



TR18.9519



Education Report: Delegation to fund Fees-Free tertiary education and Section 159L funding determinations for Student Achievement Component levels 3 and above, ICT Graduate Schools, and industry training

To:	Hon Chris Hipkins, Minister of Education		
Date:	13 September 2018	Priority:	High
Security Level:	In Confidence	METIS No:	1148455
Drafters:	Jon Rolfe Julia Cronin	DDI:	s 9(2)(a) [redacted]
Key Contact:	Shelley Robertson	DDI:	[redacted]
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). It also seeks agreement to the parameters for the Tertiary Education Commission (TEC) to administer funding for the Fees-Free Tertiary Education and Training policy.

Summary

- Attached for your approval is a letter of delegation in relation to the Fees-Free policy. This delegation provides detailed instructions for the TEC to administer the Fees-Free policy, in accordance with agreed policy settings from 2019.
- The funding determinations for Student Achievement Component (SAC) levels 3 and above, Information and Communications Technology (ICT) Graduate Schools, and industry training have been updated to reflect policy changes, including:
 - discontinuing performance-linked funding
 - discontinuing the competitive allocation process for SAC levels 3 and 4
 - increasing funding rates for SAC levels 3 and above
 - setting the 2% Annual Maximum Fee Movement (AMFM) for 2019
 - funding a wider range of industry training programmes.
- This paper also seeks your agreement to implement SAC funding changes to international students involved in postgraduate research that were agreed to in Budget 2018. Budget 2018 reprioritised this funding from 2019, however, there are complexities in implementing this in 2019, as it affects four universities with funding commitments into 2019. This paper recommends:
 - consulting on a proposed variation to the funding conditions, making the funding change in 2019, with the four affected universities

- o after consultation, choosing whether to make a change to these funding conditions
- o agreeing to a funding determination with current 2019 settings for funding international students involved in postgraduate research – four tertiary providers would be eligible for the funding in 2019, and the other five providers would not be. As this will enable the TEC to progress SAC funding decisions for 2019.

Recommended Actions

The Ministry of Education recommends you:

Ministerial delegation for making payments for Fees-Free tertiary education

- a. **note** that the ministerial delegation in relation to the Fees-Free policy (attached in Appendix Two) provides detailed instructions for the Tertiary Education Commission to implement the Fees-Free policy from 1 January 2019, and reflects policy settings as agreed by Cabinet
- b. **sign** the attached letter of delegation in relation to the Tertiary Education Commission's implementation of the Fees-Free policy from 1 January 2019

Funding determination for industry training

- c. **agree** to changes in the proposed funding determination for industry training (attached in Appendix Three) that enables funding of micro-credentials and other training that is:
 - i. limited to between 5 and 40 credits
 - ii. composed of skill standards for which the tertiary education organisation has consent to assess
 - iii. adequately quality assured, according to criteria set by the Tertiary Education Commission

Agree / Disagree

- d. **agree** to remove the requirement to restrict individual industry training organisation funding for industry training at level 5 and above, while retaining an overall restriction across the Industry Training Fund

Agree / Disagree

- e. **agree** that the drafted determination for industry training (attached in Appendix Three) takes effect from 1 January 2019

Agree / Disagree

Funding determinations for Student Achievement Component levels 3 and above and Information and Communications Technology Graduate Schools

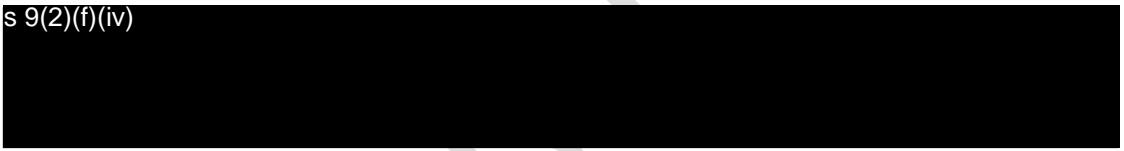
- f. **note** that the proposed new funding determinations for Student Achievement Component provision at levels 3 and above (attached in Appendix Four) and Information

and Communications Technology Graduate Schools (attached in Appendix Five) reflect the following changes for 2019:

- i. a phased implementation approach for the disestablishment of Student Achievement Component funding for international students involved in postgraduate research, subject to your agreement in recommendation (l)
- ii. discontinuing the current approach to performance-linked funding, subject to your agreement in a previous report [METIS 1146351 refers]
- iii. discontinuing the competitive allocation process for levels 3 and 4 provision (focussing on agriculture, horticulture and viticulture) [METIS 1097295 refers]
- iv. increasing funding rates by 1.6% for levels 3 and above provision, as agreed by Cabinet in June 2018 [SWC-18-MIN-0073 refers]
- v. setting the 2% Annual Maximum Fee Movement for 2019

Disestablishment of funding at Student Achievement Component levels 3 and above for international students involved in postgraduate research

