



Report: VET funding – follow up on funding rate options

To:	Hon Penny Simmonds, Minister for Vocational Education		
Cc:	Choose an item.		
Date:	20/02/2025	Deadline:	24/02/2025
Security Level:	In-Confidence	Priority:	High
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Why are we sending this to you?

- You are receiving this as a follow up to the agencies meeting on Tuesday 18 February, in which we agreed to come back to you with further information on options for the Learner Component and targeted rate increases.

What action do we need, by when?

- We are seeking your decisions by Monday 24 February to inform a draft of your March Cabinet paper on VET funding.

Key facts, issues and questions

- This report provides you with advice on the option of separating Creative Arts provision from other delivery in Category F2, and additional options for the reprioritisation of funding from the Learner Component

Alignment with Government priorities

1. This report aligns with Government priorities as part of the work programme to disestablish Te Pūkenga and confirm new funding settings to come into effect from 1 January 2026.

Background

2. Last week we provided you with a report [METIS 1341652 refers] outlining the remaining decisions required for your Cabinet paper on funding for vocational education and training (VET), which is to be presented to Cabinet in March.
3. You indicated that you required further information to confirm your decisions on how to reprioritise funding from the Learner Component. You requested advice on a modified approach to targeting which excludes Creative Arts provision, and on the option of removing the Māori and Pacific learner criteria from the Learner Component while leaving other learner rates unchanged.

Further information to support decisions

Excluding 'Creative Arts' provision from a targeted increase

4. You asked us about the possibility of excluding 'Creative Arts' provision from any targeted increase to the F2 funding rate.
5. Excluding Creative Arts from this targeting would require establishing a new funding category (category 'F7'), which would contain delivery as shown below.

F2 (Trades, Information Technology and Health-related Professions)	'F7' (Creative Arts)
Architecture and Quantity Surveying (#02)	Fine Arts and Design (#12)
Computer Science (#06)	Music and Performing Arts (#16)
Health Related Professions (#17)	
Trades (#22)	

6. Creative Arts provision makes up only about 15 percent of delivery in the F2 category currently and this is limited to courses that meet the following criteria:
 - a. Diploma courses (Levels 5–6 on the NZQCF) in Design or Fine Arts/Applied Arts/Graphic Arts, or
 - b. Certificate courses of 240 credits or more in Fine Arts/Applied Arts/Graphic Arts, Design and Craft Design.
7. All other creative arts courses are funded at the F1 rate.
8. This provision was included in the F2 rate because it was previously part of funding category B under the SAC system, alongside Computer Science, Vocational Training for Industry and Health-related professions. These subject areas were considered to have similar costs, including equipment, tools or facilities.
9. Given the small amount of provision involved, removing Creative Arts from any targeted F2 funding rate increase would not have a significant impact on the total cost of the increase. We therefore do not recommend proceeding with this approach, given the additional system complexity associated with creating a new category.

10. We also note that the creative and cultural strategy published by the Ministry for Culture and Heritage in 2024¹ includes priorities for skills development and strengthening vocational pathways in creative industries.

Removing Māori and Pacific learner criteria only from the Learner Component

11. Removing the Māori and Pacific learner categories will save approximately \$6.5 million per annum (less than ten percent of total Learner Component funding).
12. Reprioritisation of this amount could fund a 2 percent increase targeted to the F2, F3 and F4² categories only, or a 1 percent increase to the F1 to F5 funding categories.
13. We would not recommend the option of combining both a larger increase to priority rates and a smaller increase to other rates under this approach, as the differences between targeted and non-targeted areas would be very small.

Category	2025 funding rate	Flat increase	Targeted increase
F1	\$6,584	\$6,650 (+1%)	\$6,584 (no change)
F2	\$10,469	\$10,574 (+1%)	\$10,678 (+2%)
F3	\$11,786	\$11,904 (+1%)	\$12,022 (+2%)
F4	\$14,419	\$14,563 (+1%)	\$14,707 (+2%)
F5	\$19,753	\$19,951 (+1%)	\$19,753 (no change)
F6	\$7,827	\$7,827 (no change)	\$7,827 (no change)

14. We support this approach as it would mitigate the concerns expressed by stakeholders in response to the proposal to reduce the Learner Component and reduce the complexity of the overall package of funding proposals you are putting to Cabinet.

Next Steps

15. We have amended the relevant sections of the table annexed with our previous advice to include the option of a smaller reduction to the Learner Component through removing the Māori and Pacific learner criteria only (Annex 2).
16. Please indicate your decisions and any feedback to inform the drafting of a Cabinet paper, which we aim to provide for your comment on Thursday 27 February.

Annexes

The following are annexed to this paper:

Annex 1: Current UFS funding categories and rates (2025)

Annex 2: Table for decisions

¹ [Amplify: A Creative and Cultural Strategy for New Zealand](#)

² The current UFS funding categories are provided, with their full names, in Annex 1.

