



TR 18. 9478



Education Report: Section 159L Funding Determinations for Student Achievement Component levels 1 and 2, Youth Guarantee, and Māori and Pasifika Trades Training

To:	Hon Chris Hipkins, Minister of Education		
Date:	6 September 2018	Priority:	High
Security Level:	In Confidence	METIS No:	1146351
Drafter:	Jon Rolfe	DDI:	s 9(2)(a)
Key Contact:	Andy Jackson	DDI:	
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper seeks your agreement to issue three new funding determinations made under section 159L of the Education Act 1989 (the Act) for Student Achievement Component (SAC) – provision at levels 1 and 2 on the New Zealand Qualifications Framework (NZQF), Youth Guarantee fees-free, and Māori and Pasifika Trades Training (MPTT).

Summary

- Funding determinations are reissued from time to time to reflect changes in Government policy, or if they are time-limited and expire. There are seven funding determinations relating to existing tertiary education funds, which we will seek your approval to issue for 2019. The new funding determinations will reflect agreed policy changes.
- This paper seeks confirmation of your decision to discontinue the current approach to performance-linked funding for SAC funding. While the current approach to performance-linked funding was agreed by Cabinet in 2010, we consider discontinuing this to be a minor policy change to SAC funding with no material fiscal implications, and does not require Cabinet's agreement.
- Subject to your agreement, we will remove the references to performance-linked funding from the funding determinations for SAC provision at levels 1 and 2 (attached) and SAC levels 3 and above (forthcoming).
- We seek your agreement to three funding determinations for SAC provision at levels 1 and 2, Youth Guarantee fees-free and MPTT. These funding determinations reflect policy decisions made including: discontinuing the competitive process at levels 1 and 2, increasing funding rates at levels 1 and 2, ending the DualPathways Pilot, and repurposing the MPTT tools grant.

Recommended Actions

The Ministry of Education recommends you:

Performance-linked funding

- a. **agree** to discontinue the current approach to performance-linked funding from 2019, while other tertiary education funding work is progressed

Agree / Disagree

- b. **note** that you can decide to discontinue performance-linked funding through changes to the Student Achievement Component funding determinations, and that this is unlikely to be viewed as a significant or controversial change that would require Cabinet agreement

Student Achievement Component levels 1 and 2

- c. **note** that the proposed new funding determination for Student Achievement Component provision at levels 1 and 2 (attached in Appendix Two) reflects the following changes for 2019:

- i. discontinues the competitive allocation process for level 1 and 2 provision, in line with previous decisions [METIS 1097295 refers]
- ii. increases funding rates for level 1 and 2 provision, as previously agreed [METIS 1131582 refers]
- iii. discontinues the current approach to performance-linked funding, subject to confirmation of this decision
- iv. expires on 31 December 2019, in anticipation of longer term policy work on foundation level tertiary education and following the vocational education and training review

- d. **agree** that the drafted determination for Student Achievement Component provision at levels 1 and 2 (attached in Appendix Two) takes effect from 1 January 2019

Agree / Disagree

Youth Guarantee fees-free

- e. **note** that the proposed new funding determination for Youth Guarantee fees-free provision (attached in Appendix Three) reflects the following changes for 2019:

- i. ending the DualPathways Pilot, to increase the number of Trades Academy places, as agreed by Cabinet [CAB-18-MIN-0382]
- ii. expires on 31 December 2019, in anticipation of longer term policy work on foundation level tertiary education and following the vocational education and training review

- f. **agree** that the drafted determination for Youth Guarantee fees-free provision (attached in Appendix Three) takes effect from 1 January 2019

Agree / Disagree

Māori and Pasifika Trades Training

- g. **note** that the proposed new funding determination for Māori and Pasifika Trades Training (attached in Appendix Four) reflects the following changes for 2019:
- i. repurposing tools grant funding so that it becomes part of Māori and Pasifika Trades Training consortia funding to purchase tools and provide other support for learners [CAB-18-MIN-0401]
 - ii. a minor wording change that enables the Tertiary Education Commission to establish appropriate employment outcomes measures for consortia rather than reporting on a single national employment outcomes performance measure
- h. **agree** that the proposed drafted determination for Māori and Pasifika Trades Training (attached in Appendix Four) takes effect from 1 January 2019

Agree / Disagree

- i. **sign** the attached letters to the Chair of the Tertiary Education Commission, which relate to each funding determination
- j. **proactively release** this education report, after the Tertiary Education Commission has published the new funding determinations for tertiary education organisations on its website.

Agree / Disagree


Andy Jackson
Group Manager
Tertiary Education

06/09/2018


Hon Chris Hipkins
Minister of Education

16/9/18.

Background

1. The Minister provides instructions to the Tertiary Education Commission (TEC), in the form of 'determinations' issued under section 159L of the Act, regarding the size and operation of various funding mechanisms under its administration. However, the Minister cannot direct the TEC with regard to the allocation of funding for a specific organisation. Funding determinations cover almost all Vote Tertiary Education funding.
2. Funding determinations are reissued from time to time to reflect changes in Government policy, or if they are time-limited and expire. Once the Minister has issued a funding determination, the TEC develops the operational details of how to implement the determination. See Appendix One for more information on the how the tertiary education funding system operates at a high level.
3. From 30 March 2018, a legislative change establishes a process to vary funding determinations where the change would impact funding already committed in a tertiary education organisation's (TEOs) plan. None of the changes to the funding determinations attached will impact any funding that has already been committed to TEOs for 2019.
4. Over the next two weeks, we expect to provide you with seven proposed funding determinations for your approval, which will take effect from 1 January 2019. This paper seeks your approval of three out of the seven funding determinations.

Discontinuing the current approach to performance-linked funding

5. In July 2010, the Cabinet Social Policy Committee agreed to introduce the current approach for performance-linked funding from 2011 [SOC Min (10) 16/5 refers]. The performance-linked funding system was introduced to give providers an incentive to improve provision with poor educational performance and enrol students into programmes with better performance.
6. Performance-linked funding makes up a maximum of 5% of a TEO's SAC funding conditional on meeting performance requirements, based on student outcomes in course completion, qualification completion, first year retention and progression. These measures make up the Education Performance Indicators, published by the TEC to monitor provider's performance, inform investment decisions and to provide information to students.
7. In 2017, around \$5 million, out of around \$2.1 billion of SAC allocated funding, was taken back from TEOs under performance-linked funding. Around half of the \$5 million was from the Institutes of Technology and Polytechnic (ITP) sector. In 2018, there is no performance-linked funding in effect, as a new measurement methodology was introduced in 2017, with 2018 providing a lead-in for implementation from 2019.
8. While performance-linked funding played a role, with other system levers, in reducing provision with low completion rates, it has served its original purpose. Wider measures of performance or approaches that support providers to improve student outcomes should be considered.
9. In the July 2018 paper on the tertiary education funding work programme [METIS 1137552 refers] you indicated agreement to discontinue the current approach to performance-linked funding. This paper seeks confirmation of your decision to discontinue performance-linked funding under the current approach from 2019.

10. As the tertiary education funding work programme develops government can consider a different performance framework to support the system's outcomes. Tertiary funding work can consider options for wider performance measures, or other approaches to supporting and incentivising improvements in student outcomes.
11. The TEC will still monitor and report on Education Performance Indicators, and publish provider-level employment outcome data from SAC funded provision. The collation and publication of this information, and its use by the TEC, to inform future allocation decisions and reduce low-performing provision, still provides incentives to improve student outcomes. The published information on student outcomes can also inform student's study decisions and potential enrolments. Very poor performance and quality concerns can also be managed by the TEC and the New Zealand Qualifications Authority (NZQA) through the investment plan and external evaluation and review system.
12. While the current approach to performance-linked funding was agreed to by Cabinet in 2010, we do not consider discontinuing this requires Cabinet's agreement.¹ Our view is that this decision is:
 - **not a significant policy issue**, as we consider this to be a minor policy change to SAC funding with no material fiscal implications (see paragraph 7). Also, monitoring performance will continue within the tertiary funding system as outlined in paragraph 11 above.
 - **not controversial**, as this change is likely to be welcomed by the sector. Some in the sector see the performance-linked measures as expecting continued increases in completion rates that are unsustainable, and potentially affect tertiary access to students who have previously had lower educational performance, although we have no evidence to support these claims.
 - **within your Ministerial delegation**, as the Minister responsible for Vote Tertiary Education you set funding conditions for tertiary education provision through funding determinations.
13. If you wish to seek Cabinet's agreement to discontinue the current approach to performance-linked funding, we will draft advice to Cabinet. We would also need to revise the attached funding determination for SAC provision at levels 1 and 2, to take account of this. Depending on timings, seeking Cabinet approval could delay TEC's ability to confirm SAC funding to TEOs for 2019.
14. If you make the decision to discontinue performance-linked funding from 2019, this decision will be communicated to the sector by the TEC as soon as practicable, in consultation with your office. Performance-linked funding will also be removed from the funding determinations for SAC provision at levels 1 and 2 (attached) and SAC levels 3 and above (forthcoming).