- g. note that four universities are currently on three year investments plans approved by the Tertiary Education Commission that run until 31 December 2019, and receive funding for international students involved in postgraduate research

h. s 9(2)(f)(iv)


- i. agree that officials, on your behalf, consult the affected organisations on the proposed variation, the removal of Student Achievement Component funding for international students involved in postgraduate research, as outlined in Table Two, in accordance with the variation process under section 159OA of the Education Act 1989 (*recommended by the Ministry of Education and the Tertiary Education Commission*)

 Agree / Disagree

- j. note that for the Tertiary Education Commission to make funding decisions for 2019, a funding determination for Student Achievement Component provision at levels 3 and above needs to be agreed to, which includes a phased implementation approach for funding international students involved in postgraduate research
- k. agree that the funding determinations reflect the disestablishment of Student Achievement Component funding for international students involved in postgraduate research being phased in, with providers that have an investment plan that has not expired and was approved by the Tertiary Education Commission before Budget 2018 on 17 May 2018, continuing to receive this funding in 2019

 Agree / Disagree

- I. **agree** that the drafted determinations for Student Achievement Component provision at levels 3 and above (attached in Appendix Four) and Information and Communications Technology Graduate Schools (attached in Appendix Five) take effect from 1 January 2019

Agree / Disagree

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

Agree / Disagree


Andy Jackson
Group Manager
Tertiary Education

13/09/2018


Hon Chris Hipkins
Minister of Education

17.9.18

Background

Current funding determinations

1. The current principal funding determinations for Student Achievement Component (SAC) levels 3 and above, Information and Communications Technology (ICT) Graduate Schools, and industry training are open-ended and operate alongside several supplementary determinations.
2. We have drafted new funding determinations (attached) for SAC levels 3 and above, ICT Graduate Schools and industry training to reflect policy changes either already agreed or subject to your agreement in this paper. The proposed determinations incorporate previous changes issued in supplementary funding determinations so each determination can be read in a single document.

Impact of legislative change on process to change funding determinations

3. The Education (Tertiary Education and Other Matters) Amendment Act 2018, introduced on 30 March 2018, established a process under section 159OA of the Education Act 1989 (the Act) to vary a funding mechanism where the change would affect funding conditions during the course of a tertiary education organisation's (TEO's) investment plan approved by the Tertiary Education Commission (TEC).
4. Thirteen TEOs have investment plans approved by the TEC, that continue into 2019, that receive SAC levels 3 and above funding. Therefore, changes to funding conditions which affect SAC levels 3 and above funding could require a variation process.
5. In order to make a variation under section 159OA of the Act, the proposed variation must be reasonably necessary, and the Minister must consult with all organisations affected. This guards against the Minister making trivial or unnecessary changes, it provides notification that the Minister is considering making changes, and it allows TEOs to identify issues and costs that can inform a final decision [METIS 1089820 refers]. If a variation is agreed to by the Minister, it cannot come into effect until the beginning of the next calendar year, or three months after agreeing to vary the determination, whichever is later.

Ministerial delegation for Fees-Free Tertiary Education and Training policy

6. We have removed unnecessary content on the Fees-Free policy from the SAC levels 3 and above, ICT Graduate Schools and industry training funding determinations. The proposed Fees-Free sections in these funding determinations specifies the conditions that the TEC must attach to funding in relation to Fees-Free payments and references the ministerial delegation for Fees-Free tertiary education (attached as Appendix Two).
7. The ministerial delegation for Fees-Free tertiary education payments provides detailed instructions for the TEC to fund Fees-Free tertiary education and training in 2019. This includes:
 - the criteria for determining eligibility for Fees-Free
 - the criteria to make payments in respect of fees on behalf of eligible students or trainees
 - the TEC's operational process for tracking the consumption and carry-over of eligible students or trainees, and

- the TEC's discretion to determine cases of exceptional personal circumstances to either determine that a student or trainee who does not meet all of the criteria is eligible for Fees-Free tertiary education or to write-off all, or a portion of, an eligible student's or trainee's consumption of their Fees-Free entitlement.

Minor policy changes to Fees-Free from 2019

8. The attached ministerial delegation for Fees-Free tertiary education operationalises the minor policy changes Cabinet agreed to in August 2018 [CAB-18-MIN-0401 refers]. These changes include:
 - **addressing disincentives for Fees-Free learners to start short industry training programmes** by excluding credits gained in short industry training programmes since January 2018, when assessing prior study for Fees-Free eligibility.
 - **changing Fees-Free eligibility rules for people enrolled in a school** by excluding tertiary courses undertaken as part of a schooling programme, rather than excluding anyone enrolled in a school. This will "fast-track" confirmation of eligibility for an estimated 6,000 learners.
 - **making other minor changes to Cabinet's previous decisions** to clarify the "fast-track" eligibility rules that will apply from 2019, give the TEC discretion to reinstate consumed Fees-Free entitlements due to exceptional cases of personal circumstances, and ensure consistency across eligibility settings for industry training and provider-based study.

