



Education Report: Increasing the Māori and Pacific Trades Training fee top-up

То:	Hon Chris Hipkins, Minister of Education Hon Kelvin Davis, Minister for Māori Crown Relations Hon Aupito William Sio, Minister for Pacific Peoples		
Date:	21 December 2020	Priority:	High
Security Level:	In Confidence	METIS No:	1246709
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper proposes to increase the fee top-up for Māori Pacific Trades Training (MPTT) from 1 January 2021. This will address concerns that some eligible learners may miss out on additional support through MPTT because providers have a financial incentive to enrol them instead under the Targeted Training Apprenticeship Fund (TTAF) programme.

Recommended actions

The Ministry of Education recommends you:

- a. **note** there is an overlap in learner coverage between targeted trades in MPTT and programmes within TTAF: about 80% of MPTT equivalent fulltime students (EFTS) are in programmes also covered by TTAF
- b. **note** that MPTT better meets the needs of some learners as it provides additional learner support, whilst TTAF only provides fees-free access
- c. **note** that fee subsidy payments under TTAF reflect actual fees charged, which are on average higher than the fee top-up funding for MPTT, creating a financial incentive for providers to enrol eligible learners in TTAF rather than MPTT
- d. agree to increase the fees top-up for MPTT by \$1,000 per EFTS from 2021

 Agree Disagree
- e. **agree** that the cost of the increase proposed in recommendation (d), estimated at \$1.1 million, can be met from Student Achievement Component Funding, as it is in line with the appropriation scope

 Agree Disagree

- f. **note** that if the funding rate change is not agreed to before 31 December 2020, the change cannot come into effect until 1 January 2022, as changes to be implemented in 2021 need to be agreed to prior to 1 January 2021
- g. **note** that the Ministry of Education has agreed with the Treasury that this can be done in the March 2021 Baseline Update
- h. **sign** the attached updated MPTT funding determination (if rec. d is agreed)
- i. **agree** that this paper will be proactively released in accordance with the provisions of the Official Information Act 1982.

Agree Disagree

Katrina Sutich

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21/12/2020

Hon Chris Hipkins Minister of Education

22 / 12 / 2020

Background

- 1. MPTT supports Māori and Pacific learners to succeed in trades training and progress into sustainable trades employment. Learners receive fees-free pre-trades programmes, wraparound pastoral support and funding for resources to ensure learner success (e.g. trade tools, reading glasses, driver's licences). This additional pastoral support provides good learner outcomes for MPTT. MPTT is coordinated regionally by consortia of iwi, Pacific community representatives, employers, and tertiary education organisations.
- 2. Learners in MPTT (1,490 EFTS reported at August 2020) are funded via the Student Achievement Component (SAC) for their course enrolments, and via the MPTT fund for fees top-ups paid to providers in lieu of charges to learners, and funding for the consortia. The top-up does not apply to SAC 1-2 funded programmes, which are fully funded with no fees allowed.
- 3. TTAF makes all apprenticeships and a range of sub-degree training programmes free for eligible learners from 1 July 2020 until 31 December 2022. It pays fees otherwise charged by providers to students.
- 4. The impact of TTAF on MPTT programmes was outlined in METIS 1230261 and METIS 1239349 refers and further advice before 2021 was signalled.