Student Achievement Component levels 1 and 2

15. There are currently two funding determinations for SAC provision at levels 1 and 2: one for competitive allocation and one for non-competitive allocation. Both funding determinations expire on 31 December 2018. We seek your agreement to issue one

¹ As per section 5.12 of the Cabinet Manual 2017.

funding determination for SAC levels 1 and 2 that does not require a competitive allocation process.

16. We have drafted one new funding determination to take effect for one year from 1 January 2019 until 31 December 2019 for SAC provision at levels 1 and 2 (attached in Appendix Two).² The new funding determination includes the following changes:
 - **discontinues the competitive allocation process** - you agreed to not undertake a competitive funding round from 2019 for SAC levels 1 and 2 [METIS 1097295 refers]
 - **discontinues the current approach to performance-linked funding** - subject to your agreement, we have removed the reference to performance-linked funding in the new funding determination for SAC levels 1 and 2
 - **increases funding rates** - the new determination implements the new funding rates for SAC levels 1 and 2 from 2019 that you agreed to in June 2018 [METIS 1131582 refers]
 - **minor drafting changes** - we have made minor drafting changes in consultation with TEC. These minor amendments improve the clarity and consistency of wording and do not contain any policy changes.
17. We propose issuing the new funding determination for one year, expiring on 31 December 2019. This is in anticipation of longer term policy work on foundation level tertiary education and following the vocational education and training (VET) review.
18. s 9(2)(f)(iv)

Youth Guarantee fees-free

19. The current funding determination for Youth Guarantee fees-free provision expires on 31 December 2018. The new funding determination includes the following changes:
 - **ending the DualPathways Pilot** – following Cabinet agreement to end the DualPathways Pilot in 2018, and to increase the number of Trades Academy places [CAB-18-MIN-0382]
 - **minor drafting changes** - we have made minor drafting changes in consultation with TEC. These minor amendments improve the clarity and consistency of wording and do not contain any policy changes.

² This funding determination also includes funding for the special supplementary grant (SSG). The SSG funds additional tutor support for students with additional learning support needs in TEOs. In 2018, SSG payments totalled \$0.663 million, with the funding going to eight ITPs.

20. We propose issuing the new funding determination for one year, expiring on 31 December 2019. As already indicated (see paragraph 17 and 18 above), this is in anticipation of longer term policy work.

TEC operational change to address sector concerns on the EFTS metric for Youth Guarantee fees-free from 2019

21. The Youth Guarantee fees-free funding determination defines one equivalent full-time student (EFTS) unit as the study workload that would normally be carried out by a student enrolled full-time in a single academic or calendar year. The specific credit expectations of this are not prescribed in the funding determination, as the TEC set the full study workload expectation.
22. The TEC currently defines a full-time, full year workload as 120 credits for one EFTS at all qualification levels. The sector – including Independent Tertiary Education New Zealand (ITENZ) providers who raised this issue with you when you met on 2 August – argue that the current 120 credit EFTS metric is not representative of an appropriate full-time equivalent study workload for students participating in Youth Guarantee fees-free. As we have previously advised, education agencies agree [METIS 1124816 refers].
23. The TEC intends to make an operational change for 2019 to the way it calculates EFTS for funding purposes for Youth Guarantee delivery at levels 1 and 2 only.³ This will reduce the size of the programme of study linked to one EFTS from 120 credits to 100 credits for Youth Guarantee learners at levels 1 and 2. The change will:
- reduce the number of credits expected from an enrolled student in a full-time Youth Guarantee fees-free programme, which should increase the focus on learning and building foundation skills for these young learners
 - improve alignment of study load expectations for Youth Guarantee programmes and NCEA in senior secondary schools (NCEA Level 2 is an 80 credit qualification)
 - provide a funding boost to providers for delivery of Youth Guarantee at levels 1 and 2. As the amount of credits expected for an EFTS reduces from 120 credits to 100 credits, the EFTS-based funding amount for delivery of a programme at level 1 and 2 delivery could increase by up to 20% in 2019.
24. TEC indicate that it is possible to implement this change in 2019 from within existing Youth Guarantee baseline funding. TEC advises that it is planning to inform the sector of this operational change shortly.
25. The TEC will monitor the impact of this change in 2019, including any impact on the two year per-student Youth Guarantee entitlement set by Cabinet.

Māori and Pasifika Trades Training

26. The current funding determination for MPTT is open-ended and does not have an expiry. We have drafted amendments to the funding determination to take effect from 1 January 2019. The new open-ended funding determination (attached in Appendix Four) includes the following changes:
- **repurposing the tools grant funding** – we have made amendments to the funding determination that reflect Cabinet's agreement to repurpose the tools

³ This excludes study at level 3 as the students at this higher level can have higher study workloads.

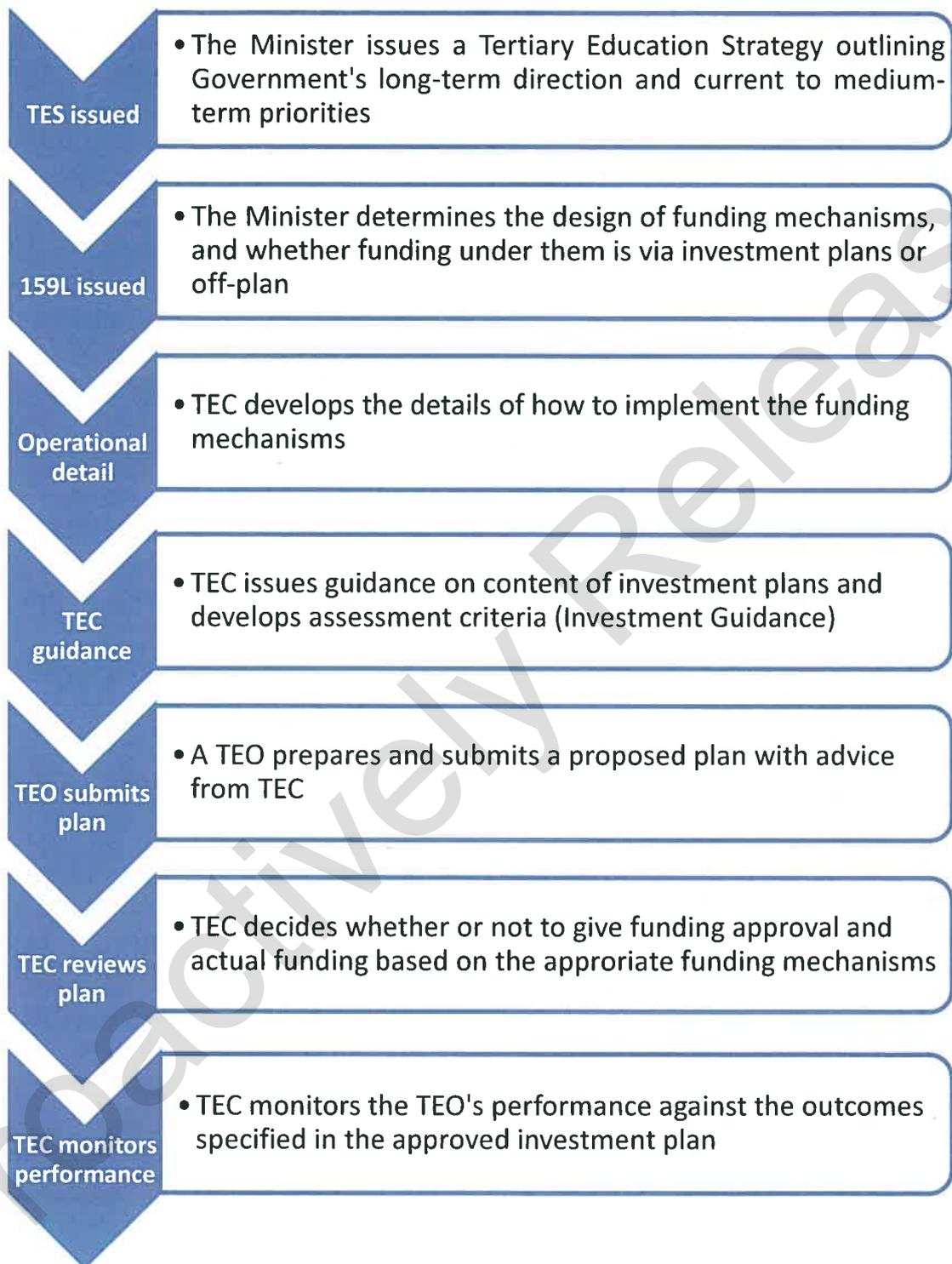
grant funding so that it becomes part of MPTT consortia funding [CAB-18-MIN-0401]. From 2019, consortia will receive this funding directly to purchase tools for learners and to provide other support for learners to reduce barriers to success. Changes to the tools grant funding can take effect from 1 January 2019 without impacting existing TEO funding commitments, as no tools grant funding has already been committed for 2019.