Operational changes for 2019

9. The attached ministerial delegation for Fees-Free tertiary education includes operational changes that the TEC are making from 2019. These changes include:
 - **implementation of a "carry-over" mechanism** to deliver on Cabinet's previous decision that students who undertake less than one equivalent full-time student (EFTS) unit of study in 2018 in provider-based study – and don't exceed the \$12,000 cap – can use any remaining balance in later years. The TEC will also develop operational rules to assess entitlement limits and consumption of individuals who combine both industry training and provider-based study.
 - **a timeframe for claiming Fees-Free entitlement** that specifies that the TEC must not make any retrospective payments in 2019 relating to the fees paid students or trainees (or their employers) who, despite meeting the eligibility criteria in 2018, were not determined by the TEC to be eligible for Fees-Free tertiary education. This does not apply if the student or trainee was not determined to be eligible in 2018 through no fault of the student or trainee.
 - **adding Youth Guarantee level 3 programmes as eligible programmes for the purpose of carry-over**, as currently, study undertaken in Youth Guarantee fees-free at level 3 counts as prior study, and depending on EFTS unit consumption, can make students ineligible for the Fees-Free policy. This change will enable the TEC to monitor the consumption of students in level 3 Youth Guarantee programmes in cases where these students may have carry-over Fees-Free entitlement that they could subsequently utilise, under the Fees-Free policy.

Industry Training Fund funding determination

10. You recently agreed that industry training be able to fund micro-credentials approved by the New Zealand Qualifications Authority (NZQA), and you agreed that the TEC should restrict funding for training not leading to a listed qualification [METIS 1149485 refers].
11. You also indicated that we should include further advice on giving the industry training fund more scope to fund industry training packages that have not been NZQA-approved but have been quality assured by another credible body.

Further advice on policy changes that require your decision

Eligibility criteria for training arrangements and micro-credentials

12. We have worked with the TEC to identify the following criteria for ensuring that training arrangements that have not been NZQA-approved provide an appropriate balance between managing the risk of funding poor quality industry training, and supporting a responsive vocational education and training system:
 - limited to between 5 and 40 credits (in keeping with NZQA requirements for micro-credentials and minimising overlap with full qualifications)
 - composed of skill standards for which the TEO has consent to assess
 - has been adequately quality assured, according to criteria set by the TEC (this is aligned with a similar requirement for SAC-funded training schemes at levels 3 and above).
13. Micro-credentials approved under NZQA's Consent to Assess rules will meet these criteria, while the TEC will need to set additional criteria for training arrangements that have not been NZQA-approved. We recommend that your covering letter for the funding determination indicates your expectation that the TEC will consult NZQA and the Ministry of Education on its criteria for adequate quality assurance.

Restrictions on funding for industry training at level 5 and above

14. Funding for industry training at higher levels is restricted because employers are not necessarily skilled in delivering the required theory content on-job. However, some industries may be more capable than others at delivering theory on-job, or more prepared than others to fund quality off-job training where needed.
15. The TEC is currently:
 - required to allow each TEO to spend a maximum of 10% of its allocated Industry Training Fund funding on training at level 5 and above on the New Zealand Qualifications Framework, *but*
 - permitted to negotiate case by case exceptions to this limit, *but*
 - required to allocate a maximum of 10% of the Industry Training Fund to training at level 5 and above.
16. We consider this unduly complex. We propose removing the individual Industry Training Organisation (ITO) limit, while retaining the overall restriction across the Industry Training Fund. This may encourage ITOs to develop more proposals for training at these levels, potentially addressing unmet industry needs. We expect that the TEC would

ensure that this training is only funded where it has a high probability of delivering an appropriate level of public benefit.

Proposed funding determination for industry training from 2019

17. We have drafted a funding determination for the Industry Training Fund (attached in Appendix Three), to take effect from 1 January 2019. Consistent with your previous decisions [METIS 1149485 refers] and the above policy recommendations, the new funding determination includes the following changes:
 - **enables the TEC to fund a wider range of training arrangements and micro-credentials** – as outlined above in paragraph 12
 - **simplifies and slightly relaxes restrictions on funding for industry training at level 5 and above** – as outlined above in paragraphs 14–16
 - **makes minor changes to settings for the Fees-Free Tertiary Education policy** – the determinations and ministerial delegation implements policy changes agreed by Cabinet in August 2018 [CAB-18-MIN-0401 refers]
 - **makes minor drafting changes** – we have made minor drafting changes in consultation with TEC. These minor amendments simplify and improve the clarity and consistency of wording and do not contain any policy changes. Some wording related to the disclosure of data is removed to avoid any implication that the use of the data is more restricted than in SAC.