Interface between MPTT and TTAF

- 5. There is direct crossover between the two trades-training initiatives. Around 80% of MPTT EFTS are also in programmes that are covered by TTAF. This crossover has implications for both learners and providers.
- 6. Providers can receive different rates of funding to deliver the same programme feesfree to the learner through MPTT or TTAF. Both are SAC funded, but MPTT has a set fees top-up of \$4,000 per EFTS for all provision, while actual fees charged by providers for programmes now covered by TTAF are on average \$1,700 higher (this includes tuition fees, compulsory course costs and compulsory student service fees).
- 7. While both MPTT and TTAF are free to learners and do not affect future Fees Free entitlements, MPTT can better serve priority learners' needs than TTAF. MPTT learners receive extra support for:
 - employability skills training (such as driving licenses, site safe certificates);
 - brokerage services (e.g. recruitment support, employment transition support);
 - · careers guidance; and
 - a tools grant.
- 8. With no changes to MPTT fees top-ups, MPTT learners will generate less revenue for providers than learners in the same programme funded under TTAF. This may incentivise providers to enrol MPTT-eligible learners through TTAF instead.
- 9. The Tertiary Education Commission (TEC) advise that providers consider MPTT to have relatively high administrative requirements, which may also provide an incentive to enrol students in TTAF instead.
- 10. For the government, the overall costs of tuition and training may be higher if MPTT learners are diverted into TTAF. For example, if 5% (around 100) of MPTT learners were instead enrolled in TTAF, this would cost the government on average an extra \$163,100 in TTAF fee payments in 2021. However, TTAF is a time-limited initiative.

Adjusting the MPTT fees rates

Increasing the MPTT fees top-up

- 11. The MPTT fees top-up rate has not changed since the He Toki and Pasifika Trades Training initiatives began in 2012, apart from a 1.6% increase for 2021 in line with Budget 2020 decisions for cost adjustments to tuition subsidies. Since 2012, maximum annual fee movements have allowed up to a 27% increase in fees for SAC-funded courses. If this 27% were applied to the MPTT fees top-up, the top-up would now exceed \$5,000 per EFTS.
- 12. We propose the MPTT top-up is increased by \$1,000 per EFTS to close the gap in provider revenue for MPTT and TTAF. This aligns with the policy intent of MPTT by ensuring that priority learners are funded equitably, and it supports better learner outcomes as providers would no longer have a financial incentive to move priority learners into a programme offering them less support.
- 13. Future increases in the MPTT top-up can be considered in annual Budget processes alongside other tuition subsidies, such as SAC.

Funding a MPTT fees top-up increase

- 14. The estimated total cost of this increase is \$1.7 million. Additional MPTT fee top-up funding would likely be needed if you approve the increase. Based on the TEC's current allocations, there is around \$672,700 unallocated in MPTT fees top-up funding for 2021 which could cover part of the increase (although this amount may change once negotiations for 2021 funding with consortia are finalised).
- 15. We propose that the balance of \$1.1 million be met from SAC funding from within the Tertiary Tuition and Training Multi-category appropriation (MCA). Most costs of MPTT learner's tuition are already met from SAC tuition subsidies, and the fee top-up fits within the appropriation scope.
- 16. Current payments for MPTT fees top-ups are recorded separately in Vote Tertiary Education. For transparency and accountability (if SAC funding is needed) we would seek a fiscally neutral transfer within the Vote, from SAC funding to the Access to Tertiary Education appropriation. This transfer can be made in the March Baseline Update. We have discussed this with the Treasury, and they have indicated support.

Legal and timing considerations

17.	9(2)(9)(1)
	Without the 1 January start data, two funding rates would apply to
	Without the 1 January start date, two funding rates would apply to
	learners next year, when for operational reasons, and in-line with policy intent, the
	higher rate would be funded. 9(2)(h)

Next steps

19. If you choose to increase the fees top-up for MPTT by \$1,000 to \$5,064 you will need to sign the attached updated funding determination (which is otherwise unchanged) before 31 December 2020. If the funding rate change is not agreed to before this date, then the funding rate change cannot come into effect until 1 January 2022, as changes to be implemented in 2021 need to be agreed to prior to 1 January 2021. The TEC will then communicate this change to the sector. Officials will advise on the transfer from SAC within the March Baseline Update if needed.

Attachments

Attachment 1: Determination of Design of Funding Mechanism: Māori and Pasifika Trades Training (clean)

Attachment 2: Determination of Design of Funding Mechanism: Māori and Pasifika Trades Training (tracked compared to September 2020)

Final version publicly available on TEC website here: https://www.tec.govt.nz/assets/Funding-mechanisms/MPTT-Funding-Mechanism-Signed-by-Minister-Dec-2020.pdf