- **minor wording change for employment outcomes measures** – we have amended the wording related to employment outcomes measures from ‘the TEC must establish a national employment outcomes performance measure for consortia’ to ‘the TEC must establish appropriate employment outcomes measures for consortia.’ The variable size and resources of consortia places a compliance burden on consortia with limited resources to track learners’ employment outcomes. The wording change will enable TEC to request appropriate employment outcomes data from consortia rather than applying a ‘one-size fits all’ approach.
- **other minor drafting changes** - we have made minor drafting changes in consultation with TEC. These minor amendments improve the clarity of wording and do not contain any policy changes.

Next steps

27. If you make the decision to discontinue the current approach to performance-linked funding, TEC will work with your office around communication options and timings. This change will need to be communicated to the sector, and you may wish to announce this change for 2019.
28. If you wish to seek Cabinet’s agreement to discontinue the current approach to performance-linked funding, we can discuss options with your office for seeking this approval.
29. We have enclosed the three proposed funding determinations for your approval. We have also attached three letters for your signature, to the Chair of the TEC, advising him of your determinations of the design of the funding mechanisms.
30. Should you agree to these funding determinations and sign the letters, we request that they are sent to the TEC as soon as possible. Issuing these funding determinations enables the TEC to implement them and make 2019 funding decisions. The TEC will then advise providers of the new requirements set out in these funding determinations, enabling the sector to plan for future delivery.
31. In the next two weeks, we will provide four other funding determinations for your approval: SAC level 3 and above, ICT Graduate Schools, the Industry Training Fund, and Adult and Community Education (in relation to the Search and Rescue and the Emergency Management funds).

Appendix One: the tertiary education funding system





18 SEP 2018

Nigel Gould
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Nigel

Determination of Design of Funding Mechanism: Youth Guarantee

I am writing to advise you of a determination of the design of a funding mechanism, under section 159L of the Education Act 1989 (the Act), for Youth Guarantee.

The new determination is set out in the appendix to this letter. The determination covers the period from 1 January 2019 until 31 December 2019.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determinations for the design of funding mechanisms. This includes operational policy and practices in relation to the equivalent full-time student (EFTS) metric used for Youth Guarantee learning programmes. This also includes working with tertiary education organisations if there is any impact upon existing operations.

I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to this determination.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'CH', written over a large, faint 'PROACT' watermark.

Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: YOUTH GUARANTEE

PRELIMINARY PROVISIONS

Statutory authority

1. This funding mechanism for Youth Guarantee funding is made under section 159L of the Education Act 1989 (the Act).

Purpose

2. The purpose of Youth Guarantee funding under this funding mechanism is to provide fees-free tertiary places for:
 - a. eligible domestic students aged 16 to 19 years (inclusive) who are studying towards either the National Certificate of Educational Achievement (NCEA) Level 1 and 2 aligned¹ to the Vocational Pathways, or another qualification at Level 1 or 2 on the New Zealand Qualifications Framework (NZQF), which is intended to enable learners to progress to higher-level education or employment; and
 - b. eligible domestic students aged 16 to 19 years (inclusive) who are studying towards a qualification at Level 3 on the NZQF; places at Level 3 are intended to be prioritised to learners who study towards Level 1 and 2 qualifications in Youth Guarantee and progress to Level 3 study during their two equivalent full-time students (EFTS) of entitlement, and to learners who have no or low (Level 1) prior achievement before enrolling in Youth Guarantee.

On-Plan funding

3. The Tertiary Education Commission (TEC) must pay funding under this funding mechanism under section 159YA of the Act.

PART ONE: THE FUNDING MECHANISM

GENERAL PARAMETERS

Effective period dates

4. This funding mechanism applies to funding for programmes and activities delivered from 1 January 2019 to 31 December 2019.
5. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside those dates.

Available funding

6. The total government funding that can be spent under this funding mechanism will be set through the Government's annual Budget processes.

¹ 'Aligned to the Vocational Pathways' means all the achievement and unit standards in a programme are either sector-related or recommended standards from the Vocational Pathways. NCEA Level 2 programmes aligned to Vocational Pathways must lead to at least one Vocational Pathways Award.

TEC administrative responsibilities in the case of under-funding

7. If a tertiary education organisation (TEO) receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must pay the amount of the under-funding as soon as is reasonably practicable.

SPECIFIC PARAMETERS

YOUTH GUARANTEE PROVISION

Funding formula and rate

8. The TEC must measure Youth Guarantee provision enrolments in units of EFTS.
9. One (1.0) EFTS unit is defined as the student workload that would normally be carried out by a student enrolled full-time in a single academic or calendar year.
10. The TEC must classify Youth Guarantee provision into one of the following funding categories:
 - a. non-trades; or
 - b. trades.
11. The TEC must use the funding rates for each of the funding categories to calculate the amount of funding that an eligible TEO may receive. All amounts are GST exclusive.

Funding per EFTS	Non-Trades	Trades
Fee & Course Costs	\$9,500	\$13,000
Pastoral Care	\$500	\$500
Tuition Rate	\$10,000	\$13,500
Transport Assistance	\$800	\$800
TOTAL	\$10,800	\$14,300

12. When allocating funding for Youth Guarantee provision, the TEC must consider, without limitation, the following:
 - a. the nature of the qualifications offered by a TEO; and
 - b. pastoral care arrangements for students; and
 - c. a TEO's past performance against Youth Guarantee performance criteria.

Flexible funding

13. The TEC must establish criteria, based on minimum thresholds for organisational and educational performance, for determining under which circumstances a TEO qualifies for the additional funding described in paragraph 15 (a “qualifying TEO”).
14. However, a TEO is not a qualifying TEO unless the minimum amount of funding that it is approved by the TEC to receive for Youth Guarantee provision in the calendar year is \$216,000.
15. If a TEO meets the criteria specified in paragraph 14, and if the value of provision actually delivered by the TEO, as measured in dollars, is greater than the value of their approved funding allocation, the TEC must allocate funding up to the following limits, either:
 - a. 2% of their approved funding allocation; or
 - b. 10 EFTS;whichever is greater.
16. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 15 provided the TEC has assessed whether the funding available under this funding mechanism is sufficient for TEC to provide funding above these limits.

Exceptional Circumstances Transport Assistance fund

17. The purpose of the Exceptional Circumstances Transport Assistance fund is to provide additional transport assistance to students who live in relatively isolated areas who may have higher transport needs.
18. The TEC may spend up to \$1.0 million of funding under this funding mechanism through the Exceptional Circumstances Transport Assistance fund to semi-rural and rural TEOs that provide Youth Guarantee.
19. The TEC must establish an allocation process for the Exceptional Circumstances Transport Assistance fund that uses a formula of relative isolation to determine which providers are semi-rural or rural which provide Youth Guarantee.
20. The TEC may use any unallocated Exceptional Circumstances Transport Assistance funding for the purchase of additional Youth Guarantee provision EFTS.