Student Achievement Component levels 3 and above and ICT Graduate Schools

18. We have drafted a new funding determination to take effect from 1 January 2019 for SAC provision at levels 3 and above (attached in Appendix Four) and ICT Graduate Schools (attached in Appendix Five).
19. The SAC levels 3 and above and ICT Graduate Schools funding determinations are complementary, given ICT Graduate Schools funding includes SAC funding as well as other funding to support agreed outcomes such as research and industry collaboration. The new funding determinations includes the following changes:
 - **discontinues the competitive allocation process** – you agreed to not undertake a competitive funding round from 2019 for SAC levels 3 and above [METIS 1097295 refers]
 - **discontinues the current approach to performance-linked funding** – subject to your agreement in previous paper [METIS 1146351 refers]
 - **increases funding rates** – the determination implements the new funding rates for SAC levels 3 and above from 2019 that Cabinet agreed to in June 2018 [SWC-18-MIN-0073 refers]
 - **setting the 2% Annual Maximum Fee Movement (AMFM) for 2019** – in August you agreed, after consultation, to set the AMFM at 2% for 2019 [METIS 1124860 refers]

- **phases implementation for the removal of funding for international students involved in postgraduate research** – subject to your agreement to recommendation (k), and outlined from paragraph 20
- **makes minor changes to settings for the Fees-Free Tertiary Education policy** – the determinations and ministerial delegation implements policy changes agreed by Cabinet in August 2018 [CAB-18-MIN-0401 refers]
- **makes 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.

Student Achievement Component funding for international postgraduate students

Funding for international students at postgraduate level

20. From April 2005, international students studying towards a Doctor of Philosophy programme have been recognised as 'domestic students', for the purposes of accessing tertiary education tuition subsidies, providing they meet conditions around study based in New Zealand. They receive the same tuition funding as domestic students for doctorate-level courses. The introduction of this also phased out other funding for foreign postgraduate research students not at doctorate-level, who enrolled after April 2005.
21. However, since 2011, international students involved in postgraduate research, such as a Master's programme through thesis, have again been eligible for tuition subsidies through SAC funding. These funding rates were lower than the rates for domestic students in comparable postgraduate study, and also lower than domestic student tuition subsidies for sub-degree study, within the same course classification area.

Reprioritisation of funding in Budget 2018

22. As part of Budget 2018, tuition subsidies for international students involved in postgraduate research was identified as a savings initiative and approved for reprioritisation [CAB-18-Min-0158.29 refers]. No changes were made to funding international students studying towards a Doctor of Philosophy programme. In 2017, the eight Universities and Waikato Institute of Technology received funding for international students involved in postgraduate research, and it totalled around 320 EFTS. Reprioritising this funding was estimated to save \$2 million per year from 2019.
23. This funding, as it was for international students, could be off-set by full-cost recovery from fee-paying students. This funding change relates to a small portion of postgraduate international student EFTS below doctorate-level (300 EFTS out of around 11,000 EFTS, from international students in postgraduate study below doctorate-level).

Implementing funding changes

24. s 9(2)(f)(iv)

25. Four of the nine providers that currently receive SAC funding for these international students have investment plans that continue into 2019, and were approved by the TEC,

prior to the decision in Budget 2018 on 17 May 2018. These are: Auckland University, Waikato University, Victoria University of Wellington, and Otago University.

26. The potential impact on tertiary providers SAC levels 3 and above funding is low given the quantum of overall funding received by these four universities, and that the TEC advises that these providers are likely to be able to utilise the SAC funding for other eligible students. However, there is a funding impact during an existing plan period for these four providers.
27. The removal of SAC funding for international students involved in postgraduate research can apply to all tertiary providers from 2020, however, within 2019 there are options for implementation.

Impact on change process from 2018 amendments to the Act

28. In Budget 2018, given the approved plans into 2019, it would have been appropriate to reprioritise savings from changes to funding for international students from 2020. Given it is a small portion of funding, implementation from 2020 would not have made a material difference in the savings realised.
29. With the introduction of the legislation on 30 March 2018, a new process for making changes to funding determinations was introduced. However, the Ministry did not identify the impact of this new process on implementing the funding change for international students for 2019. The Ministry plans to undertake work that will set clear processes and expectations to ensure the implementation options and processes for changing funding determinations under the revised legislation are taken into account earlier in the policy process in future.

Implementation options for 2019

30. Implementing from 2019 the removal of access to SAC tuition subsidies for international students involved in postgraduate research has three options:
 - Option 1: introduce the changes to the funding determination for 2019, but have a phased introduction, with the four providers with plans into 2019 having funding changes from 2020
 - Option 2: consult those affected, and potentially any other relevant parties, on the proposed variation to funding conditions for 2019, and then, following consultation, decide whether to proceed with any proposed variation for 2019
 - Option 3: delay the changes to tuition subsidies for international students involved in postgraduate research until 2020, which would require Cabinet agreement to set these SAC funding rates for another year.
31. These three options are assessed in Table One, of Appendix One.

