonomy, and the resources available to them for provision should not change as a result of change.
- A new system should understand and respond to the diverse needs of Māori and iwi throughout Aotearoa. This includes social and economic needs, at the regional and at the more local learner and community level.
- The reforms need to be developed specifically to support the needs of Māori learners.
- Suggestions to increase access for Māori learners have included the funding of foundation and other courses that bridge skills gaps, and on job-training allowing Māori learners to engage in the various environments and locations that Māori want to learn, including, provider-based, on-the-job, distance learning and within their community.
- Māori have been clear that there is a need for change in the system to better support Māori learner success.
- The unified funding system should encourage retraining and lifelong learning, for example, noting many Māori are working in industries at greater risk of change due to technology.
- The system needs to provide more intensive and tailored pastoral care to support the retention and achievement of Māori and Pacific learners, and learners with disabilities; and that this would require additional funding.
- Iwi and Māori have been clear that the current funding system constrains the ability for providers to offer small volume programmes that are aligned to this very fast growing and key area of regional development.
- The inflexibility in the current funding system and the related inability of providers to support small volume skills provision to support iwi development has also generated low iwi and Māori confidence in providers in many regions across the country.