TEO eligibility

21. The TEC may only fund a TEO under this funding mechanism for Youth Guarantee provision if the TEO is:
 - a. an institute of technology and polytechnic (ITP);
 - b. a wānanga;
 - c. a private training establishment (PTE); or

- d. a state school or state integrated school that has been funded by the TEC since 2011.

TEO quality assurance

- 22. The TEC may only fund a TEO under this funding mechanism for Youth Guarantee provision if the TEO is quality assured by:
 - a. the New Zealand Qualifications Authority (NZQA), if the TEO is an ITP, a wānanga or a PTE; or
 - b. the Education Review Office, if the TEO is a state or state-integrated school.

Student eligibility

- 23. The TEC must ensure that a TEO that receives funding for Youth Guarantee provision only enrolls students in Youth Guarantee provision each of whom is:
 - a. a domestic student, as defined in section 159 of the Act; and
 - b. studying at least 50% of a full-time, full-year enrolment; and
 - c. not also enrolled in secondary school; and
 - d. is either:
 - i. 16 to 19 years of age (inclusive) at the time they commence the programme; or
 - ii. 15 years of age at the time they commence the programme, and has an early leaving exemption from their school.
- 24. In addition the TEC must:
 - a. ensure that a TEO that receives funding for Youth Guarantee provision does not enrol a student in a Youth Guarantee programme who has already achieved a qualification at Level 3 or above on the NZQF;
 - b. encourage a TEO that receives funding for Youth Guarantee provision at Level 3 on the NZQF to give priority for Level 3 provision to:
 - i. students with no or low (Level 1) prior achievement; and
 - ii. students who have completed a Level 1 or Level 2 qualification through Youth Guarantee provision.
 - c. monitor the prior achievement levels of students enrolled in each TEO's Youth Guarantee provision at Level 3.
- 25. A student who meets the criteria is only eligible to receive a total of up to two (2.0) EFTS worth of Youth Guarantee provision.
- 26. The TEC must establish the requirements that TEOs must comply with to verify each student's identity, and confirm that a student is a valid enrolment.

Inducements

27. Even if a student meets the criteria specified in paragraphs 23 and 24, the enrolment is not a valid enrolment for the purposes of this funding mechanism if it has been secured by way of an inducement.
28. An inducement may include a financial incentive or on-going personal possession of physical items where they induce a student to enrol.
29. The TEC must establish criteria for determining what constitutes an inducement.

Programme eligibility

30. The TEC must not fund Youth Guarantee provision under this funding mechanism unless the programme:
 - a. leads to the award of a qualification that is either:
 - i. NCEA at Level 1, 2 or 3; or
 - ii. another National or New Zealand Certificate at Level 1, 2 or 3 on the NZQF; and
 - b. includes literacy and numeracy provision; and
 - c. comprises part of a recognised pathway² towards one or more vocational qualifications at Level 4 and above on the NZQF; and
 - d. if it leads to a Level 1 or 2 NCEA qualification, is aligned to the Vocational Pathways; and
 - e. is provided by tutors who are appropriately qualified.

Cap on Youth Guarantee provision at Level 3

31. The TEC must not allocate more than 30% of the total funding available to be allocated under this funding mechanism for qualifications at Level 3 on the NZQF, including the NCEA Level 3.

Performance measurement

32. The TEC must measure the performance of TEOs funded for Youth Guarantee provision against the following performance criteria:
 - a. student retention; and
 - b. course completion; and
 - c. qualification completions; and
 - d. student progression to higher-level study or employment.

² As determined by the NZQA.

33. The TEC must set performance expectations and hold performance information in relation to Youth Guarantee programmes leading to the relevant qualifications at Level 1, 2 and 3 on the NZQF.

PART TWO: FUNDING CONDITIONS

Conditions that the TEC must attach to funding

34. The TEC must attach the following specific conditions on funding paid under this funding mechanism.

Tertiary Education Organisations

35. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must, for the length of the funding period, continue to meet the criteria specified in paragraphs 21 and 22 of this funding mechanism.

Students

36. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each student who is enrolled in a programme funded under this funding mechanism meets and continues to meet the criteria specified in paragraphs 23 and 24 of this funding mechanism.

Programmes

37. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a programme in which an eligible student is enrolled continues to meet the criteria specified in paragraph 30 of this funding mechanism.

Reporting withdrawals to Ministry of Social Development

38. The TEC must attach a condition of funding that TEOs funded under this funding mechanism report the withdrawals of students to the Ministry of Social Development within five working days of each withdrawal. This is to enable student loans and student allowances to be cancelled as soon as possible.

TEO responsibilities for Youth Guarantee provision

39. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
- a. must not subcontract the delivery unless approved by the TEC; and
 - b. has in place an effective assessment process for identifying each student's initial literacy and numeracy needs, and measures their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool;³ and

³ Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

- c. must meet minimum performance expectations specified by the TEC.

TEO responsibilities for Youth Guarantee provision

- 40. The TEC must attach to funding a condition that a TEO that receives funding for Youth Guarantee provision must not enrol a student in Youth Guarantee provision if:
 - a. the student has already received two EFTS of Youth Guarantee provision; or
 - b. the student would, if enrolled by the TEO, exceed two EFTS of Youth Guarantee provision during the period of that enrolment.
- 41. The TEC must attach to funding a condition that a TEO that receives Youth Guarantee provision must ensure that, in relation to all new enrolments, students who already hold a qualification at Level 1 or 2 on the NZQF do not comprise more than 10% of the TEO's enrolments at that level;
- 42. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
 - a. must ensure that the transport assistance and exceptional circumstances transport funding is only used to pay for the actual cost of the transport incurred by the TEO or each student to whom it is paid; and
 - b. must keep records of expenditure on transport assistance.

Fees

- 43. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
 - a. must not charge any tuition fees or compulsory course costs to a student; and
 - b. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular programme;⁴ and
 - c. in relation to the provision of essential equipment, including computers, must not require the costs to be met through the "course-related costs" component of the Student Loan Scheme.

No other funding

- 44. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
 - a. must not (without the TEC's prior written consent) seek or obtain funding from any Crown source (including a Crown entity or a company wholly owned by the Crown) other than the TEC to fund provision, programmes or activities which are funded under this funding mechanism; and

⁴ The phrase "equipment, infrastructure and hardware" refers to items that can be used by successive intakes of students. It does not include personal items which are provided for individual student use and which the TEO does not retain for the next intake of students.

- b. must notify the TEC immediately if it becomes aware of any circumstances that might result in a breach of subparagraph (a) of this condition.

Responsible use of funding

- 45. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism, must use the funding:
 - a. lawfully, responsibly, and for the purposes for which it is provided; and
 - b. in a manner consistent with the appropriate use of public funds.

Recovery of over-funding

- 46. The TEC must attach to funding a condition that if a TEO receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the TEO must treat the amount of the over-funding as a debt due to the Crown that:
 - a. is repayable on demand; and
 - b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.
- 47. For the avoidance of doubt, this condition also applies when a TEO has not used all of its transport assistance and exceptional circumstances travel assistance funding by the end of the term of the funding approval.
- 48. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment to set-off the debt against all or any funding.

Repayment of funding following revocation of funding approval

- 49. The TEC must attach to funding a condition that if, in accordance with section 159YG of the Act, the TEC suspends or revokes some or all of a TEO's funding paid under this funding mechanism before that funding provided has been used or contractually committed towards the purposes for which that funding was provided, the TEO must treat the unexpended or uncommitted portion of the funding as a debt due to the Crown that is:
 - a. repayable on demand; and
 - b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.

Enrolment

- 50. The TEC must attach to funding a condition that a Tertiary Education Institution must keep accurate and up-to-date records of valid domestic enrolments in accordance with the requirements developed by the TEC.

Hon Chris Hipkins

MP for Rimutaka

Minister of Education

Minister of State Services

Leader of the House

Minister Responsible for Ministerial Services



18 SEP 2018

Nigel Gould
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Nigel

Determination of Design of Funding Mechanism: Student Achievement Component – Provision at Levels 1 and 2 on the New Zealand Qualifications Framework

I am writing to advise you of a determination of the design of a funding mechanism, under section 159L of the Education Act 1989 (the Act), for Student Achievement Component-funded provision at Levels 1 and 2 on the New Zealand Qualifications Framework. This replaces the two funding determinations for Student Achievement Component-funded provision at levels 1 and 2, the competitive funding and non-competitive funding, which were in effect for 2017 and 2018.