Recommended options

32. The funding impact of all options are minor, and any savings forgone in 2019 can be met within SAC baselines for 2019. Our focus is on clarifying the situation for providers for 2019 as soon as possible. Currently, stemming from Budget decisions, it has been communicated to TEOs that the funding change will take affect from 2019.

33. TEC advises that TEOs have been preparing to adapt these funding changes for international students from July 2018 with communication to prospective international students and changes to their student management systems.
34. The Ministry and the TEC recommend consulting affected parties on a variation. The variation process, provides a possibility, subject to consultation, that the funding change could be implemented in 2019 for all tertiary providers. The consultation could also delay having a clear decision to enable the affected TEOs to plan to implement fund settings.
35. The variation process requires the Minister to consult all organisations affected by the proposed variation, and any other organisations the Minister considers should be consulted¹. We propose the Ministry and the TEC undertake this consultation on your behalf. Table Two, in Appendix One, sets out some key parameters. For the variation to come into effect on 1 January 2019, it would need to be agreed by 1 October 2018. If agreed to late this year, it would come into effect three months later in early 2019.
36. This will be the first time Section 159OA of the Act is being used by the Minister to vary a funding determination. There is likely to be interest from the sector in this process in terms of the intention of the Minister to use this section to vary funding determinations.
37. We also recommend that you also agree to the attached version of the funding determination. This will enable the TEC to progress SAC funding decisions for 2019, while the consultation process is undertaken. This funding determination includes the phased implementation approach for funding international students involved in postgraduate research, which is the current setting for 2019. If consultation through the variation process resulted in you agreeing to a variation in these funding conditions, we would provide you with a revised funding determination reflecting those decisions.
38. The phased implementation approach would have differential access for 2019, based on the TEO, to tuition subsidies for international students involved in postgraduate research. Five providers would not receive SAC funding in 2019 for these international students. However, the four providers, with plans approved prior to Budget 2018 on May 17 2018, could receive SAC funding for these international students, until the completion of their plan periods at the end of 2019. If no variation is subsequently agreed to, this determination will remain in effect from 1 January 2019.

Next steps

39. If you decide to consult providers on the funding change for international students, we will progress this option, and report back following the consultation process.
40. If you agree to these funding determinations and sign the letters, including the Ministerial delegation letter relating to Fees-Free tertiary education, we request that they are sent to the TEC as soon as possible. Issuing these funding determinations and ministerial delegation enables the TEC to implement them and make 2019 funding decisions.

¹ Any variation relating to SAC funding will also need to be reflected in the ICT Graduate Schools funding determination, as both funding determinations are impacted.

Appendix One: Further information on Funding changes to international students involved in postgraduate research

Table One: Options for implementation of funding changes to international students involved in postgraduate research

	<i>Option 1: Phased Implementation</i>	<i>Option 2: Consult on variation</i>	<i>Option 3: Delay until 2020</i>
Process	Issue funding determination that makes the funding changes, but also permits the continuation of tuition subsidies for international students involved in postgraduate research for 2019, if, as at 17 May 2018 (decision announced in Budget), had approved plan into 2019. As this option only continues 2018 funding rates for the four providers with existing funding commitments, this continuation does not require Cabinet agreement, it is part of the implementation process.	Agree to funding determination with the phased implementation approach, but direct officials to consult on a variation to funding determination. Consult the four providers on the funding changes and on the impact upon their operations in 2019. Could consult only the four providers with plans into 2019, or all providers that accessed this funding, and/or Universities New Zealand, as the representative of the main affected sector group. Subject to the outcome of the consultation, you could vary the funding determination. It would need to occur by 1 October 2018 for variation to take effect from 1 January 2019 (three months later), but if agreed to after 1 October, would come into effect 3 months later, possibly in early January or February 2019. After consultation could also agree to no variation, and continue with option 1, as reflected in the funding determination.	Seek Cabinet agreement to continue the funding rates for international students involved in postgraduate research for 2019. Issue funding determination with provision for eligibility of international students involved in postgraduate research to tuition subsidies for 2019 only. No eligibility to funding in 2020.
Risks	Creates variable funding conditions for TEOs based on plan approval timeframes, which results in differential treatment in funding for providers and international students. Creates confusion for sector. They have been advised of funding change from Budget 2018, the phased approach will not be expected. Sector will have undertaken activities to implement this change, such as in international student promotion material and data system change. This approach could set an expectation for implementing funding changes during a provider's plan period.	Risk around s 9(2)(g)(i) [REDACTED] and potentially short-time for consultation. However, as only four providers consultation could occur quickly. As with Option 1, creates confusion for the sector due to what has already been communicated for 2019 year. Could create more uncertainty for providers than other options, as will not be clear until after consultation which approach will be taken. This will delay having clarity for 2019, and may still result in Option 1 being progressed. This approach could set an expectation for implementing changes under the process for a variation to funding conditions, during a provider's plan period with committed funding.	Delay to issuing the SAC levels 3 and above funding determination to seek Cabinet agreement. Agreement from Cabinet could be gained in timely way, but risk of delayed decision or Cabinet not supporting this proposal. As with other two options, can also create confusion to the sector as change from 2019 has already been communicated. Even though it enables funding for a further year, it may create issues for providers that have planned for this change.
Advantages	s 9(2)(g)(i) Can be agreed to without further delay Starts implementing the change from 2019, as indicated to Cabinet and sector. Results in five out of nine providers having the funding change implemented in 2019, as already communicated to them. Gives four providers with plans into 2019 certainty around access to this funding for 2019. However, if providers have already adjusted to the new funding arrangements, they could not seek SAC funding for these international students.	Seeks consultation with providers impacted by the proposed change, as intended under the Act. Provides an option, depending on consultation, to implement the change from 2019, as agreed, and as communicated already to the sector. Consultation could lead to an option where full savings from the reprioritisation are realised in 2019. Would have consistent approach to funding international students involved in postgraduate research across all TEOs.	Low legal risk Clarity around implementation. Results in consistent approach for all providers and international students in 2019.
Fiscal impact	Realises a portion of the 2019 savings within SAC (estimated \$0.8 million), with \$1.2 million cost for 2019 met within SAC funding baselines.	Realises at least as many savings as Option 1, but could be higher, if proceed with change in 2019.	No savings realised in 2019. As already reprioritised these, the additional funding can be met within SAC baselines for 2019.