Recommended Actions

The Ministry of Education recommends you:

- a. **indicate** your preferred options for the Learner Component and provider-based delivery rate changes on the table provided (Annex 2)

☒ Yes / ☐ No

- b. **indicate** if you would like to exclude 'Creative Arts' delivery from any targeted increase to funding rates for the F2 category by shifting it to a separate funding category (*not recommended*)

Yes ☒ No

Proactive Release:

- c. **agree** that the Ministry of Education release this paper once Cabinet decisions on VET funding settings have been announced, with any information needing to be withheld done so in line with the provisions of the Official Information Act 1982.

☒ Agree ☐ Disagree



James Campbell

Senior Policy Manager

Te Pou Kaupapahere

20/02/2025



Hon Penny Simmonds

Minister for Vocational Education

23/02/25

Annex 1: Current UFS funding categories and rates (2025)

Funding categories	Mode of delivery / \$ per EFTS				
	Provider-based	Provider-based: extramural	Work-based	Work-based: pathway to work	Assessment and verification
Humanities, Business and Social Service Vocations (F1)	\$6,584	\$6,584	\$5,701	\$6,901	\$1,658
Trades, Creative Arts, Information Technology and Health-related Professions (F2)	\$10,469	\$10,469	\$7,825	\$9,732	\$1 658
Agriculture, Engineering, Health Sciences and Science (F3)	\$11,786	\$11,786	\$8,543	\$10,69	\$1,658
Pilot Training and Priority Engineering (F4)	\$14,419	\$14,419	\$9,984	\$12,613	\$1,658
Foreign-going Nautical and specialist Agriculture (F5)	\$19,753	\$19,753	\$12,900	\$16,499	N/A
Mātauranga Māori and Te Reo Māori (F6)	\$7,827	\$7,827	\$7,827	\$7,827	\$1,782

Annex 2: Table for decisions

Reducing the Learner Component	Option 1 (~ \$20 million) <ul style="list-style-type: none"> Remove funding for Māori and Pacific learners Retain rate of \$1,295 for disabled learners Reduce rate for learners with low prior achievement to \$900 	<ul style="list-style-type: none"> Funding for Māori and Pacific learners is removed to align with the Cabinet circular on needs-based service provision (as per previous discussion) Funding is not required to be spent on support for learners in the named groups – they serve as a proxy, and the impact is largely one of signalling Disabled learners require different kinds of support to participate and succeed in VET VET providers will recover at least some of this funding through increased delivery rates, but work-based learning organisations will lose funding overall 	Agree / Disagree
	Option 2 (~ \$20 million) <ul style="list-style-type: none"> Remove funding for Māori and Pacific learners Reduce rate for disabled learners and/or learners with low prior achievement to \$990 	<ul style="list-style-type: none"> Funding for Māori and Pacific learners is removed to align with the Cabinet circular on needs-based service provision (as per previous discussion) Funding is not required to be spent on support for learners in the named groups – they serve as a proxy, and the impact is largely one of signalling <p>This option has a smaller negative impact on funding for the current work-based learning divisions of Te Pūkenga (but a larger impact for work-based learning PTEs)</p>	Agree / Disagree
	Option 3 (~ \$6.5 million) <ul style="list-style-type: none"> Remove funding for Māori and Pacific learners only Retain rate of \$1,295 for disabled learners and learners with low prior achievement 	<ul style="list-style-type: none"> Funding for Māori and Pacific learners is removed to align with the Cabinet circular on needs-based service provision (as per previous discussion) Mitigates the concerns of some stakeholders and other Ministers regarding impacts on learners Limits the negative impact for work-based learning 	Agree / Disagree

Increasing provider-based funding rates	Option 1 (flat increase) <ul style="list-style-type: none"> An equal increase across F1-F5 funding rates <ul style="list-style-type: none"> 4% with \$20 million reprioritised from Learner Component 1% with \$6.5 million reprioritised from Learner Component 	<ul style="list-style-type: none"> A moderate, general increase for provider-based learning Lifts all provider funding rates closer to previous (SAC) levels Mitigates the risk of specific funding rates growing out of proportion with others in the system Could be combined with targeting through a Budget cost adjustment 	Agree / Disagree
	Option 2 (targeted increase) <ul style="list-style-type: none"> A larger increase to targeted F2-F4 funding rates <ul style="list-style-type: none"> 5% with \$20 million reprioritised from Learner Component 2% with \$6.5 million reprioritised from Learner Component A smaller increase to non-targeted funding rates (excluding F6) if you are reprioritising \$20 million from Learner Component 	<ul style="list-style-type: none"> Provides a larger increase to funding rates for priority subject/industry areas while lifting other provider rates approximately in line with inflation Could be combined with targeting through a Budget cost adjustment Allows targeted funding rates to increase higher than others, but somewhat mitigates the risk of other provision being neglected as a result 	Agree / Disagree