The new determination is set out in the appendix to this letter, and is to fund provision from 1 January 2019 to 31 December 2019.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determinations for the design of funding mechanisms. This includes working with tertiary education organisations if there is any impact upon existing operations.

I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to this determination.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Chris Hipkins'.

Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVELS 1 AND 2 ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

PRELIMINARY PROVISIONS

Statutory authority

1. This funding determination is made under section 159L of the Education Act 1989 (the Act), and specifies the design of the funding mechanism for:
 - a. Student Achievement Component (SAC) provision at levels 1 and 2 on the New Zealand Qualifications Framework (NZQF); and
 - b. special supplementary grant (SSG) funding for special education.

Purpose

2. SAC funding contributes to the provision of teaching and learning services for enrolled students at tertiary education organisations (TEOs).
3. The SAC comprises the following two funds:
 - a. provision at levels 1 and 2 on the NZQF; and
 - b. provision at levels 3 and above on the NZQF.
4. The objectives of foundation-level tertiary education (levels 1 and 2 on the NZQF) are to:
 - a. provide people who do not already have essential foundation skills with access to a low cost way to gain those skills; and
 - b. provide progression to higher level study and skilled employment; and
 - c. build the literacy and numeracy skills of eligible students; and
 - d. enable students to learn English or Te Reo Māori; and
 - e. encourage TEOs that are best able to meet the needs of foundation education students.
5. SSG funding is to fund additional tutor support for special education in TEOs.
6. In this funding mechanism, all references to SAC funding exclude SSG funding, unless specified otherwise.

On-plan funding

7. The Tertiary Education Commission (TEC) must pay funding allocated under this funding mechanism under section 159YA of the Act.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

8. This funding mechanism is to fund provision from 1 January 2019 to 31 December 2019.
9. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside those dates.

Available funding

10. The total amount of government funding that can be spent under this funding mechanism will be set through the Government's annual budget processes.

TEC administrative responsibilities in the case of under-funding

11. If a TEO receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must treat the amount of the under-funding as a credit and pay the amount of the under-funding as soon as reasonably practicable.

Funding formula and rates

12. The TEC must calculate SAC funding paid under this funding mechanism based on a metric comprising:
 - a. the number of valid domestic student enrolments, measured in equivalent full-time students (EFTS); and
 - b. the qualification or training scheme in which eligible students are enrolled.

Valid domestic enrolments

13. For the purpose of calculating SAC funding paid under this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a student who is:
 - a. a domestic student¹; and
 - b. either
 - i. aged 16 years and over; or
 - ii. aged under 16 years and meets the criteria determined by the TEC; and
 - c. studying in New Zealand, unless the student meets criteria established by the TEC.

¹ For the definition of domestic student, refer to section 159 of the Act.

14. The TEC must establish criteria for determining under which circumstances a student can be considered to be a valid domestic enrolment, where he or she is aged under 16 years.
15. The TEC must establish the requirements that TEOs must comply with to verify each student's identity and to confirm that a student is a valid domestic enrolment.

Inducements

16. Even if a student meets the criteria specified in paragraph 13, the enrolment is not a valid domestic enrolment for the purposes of this funding mechanism if it has been secured by way of an inducement.
17. An inducement may include a financial incentive or on-going personal possession of physical items where they induce a student to enrol.
18. The TEC must establish criteria for determining what constitutes an inducement.

The metric

Measurement of enrolments

19. The TEC must measure valid domestic enrolments in units of EFTS. One (1.0) EFTS unit is defined as the student workload that would normally be carried out by a student enrolled full-time in a single academic or calendar year.
20. The EFTS value of a qualification represents the TEC's assessment of the normal minimum time for a successful full-time student to complete the qualification. In addition, the credit value assigned to the qualification by either the New Zealand Qualifications Authority (NZQA) or the New Zealand Vice-Chancellors Committee must be a part of the EFTS metric.
21. The TEC must consider qualifications that the TEO has disaggregated into component courses. The TEC must assign each course an EFTS factor that represents the proportion of the whole qualification that the course constitutes.

Funding rates

22. The TEC must apply the funding categories and per-EFTS funding rates for TEOs to deliver fees-free provision to the student, as set out in Appendix 1, Table 1.

TEO eligibility

23. The TEC may only fund a TEO under this funding mechanism if the TEO is one of the following:
 - a. an institute of technology and polytechnic (ITP); or
 - b. a wānanga; or
 - c. a university; or
 - d. a private training establishment (PTE).

TEO quality assurance

24. To be eligible for funding under this funding mechanism, a TEO must be quality assured by:
- a. the NZQA, if the TEO is an ITP, a wānanga or a PTE; or
 - b. the New Zealand Vice-Chancellors' Committee, if the TEO is a university.

Eligibility of students

25. The TEC must ensure that the funding that is allocated to a TEO under this funding mechanism is only used for valid domestic student enrolments, as defined by paragraph 13.
26. The TEC must take into account a TEO's enrolment practices for students with prior qualifications, as set out in paragraph 27.

Students with prior qualifications

27. Up to 10% of a TEO's enrolments funded under this funding mechanism can have already achieved a qualification at level 2 or higher on the NZQF (a prior qualification).
28. The TEC must measure the limit on enrolments with a prior qualification:
- a. by excluding enrolments in qualifications in English for Speakers of Other Languages (ESOL) or Te Reo Māori; and
 - b. by excluding qualifications achieved five years or more prior to the current enrolment; and
 - c. according to any other methodology set by the TEC.
29. The TEC may recover funding if a TEO exceeds the prior qualification limit.

Programmes and qualifications

Eligible programmes and qualifications

30. The TEC must ensure that funding allocated under this funding mechanism is only used for provision that:
- a. meets the objectives of foundation-level tertiary education (as set out in paragraph 4 above); and
 - b. is part of a programme that:
 - i. leads to the award of a qualification (of 40 credits or more) at level 1 or 2 on the NZQF; and
 - ii. has been quality assured by either NZQA or the New Zealand Vice-Chancellors' Committee (where appropriate); or
 - c. is part of a training scheme that:

- i. leads to an award with a credit value greater than 20 credits; and
 - ii. has been quality assured by NZQA; or
- d. is part of a programme that leads to the award of the National Certificate of Educational Achievement (NCEA) at level 2 that is aligned with one or more of the Vocational Pathways; and
 - e. includes embedded literacy and numeracy provision (except for qualifications in ESOL or Te Reo Māori); and
 - f. includes an assessment process, under which students are assessed using the Literacy and Numeracy for Adults Assessment Tool (except for qualifications taught predominantly in Te Reo Māori); and
 - g. involve synchronous learning (delivered in real-time to the student); and
 - h. may be delivered extramurally, with prior approval of the TEC; and
 - i. is provided by tutors who are appropriately qualified².

Ineligible programmes and qualifications

- 31. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for programmes of study or training where the TEC considers on reasonable grounds that a majority of the programme of study or training relates to health and safety or regulatory compliance.

Special supplementary grant for special education

- 32. The TEC may provide funding for additional tutor support for special education in TEOs that have previously delivered provision to students requiring increased assistance.
- 33. The TEC must establish an allocation process for the provision of SSG funding.

² The appropriateness of qualified tutors relates to the foundation education qualification being delivered, including specialist areas, such as ESOL, Te Reo Māori and supported learning, as well as capability around the delivery of embedded literacy and numeracy, for relevant provision (see paragraph 30e).

PART TWO: FUNDING CONDITIONS

Conditions that the TEC must attach to funding

34. The TEC must impose the following specific conditions on funding provided to each TEO under this funding mechanism.

TEOs

35. The TEC must attach to funding a condition that a TEO that receives SAC funding under this funding mechanism must meet, and for the length of the funding period, continue to meet all the eligibility criteria specified in paragraphs 23 and 24 of this funding mechanism.
36. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
- a. not subcontract any of the funded activities without the prior written consent of the TEC; and
 - b. comply with any conditions imposed by the TEC on a consent to subcontract; and
 - c. ensure that a subcontracted party does not further subcontract any functions; and
 - d. remain accountable for the use of the funding.