Appendix One: Further information on Funding changes to international students involved in postgraduate research

Table Two: Parameters for the consultation on the variation

What is the variation	The variation relates to removing eligibility to SAC funding (category 5 funding rates) from international students involved in postgraduate research. This relates to the conditions in the funding determinations for SAC provision at levels 3 and above and ICT Graduate Schools.
Who to consult	The affected parties with plans into 2019, which were approved prior to the Budget 2018 on 17 May 2018. This relates to four universities. We do not propose to consult any other organisations.
Consultation process	The consultation process needs to be genuine and robust. The Ministry will prepare written material, outlining the relevant legislation this consultation process is under and outline the proposed variation to funding determinations that the Minister is considering for 2019. The TEC will communicate this written material, and any other relevant information, to the affected parties. We will need to seek feedback on: the proposed variation, its impact upon their operations and any issues, which can inform the final decision of the Minister.
Timeframes	We will provide up to seven days for written feedback. Providers may respond earlier than this.

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,

Delegation to fund Fees-Free tertiary education and training in 2019

1. I am writing to advise you of a delegation to administer funding for the Fees-Free Tertiary Education and Training policy from 1 January 2019. This replaces the Tertiary Education Commission's (TEC's) delegation to administer the Fees-Free policy in 2018.
2. The purpose of the Fees-Free policy, which was introduced on 1 January 2018, is to make the first year of tertiary education or training fees-free for new students or trainees.
3. In November 2017, Cabinet agreed to the parameters of the Fees-Free policy, including eligibility criteria and a delivery system led by the TEC [CAB-17-MIN-0515 refers]. In August 2018, Cabinet agreed to minor changes to the Fees-Free policy from 1 January 2019 [CAB-18-MIN-0401 refers].
4. This policy supports the Government's commitment to make tertiary education and training affordable for all by:
 - a. expanding access and participation, especially for those who have not previously studied or those for whom finance has been a real barrier to participation;
 - b. improving affordability and reducing debt levels;
 - c. supporting lifelong learning;
 - d. ensuring the benefits of tertiary education for New Zealanders, including residents with an ongoing commitment to New Zealand, are shared through a highly-skilled population contributing to a strong society and thriving economy.

Delegation to determine eligibility for Fees-Free tertiary education and training

5. I delegate to the TEC, under section 159F(1)(e) of the Education Act 1989 (the Act), the authority to determine whether a student or trainee is eligible for Fees-Free tertiary education provision by applying the criteria set out below.

Citizenship or Residency Criteria

6. To be eligible for Fees-Free in provider-based tertiary education (at a university, institute of technology and polytechnic, wānanga, or private training establishment (PTE)), a student must be one of the following:
 - a. a New Zealand citizen; or
 - b. ordinarily resident in New Zealand and:
 - i. have been living in New Zealand for at least 3 years while holding a residence class visa; or
 - ii. a refugee or protected person; or
 - iii. sponsored into New Zealand by someone in their family who, at the time of sponsorship, was a refugee or protected person.
7. To be eligible for Fees-Free industry training, a trainee must be legally entitled to reside and work in New Zealand.

Prior Study Criteria

8. To be eligible for Fees-Free for provider-based tertiary education and industry training, a student or trainee must have either:
 - a. been enrolled in a school in or after 2017,¹ other than as an adult student; or
 - b. not undertaken more than half a year of equivalent full-time tertiary education (0.5 equivalent full-time student (EFTS) units or 60 credits) at Level 3 or above on the New Zealand Qualifications Framework (NZQF), including tertiary education at an equivalent level undertaken in any country.
9. The following credits must not be included in measures of prior tertiary education in paragraph 8 to determine eligibility for Fees-Free:
 - a. any tertiary education undertaken while enrolled in school prior to 1 January 2019 (except for tertiary education undertaken as an adult student); and
 - b. any tertiary courses undertaken as part of the student's or trainee's school learning programme or secondary-tertiary programme on or after 1 January 2019; and
 - c. any credits achieved as part of any industry training programme that consists of fewer than 120 credits that are reported after 1 January 2018.

¹ This includes those enrolled in a school who have a certificate of exemption under section 21 of the Act.

10. For the purposes of paragraphs 8a and 9a, an adult student, under the Act, is any student whose 19th birthday occurred before 1 January of the current year. This definition does not apply to students deemed to require special education under Section 9 of the Act.

Eligible courses or programmes

11. To be eligible for Fees-Free for provider-based tertiary education, a student must be enrolled in an eligible course.
12. An eligible course is a course that is:
 - a. funded by the TEC from either:
 - i. the SAC Level 3 and above fund; or
 - ii. grants under s321 of the Act for tertiary provision that is part of a qualification or training scheme on the NZQF at Level 3 or above; or
 - iii. the Youth Guarantee fund and leads to the award of a qualification on the NZQF at Level 3 or above; and
 - b. not part of a school learning programme or secondary-tertiary programme.
13. For the purposes of paragraph 12(a)i and iii, the TEC must not pay any amount in respect of fees where the fees are met under another funding arrangement (such as from the Youth Guarantee Fund or the Māori and Pasifika Trade Training funding).
14. To be eligible for Fees-Free in industry training, a trainee must be enrolled in a programme that is:
 - a. at NZQF Level 3 or above; and
 - b. approved by NZQA; and
 - c. comprised of at least 120 credits (which includes all New Zealand Apprenticeships); and
 - d. not part of a school learning programme or secondary-tertiary programme.

Delegation to make payments for Fees-Free tertiary education and training

15. I delegate to the TEC, under section 159F(1)(e) of the Act, the authority to make payments in respect of eligible Fees-Free students and trainees as set out below.

Fees-Free entitlement limits

16. The TEC will pay no more than \$12,000 (GST incl.) total to all tertiary education organisations (TEOs) in respect of any individual student or trainee eligible for Fees-Free tertiary education or training.

17. Individual students or trainees who received any Fees-Free support in prior calendar years are to receive no more than 1 EFTS of Fees-Free support in total or 24 months of industry training.
18. The TEC must calculate a trainee's 24 month entitlement:
 - a. from the start date of the first programme in which the eligible trainee is enrolled; and
 - b. by only including the months in which the trainee received industry training in an eligible programme or programmes.
19. The TEC must develop operational rules to assess entitlement limits and consumption by individuals who combine both industry training and provider-based study, taking into account the intent of the Fees-Free policy.

SAC Level 3+ and section 321 grants

20. I delegate to the TEC the authority to:
 - a. if the TEO is not a PTE, pay the TEO in respect of fees on behalf of an eligible student in accordance with paragraphs 16-18; or
 - b. if the TEO is a PTE, compensate the PTE in respect of an eligible student in accordance with paragraphs 16-18 for fees forgone as the result of a condition imposed on the PTE's funding.
21. For the purposes of paragraph 20, "fees" are defined as:
 - a. compulsory tuition fees; and
 - b. compulsory course costs, which may only include:
 - i. examination fees; and
 - ii. material charges; and
 - iii. costs of field trips; and
 - iv. costs associated with the compulsory purchase of equipment or books through the TEO with which the student is enrolled; and
 - v. other charges associated with a course; and
 - c. compulsory student services fees.
22. The TEC must only make a payment to a TEO in respect of an eligible student's compulsory tuition fees and compulsory course costs if:
 - a. the fee charged by the TEO is equal to, or less than, the fee that is recorded in Services for Tertiary Education Organisations (STEO); and
 - b. the TEO charges that fee to every student in the same circumstances (whether or not they are eligible for Fees-Free tertiary education) who is enrolled in the same course; and

- c. the fees comply with the Annual Maximum Fee Movement requirements.
- 23. The TEC must only make a payment to a TEO in respect of an eligible student's compulsory student services fee, if that fee is specified on the TEO's website in accordance with the Act and is consistent with the Ministerial Direction on Compulsory Student Services Fees in effect.
- 24. The TEC must not make any retrospective payments in 2019 relating to the fees paid by students who, despite meeting the eligibility criteria in 2018, were not determined by the TEC to be eligible for Fees-Free tertiary education in 2018. This does not apply if the student was not determined to be eligible in 2018 through no fault of the student.