Students and enrolments

37. The TEC must attach to funding a condition that a TEO that receives SAC funding under this funding mechanism must ensure that each eligible student meets and continues to meet the criteria specified in paragraph 25 of this funding mechanism.
38. The TEC must attach to funding a condition that a TEO that receives SAC funding under this funding mechanism must not:
- a. restrict enrolment in eligible qualifications and training schemes funded under this funding mechanism on the basis of private advantage (for example, enrolment being restricted to the TEO's employees only); or
 - b. secure or seek to secure a valid domestic enrolment through offering of an inducement.
39. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must limit enrolments with prior qualifications, as specified in paragraphs 27 and 28.
40. The TEC must attach to funding a condition that a TEO that receives SAC funding under this funding mechanism must verify a student's identity, and confirm that a student is a valid domestic enrolment, in accordance with the requirements developed by the TEC.

Reporting withdrawals to Ministry of Social Development

41. The TEC must attach a condition of funding that a TEO that receives funding under this mechanism report the withdrawal of students to the Ministry of Social Development within five working days of each withdrawal. This is to enable student loans and student allowances to be cancelled as soon as possible.

Programmes and qualifications

42. The TEC must attach to funding a condition that a TEO that receives SAC funding under this funding mechanism must ensure that a programme or qualification in which an eligible student is enrolled meets and continues to meet the criteria specified in paragraph 30 of this funding mechanism.
43. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism, for provision as set out in paragraph 30(f), must have in place an effective assessment process for identifying a student's initial literacy and numeracy needs, and measure their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool.³
44. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a majority of the qualification in which an eligible student is enrolled does not include health and safety or regulatory compliance learning.

Fees and associated course costs

45. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must not charge a fee to a student enrolled in a qualification that is funded under this funding mechanism.
46. For the purposes of this condition, the term "fee" includes the following items: tuition fees, compulsory course costs, examination fees, costs of materials, costs of field trips, costs associated with the compulsory purchase of equipment or books through a TEO, and other charges associated with a course that is part of a qualification.
47. For the purposes of this condition, the term "fee" does not include compulsory student services fees or fees for student identification cards.
48. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
 - a. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular course or qualification⁴; and
 - b. in relation to the provision of essential equipment, including computers, diving hardware, and chainsaws, must not require the costs to be met

³ Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

⁴ The phrase "equipment, infrastructure and hardware" refers to those items that can be used by successive intakes of students. It does not include personal items which are provided for individual student use and which the TEO does not retain for the next intake of students.

through the “course-related costs” component of the Student Loan Scheme, as a condition of enrolment for students.

Compulsory student services fee (CSSF)

49. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism and that charges a compulsory student services fee, must at the beginning of each year, publish on their website:
- a. basic CSSF information for the year, including the amount charged per EFTS and a description of the student services the fee supports; and
 - b. a description of the current year’s CSSF decision-making process – including a description of how the current fee and services offered were determined, how consultation with students occurred and what the decisions were; and
 - c. a description of how students can be involved in CSSF decisions for the following year – how TEOs propose to consult with their students and what issues might be considered.

TEO responsibilities

50. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must meet minimum performance standards specified by the TEC.

No other funding

51. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism (including SSG) must:
- a. not (without the TEC’s prior written consent) seek or obtain funding from any Crown source other than the TEC to fund provision which is funded under this funding mechanism; and
 - b. notify the TEC immediately if it becomes aware of any circumstances that might result in a breach of sub-paragraph (a) of this condition.

Responsible use of funding

52. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism (including SSG) must use the funding:
- a. lawfully, responsibly, and for the purposes for which it is provided; and
 - b. in a manner consistent with the appropriate use of public funds.

Recovery of over-funding

53. The TEC must attach to funding a condition that if a TEO receives funding under this funding mechanism (including SSG) that is greater than it should have been, or that it was not entitled to receive, the TEO must treat the amount of the over-funding as a debt due to the Crown that:

- a. is repayable on demand; and
 - b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.
54. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment or set-off the debt against all or any funding.
55. For the purposes of this condition, a TEO will have received funding that was "greater than it should have been" if the total dollar value of the SAC provision funded under this funding mechanism that is delivered by a TEO within a funding year is less than 99% of the total dollar value for the SAC provision paid to the TEO under this funding mechanism.
56. In that situation, the percentage of funding that is repayable is equal to the difference between the bottom of the tolerance band (99%) and the percentage value of the provision that was delivered.

Repayment of funding following revocation of funding approval

57. The TEC must attach to funding a condition that if, in accordance with section 159YG of the Act, the TEC suspends or revokes some or all of a TEO's funding paid under this funding mechanism (including SSG) before that funding provided has been used or contractually committed towards the purposes for which that funding was provided, then the TEO must treat the unexpended or uncommitted portion of the funding as a debt due to the Crown and:
- a. is repayable on demand; and
 - b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.

Disclosure of data from Statistics New Zealand's Integrated Data Infrastructure

58. The TEC must attach to funding a condition that a TEO consents, for the purposes of section 37A(a) of the Statistics Act 1975, to Statistics New Zealand disclosing information to the Ministry of Education and the TEC from its Integrated Data Infrastructure that identifies, or may identify, the TEO.
59. The TEC must inform TEOs that the Statistics Act 1975 does not constrain the ongoing use or sharing of the TEO-level data once it is disclosed.

Specific conditions that the TEC must attach to Tertiary Education Institutions (TEIs) funded under this funding mechanism

60. The following specific conditions must be attached to funding provided to TEIs under this funding mechanism.

Enrolment

61. The TEC must attach to funding a condition that a TEI must keep accurate and up-to-date records of valid domestic enrolments in accordance with the requirements developed by the TEC.

Benchmarking

62. The TEC must attach to funding a condition that a TEI must participate as appropriate in benchmarking, including:
- a. providing the vendor with financial and performance information as requested, in a timely manner; and
 - b. engaging with the vendor over follow-up questions and related quality assurance processes, in a timely manner; and
 - c. contributing to the cost of the agreement between the TEC and the vendor, at a rate determined by the TEC.

Proactively Released

APPENDIX 1: CALCULATION OF SAC LEVEL 1-2 FUNDING

Table 1: SAC Level 1-2 classification of qualifications and training schemes for funding

SAC Level 1-2 classification of qualifications and training schemes	Funding rate/EFTS
Te Reo Māori	\$7,500
English for Speakers of Other Languages	\$8,000
Supported Learning	\$13,000
Trades	\$13,000
Services	\$9,000
General Foundation Education	\$8,500



18 SEP 2018

Nigel Gould
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Nigel

Determination of Design of Funding Mechanism: Māori and Pasifika Trades Training

I am writing to advise you of a determination of the design of a funding mechanism, under section 159L of the Education Act 1989 (the Act), for Māori and Pasifika Trades Training (MPTT). The determination is set out in the appendix to this letter, and is to fund provision from 1 January 2019.

The funding mechanism enables SAC-funded vocational training to be provided fees-free by organisations in MPTT consortia. The Tertiary Education Commission must ensure that these organisations support the economic development aspirations of Māori and Pacific communities and be responsive to employers. Funding is also available for employment brokerage services and a range of consortium activities.

The new funding determination:

- reflects that funding previously set aside for tools grants has been repurposed to become part of consortium funding,
- broadens the range of funded consortium activities to include learner support, so that consortia may receive repurposed funds to provide tools and/or other support to learners which will contribute to learners' success,
- enables consortia to purchase tools and/or other support for learners directly, and in a more timely way than possible under previous tools grant provisions, and
- includes transitional tools grants for eligible learners who complete or leave their MPTT pre-trades training on or prior to 31 December 2018.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determinations of the designs of funding mechanisms. This includes working with tertiary education organisations if there is any impact upon existing operations.

I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to this determination.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'CH', is positioned above the typed name.

Chris Hipkins
Minister of Education

Proactively Released

DETERMINATION OF DESIGN OF FUNDING MECHANISM: MĀORI AND PASIFIKA TRADES TRAINING

PRELIMINARY PROVISIONS

Statutory Authority

1. This funding determination is made under section 159L of the Education Act 1989 (the Act) and specifies the design of the funding mechanism for Māori and Pasifika Trades Training (MPTT).

Purpose

2. The purpose of this funding mechanism is to support Māori and Pasifika learners aged between 16 years and 40 years of age to enter and achieve in pre-trades training and progress to sustainable trades or trades-related employment, including New Zealand Apprenticeships, other successful industry training programmes at Level 3 and above on the New Zealand Qualifications Framework (NZQF), and managed apprenticeships. Progression to further provider-based vocational training at Level 4 or above that has strong employment outcomes is also a positive outcome.
3. Funding paid under this funding mechanism is for:
 - a. fees top-ups to make Student Achievement Component (SAC)-funded programmes of pre-trades training fees-free to MPTT learners; and
 - b. brokerage services to:
 - i. match learner talents and aspirations with employer skill requirements and career pathways;
 - ii. tailor pre-employment trades educational provision to the needs and aspirations of MPTT learners, communities and potential employers;
 - iii. facilitate relationships between MPTT learners, providers, industry training organisations (ITOs) and potential employers;
 - iv. transition learners into sustainable employment; and
 - c. consortium activities to increase access to vocational training for Māori and Pasifika learners and improve pre-employment trades training (including robust work preparation and learner support) to align this training more closely to the needs of employers and of Māori and Pasifika communities.
4. The government contribution towards the costs of teaching and learning services is funded through the SAC. An organisation delivering trades training under the MPTT initiative must meet the teaching and learning costs through its existing agreed SAC allocations funded as part of its investment plan. If an organisation does not receive SAC funding, it must have an agreement with an organisation that has a SAC allocation that is approved by the Tertiary Education Commission (TEC).

Off-plan funding

5. The TEC must pay MPTT funding under section 159ZC of the Act.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

6. This funding mechanism covers funded activities delivered from 1 January 2019.
7. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside of these dates.

Consortium

8. For the purposes of MPTT, a consortium should consist of at least one tertiary education organisation (TEO), an ITO, employer representation, and a Māori and/or Pasifika entity.
9. A consortium should undertake governance, project management, co-ordination, and evaluation services. A consortium should also provide for:
 - a. employability skills training, and fees for obtaining licences, such as driver licences, that complement the SAC-funded programmes and that learners are likely to need to gain entry-level employment in their chosen trade; and
 - b. additional learner support (activities, goods or other support), which contributes to learners' success.
10. Consortia should draw on their knowledge of community and employer needs and the needs of learners entering apprenticeships to contribute to the choice, design and delivery of programmes, learner support, and pre-screening of applicants for places in MPTT.
11. The TEC must agree, with each consortium, an aspirational target level of female participation in MPTT that:
 - a. reflects the opportunity for the consortium to increase female participation in trades that offer sustainable employment and in which females have traditionally been under-represented; and
 - b. represents a significant but achievable increase on previous female participation in the MPTT consortium, and in similar consortia.
12. The TEC must agree, with each consortium, aspirational targets for the participation of learners who may be less likely to participate or achieve in vocational training without MPTT, such as those with low qualifications and recent beneficiaries. The targets should reflect local and regional needs and aspirations.
13. The TEC must establish appropriate employment outcomes measures for consortia.

Available funding

14. The total amount of government funding that can be allocated under this funding mechanism will be set through the Government's annual Budget processes.

Funding for fees top-ups

15. The TEC must calculate funding for fees top-ups for enrolments in eligible programmes and training schemes in equivalent full-time students (EFTS). One (1.0) EFTS unit is defined as the student workload that would normally be carried out by a student enrolled full-time in a single academic or calendar year.
16. The TEC must allocate funding for fees top-ups at a rate of \$4,000 per EFTS for level 3 and 4 programmes and training schemes, and \$0 for level 1 and 2 qualifications and training schemes.

Funding for Brokerage

17. The TEC must allocate brokerage funding at a rate of \$1,150 per individual learner up to the total number of learners agreed by the TEC, and at the brokerage rate applicable at the time the learner enrolled. Brokerage funding is payable once in respect of the same individual learner.
18. The TEC must reserve 50% of brokerage funding for the payment of a performance incentive that is:
 - a. payable on the basis of sufficient evidence of individual learners achieving successful outcomes from a programme supported by MPTT within 18 months of the learner ceasing to be enrolled in the programme; and
 - b. calculated as an amount payable in respect of each learner that meets the criteria in paragraph 19 for determining a successful outcome.
19. The outcomes that result in the payment of the performance incentive are:
 - a. entry to a New Zealand Apprenticeship; or
 - b. entry to industry training at level 3 or higher, or to a managed apprenticeship, in a programme identified by the TEC as being likely to lead to sustainable employment.
20. For the purposes of this funding determination, a managed apprenticeship is a SAC funded programme that is:
 - a. intended to lead to a qualification at level 4 or higher of 120 credits or more; and
 - b. arranged by an institute of technology or polytechnic (ITP), a wānanga, or a private training establishment (PTE) (that is, the provider arranges the delivery and assessment of training and in some cases provides pastoral care); and
 - c. dependent on a formal training relationship between the provider, a learner and an employer of the learner.

Funding for consortium activities

21. The TEC must allocate funding for consortium activities such as:
 - a. governance and project management;
 - b. coordinating the contributions of consortium members and other services to the development of learner capabilities;
 - c. employability skills training and licencing (e.g. driver licencing) that complements the SAC-funded programmes; and
 - d. learner support (activities, goods, or other support that contributes to learners' success) in addition to support ordinarily offered by the tertiary provider.
22. For the purposes of this funding mechanism, the total amount of funding available for consortium activities is determined by Cabinet or Joint Ministers.
23. The amount allocated to each consortium should reflect learner numbers, the past performance of the consortium, the stage of development of the consortium, and the potential for economies of scale (including economies achieved by consortia working together), and it may reflect the learner group being targeted by the consortium.

Funding for transitional tools grants

24. The TEC will make provision for transitional tools grants¹, at a rate of \$1,000 per learner, for MPTT learners who:
 - a. complete or leave their MPTT pre-trades training on or prior to 31 December 2018; and
 - b. have not received a tools grant under the Apprenticeships Reboot; and
 - c. enter one of the following within 18 months of leaving their pre-trades training:
 - i. a New Zealand Apprenticeship; or
 - ii. an equivalent level 4 or higher apprenticeship programme, such as a managed apprenticeship, that the TEC has approved; or
 - iii. industry training at level 3 or level 4 that the TEC has approved.

Organisation eligibility for fees top-ups or brokerage

25. The TEC may only allocate MPTT funding for fees top-ups or brokerage to:
 - a. a TEO that:
 - i. is part of a consortium approved by the TEC; and

¹ Under previous letters of delegation, issued on 1 October 2013 and 7 December 2015, MPTT learners who progressed from pre-trades training into eligible outcomes within 18 months of leaving their MPTT pre-trades training were able to claim grants to purchase tools. This funding has now been repurposed as additional funding for consortia to provide this or other support to learners. This transitional process will ensure the expectations and needs of learners eligible under the previous system are met.

- ii. is a wānanga, an ITP, a PTE, or a university; and
 - iii. is quality assured by the New Zealand Qualifications Authority (NZQA), if the TEO is a wānanga, ITP, or PTE; or
 - iv. is quality assured by the New Zealand Vice-Chancellors' Committee, if the TEO is a university; and
 - v. has been allocated SAC funding from the TEC; or
- b. a consortium, or a member of a consortium that:
- i. is approved by the TEC; and
 - ii. is a legal entity; and
 - iii. is an ITO that is quality assured by the NZQA or is an organisation identified under section 159B(2) of the Act; and
 - iv. in the case of fees top-ups funding, has a contract for SAC-funded provision with at least one TEO that meets the criteria of subparagraph (a).
26. For the purposes of this funding determination, all eligible recipients of funding are referred to as "organisations".
27. As the consortium arrangement is intended to provide flexibility in allocating MPTT funding, the TEC may:
- a. fund an organisation for both fees top-ups and brokerage on a consortium's behalf; or
 - b. fund multiple organisations within a consortium for both fees top-ups and brokerage; or
 - c. fund multiple organisations within a consortium for either fees top-ups or brokerage; or
 - d. subject to paragraph 39, fund a consortium for both fees top-ups and brokerage, allowing the consortium to subcontract with its own members, or other TEOs, for SAC-funded provision and brokerage.
28. The TEC may only allocate MPTT funding for consortium activities to an organisation that is the lead member of a consortium, provided that the lead member is:
- a. approved by the TEC; and
 - b. a legal entity; and
 - c. either:
 - i. a TEO that is eligible for MPTT funding for fees top-ups or brokerage; or

- ii. a person or body that provides tertiary education-related services and is identified in accordance with section 159B(2) of the Act.

Eligibility of learners

29. The TEC must ensure that an organisation only receives MPTT funding for fees top-ups and/or brokerage for eligible learners.
30. To be an eligible learner, a learner must be:
 - a. one of the following:
 - i. a domestic student; or
 - ii. an Australian citizen or Australian permanent resident currently residing in New Zealand; and
 - b. Māori² or Pasifika^{3,4} and
 - c. aged between 16 and 40 years of age (inclusive) at the start date of the first course in the programme of study or training; and
 - d. enrolled in an eligible programme or training scheme (set out in paragraph 32).

Eligible programmes and training schemes

31. The TEC must ensure that an organisation only receives MPTT funding for fees top-ups for eligible learners enrolled in an eligible programme or training scheme.
32. For the purposes of this funding mechanism, an eligible programme or training scheme is SAC-funded training that is:
 - a. either:
 - i. a programme of study leading to the award of a qualification at levels 1 to 4 on the NZQF; or
 - ii. a training scheme of between 40 and 45 credits at levels 1 to 4 on the NZQF that has been endorsed by an ITO or a Direct Funding Scheme participant as a suitable pathway into an apprenticeship or traineeship for learners with a specified set of needs; and
 - b. forms a pathway to entry to:

² For administrative purposes this refers to those with evidence of Māori ancestry, whakapapa, or persons that made an oath, affirmation or declaration that they are Māori made before a person recognised and authorised to administer such oaths, attestations, or declarations (e.g. a Kaumātua affiliated to a recognised Māori hapū, iwi, or legal entity, a Justice of the Peace, or other persons empowered to administer oaths and declarations under the Oaths and Declarations Act 1957).

³ For administrative purposes this includes those who have evidence of ancestry from the independent and sovereign nations of the South Pacific and meet the conditions of paragraph 30(a-d) and for whom priority must be given. This includes The Republic of Fiji, The Kingdom of Tonga, Samoa, the Cook Islands, Solomon Islands, Vanuatu, Tuvalu, Nauru, Niue and Kiribati. It also includes the atolls of Tokelau for which New Zealand is administratively and constitutionally responsible.

⁴ Additionally, on the basis of a request by a consortia, TEC may grant admission to learners descended from persons from French Polynesia, Wallis and Futuna Islands, New Caledonia, Papua New Guinea and American Samoa provided they also meet the conditions of paragraph 30(a-d) and there is spare capacity but only after prior consideration of admission by Māori and Pasifika learners as identified in notes 2 and 3.

- i. a New Zealand Apprenticeship; or
 - ii. industry training at Level 3 or higher, or to a managed apprenticeship, in a programme identified by the TEC as being likely to lead to sustainable employment.
33. The TEC must ensure that an organisation does not use MPTT fees top-ups funding to fund:
 - a. a New Zealand Apprenticeship, a traineeship, or a managed apprenticeship, or
 - b. a training scheme where the TEC considers on reasonable grounds that a majority of the training scheme relates to health and safety or regulatory compliance learning.

Eligibility for brokerage

34. The TEC must ensure that an organisation only receives MPTT funding for brokerage for eligible learners for whom the organisation provides, or subcontracts brokerage services, in relation to the learner, as indicated by the purposes of brokerage set out in this funding determination (see paragraph 3).

PART TWO: FUNDING CONDITIONS

General Conditions

35. The TEC, in funding an organisation eligible for funding under this funding mechanism under section 159ZC of the Act, may impose any conditions on funding that it considers necessary, including, without limitation, conditions for ensuring that funding will achieve the purpose for which it has been allocated.

Conditions that the TEC must or may attach to funding

36. The TEC must or, in the case of paragraph 47, may impose the following specific conditions on funding provided to each relevant organisation under this funding mechanism.

Eligible organisations

37. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups, brokerage and/or consortium activities under this funding mechanism must meet and continue to meet all of the relevant eligibility criteria for organisations under this funding mechanism.
38. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism remains as part of the same approved consortium for the length of the funding period, except as agreed by the TEC for the purpose of continuing to support enrolled learners.
39. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism must:

- a. not subcontract any of the funded activities without the prior written consent of the TEC; and
- b. comply with any conditions imposed by the TEC on a consent to subcontract; and
- c. ensure that a subcontracted party does not further subcontract any functions; and
- d. remain accountable for the use of the funding.

Eligible learners

40. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups and/or brokerage under this funding mechanism must ensure that each learner meets and continues to meet the criteria of paragraph 30 of this funding mechanism.

Eligible programmes and training schemes

41. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must ensure that a programme or training scheme in which an eligible learner is enrolled meets and continues to meet the criteria of paragraph 32 of this funding mechanism.
42. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must:
 - a. ensure that the funding is not used to fund a New Zealand Apprenticeship, a traineeship, or a managed apprenticeship; and
 - b. comply with the funding conditions for the relevant SAC-funded programme or training scheme; and
 - c. in the case of learners for whom the organisation receives MPTT funding for fees top-ups for SAC-funded programmes at level 3 or level 4, have in place an effective assessment process for identifying each learner's initial literacy and numeracy needs, and measure their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool (such as the Adult, Youth, Te Ata Hāpara or Starting Points version).

Eligibility for Brokerage

43. The TEC must attach to funding a condition that an organisation that receives MPTT funding for brokerage under this funding mechanism must provide, or subcontract brokerage services, in relation to eligible learners, as indicated by the purposes of brokerage set out in this funding determination (see paragraph 3).

Fees and associated course costs

44. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must not charge a fee to a learner enrolled in a qualification that is funded under this funding mechanism.

45. The TEC must attach to funding a condition that an organisation that receives MPTT funding for brokerage under this funding mechanism must not charge a fee to a learner for brokerage services.

Eligible organisation's responsibilities

46. The TEC must attach to funding a condition that an organisation that receives MPTT funding under this funding mechanism must meet minimum performance standards specified by the TEC.

Consortium lead member's responsibilities

47. The TEC may attach to funding a condition that the lead member of a consortium that receives funding for consortium activities must enter into an arrangement, or arrangements, with each other member of the consortium that:
- a. enables the lead member to meet conditions of funding imposed by the TEC on the lead member; and
 - b. imposes on each member of the consortium obligations owed to the lead member that are similar to the lead member's obligations in respect of any funding received under this funding mechanism; and
 - c. imposes on each other member of the consortium obligations to provide information to, and fully cooperate with, the lead member and the TEC, in order to verify the lead member's compliance with conditions of funding imposed by the TEC on the lead member.
48. The TEC must attach to funding a condition that the lead member must not, without the prior written consent of the TEC, enter into any arrangement with another organisation, or end any arrangement with any other member of that consortium, that would have the effect of changing the membership of the consortium that the lead member leads.

Funding from other sources

49. The TEC must attach to funding a condition that an organisation that receives funding under this mechanism must:
- a. not (without the TEC's prior written consent) seek or obtain any funding, from any Crown source other than the TEC, for activities funded under this funding mechanism; and
 - b. notify the TEC immediately if it becomes aware of any circumstances that might result in a breach of sub-paragraph (a) of this condition.
50. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups or funding for brokerage for an eligible learner under this funding mechanism must not seek or claim fees payments or other fees top-up funding from any other Crown source for the same learner, without the prior approval of TEC in writing.

Responsible use of funding

51. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism must use the funding:

- a. lawfully, responsibly, and for the purposes for which the funding is provided;
and
- b. in a manner consistent with the appropriate use of public funds.

Recovery of over funding

52. The TEC must attach to funding a condition that if a TEO receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the TEO must treat the amount of the over-funding as a debt due to the Crown that:
 - a. is repayable on demand; and
 - b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.
53. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment or set-off the debt against all or any funding.

TEC administrative responsibilities

54. The TEC must attach to funding a condition that, if the organisation receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must treat the amount of the under-funding as a credit and pay the amount as soon as is reasonably practicable.