Industry Training

- 25. I delegate to the TEC the authority to make fee payments to TEOs on behalf of an eligible trainee (or their employer) in accordance with paragraphs 16-18.
- 26. For the purposes of paragraph 25, "fee" means fees for training and assessment, including fees paid to ITOs, paid directly to training and assessment providers, or paid as part of fees charged by group training schemes.
- 27. The TEC must not make any retrospective payments in 2019 relating to the fees paid by trainees (or their employers) who, despite meeting the eligibility criteria in 2018, were not determined by the TEC to be eligible for Fees-Free tertiary education. This does not apply if the trainee was not determined to be eligible in 2018 through no fault of the trainee.

Consumption

- 28. If an eligible student or trainee was enrolled in an eligible course or eligible programme in 2018, the eligible student or trainee has received (consumed) all or part of their Fees-Free entitlement (whether or not the TEC made payments to a TEO in respect of that student or trainee).
- 29. The TEC must develop processes to determine the amount of their Fees-Free entitlement that each eligible student or trainee has consumed.

Carry-over

- 30. If an eligible student or trainee was enrolled in an eligible course or an eligible programme in 2018 but did not consume their maximum Fees-Free entitlement in 2018 (as specified in paragraphs 16-18), the TEC must develop a mechanism to enable that student or trainee to carry-over the remaining portion of their Fees-Free entitlement.
- 31. For the purposes of paragraph 30, an eligible student's or trainee's maximum Fees-Free entitlement that may be carried-over is any amount payable until one of the following occurs:
 - a. the TEC has paid \$12,000 (GST incl.) to TEOs in respect of the student's or trainee's fees; or

- b. the student has consumed 1 EFTS units; or
- c. the student or trainee has been enrolled in 24 months of an eligible industry training programme or apprenticeship, calculated in accordance with paragraph 18; or
- d. the student or trainee (if combining both industry training and provider-based study) has consumed their Fees-Free entitlement in accordance with the operational rules developed under paragraph 19.

Operationalising the policy

- 32. The TEC will work with the sector and other government agencies to support the implementation of the Fees-Free policy, and to advise me of any significant issues that arise.
- 33. The TEC must determine arrangements with TEOs (for the operation of provider-based Fees-Free tertiary education for the 2019 calendar year.
- 34. The TEC must determine arrangements with TEOs funded through the Industry Training fund for the operation of Fees-Free tertiary education for 2019 calendar year based on the following principles:
 - a. eligible trainees and their employers will not be charged by TEOs or any provider contracted by the TEOs for training and assessment costs; and
 - b. the TEC will pay TEOs the identified actual and reasonable cost, as determined by the TEC, of the fees (with the proposed fees and charges in 2019 as the baseline for establishing payment); and
 - c. TEOs will be required to ensure that trainees fully benefit from the Fees-Free policy – ensuring that employers and training/assessment providers do not charge trainees for costs covered by the payment to TEOs (whether as explicit training and assessment fees, or as part of a broader fee, or by deductions from wages).

Exceptional circumstances

- 35. The TEC may use discretion to determine that a student or trainee who does not meet all of the criteria is eligible for Fees-Free tertiary education after considering the student's or trainee's exceptional personal circumstances.
- 36. The TEC may use discretion to write-off all, or a portion of, an eligible student's or trainee's consumption of their Fees-Free entitlement after considering the student's or trainee's exceptional personal circumstances.
- 37. In determining cases of exceptional personal circumstances, the TEC should take into account the intent of the Fees-Free policy.

Time period for delegation of Fees-Free tertiary education in 2019

38. This delegation applies to payments for the Fees-Free tertiary education policy from the date of this letter until the end of the 2019/20 financial year. The TEC may exercise any of its administrative functions as required to give effect to this delegation outside of these dates.

Yours sincerely

A handwritten signature in blue ink, appearing to read "CH".

Hon Chris Hipkins
Minister of Education

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: Information and Communications Technology Graduate Schools

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 Information and Communications Technology Graduate Schools. The determination is set out in the appendix to this letter and is to fund provision from 1 January 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 of 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

Hon Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: INFORMATION AND COMMUNICATIONS TECHNOLOGY GRADUATE SCHOOLS

PRELIMINARY PROVISIONS

Statutory authority

1. This determination, which is made under section 159L of the Education Act 1989 (the Act), specifies the design of the funding mechanism for Information and Communications Technology (ICT) Graduate Schools (the funding mechanism).
2. This determination incorporates the supplementary determinations issued on 19 December 2016 and 4 September 2017.

Purpose

3. The purpose of ICT Graduate Schools is to deliver industry-focused ICT education, and ICT research and development, built on connections between tertiary education providers and businesses.
4. Funding paid under this funding mechanism comprises:
 - a. Student Achievement Component (SAC) funding, to contribute towards the provision of teaching and learning services for students enrolled in ICT Graduate Schools (ICT SAC funding); and
 - b. funding to contribute towards the costs of establishing ICT Graduate Schools (ICT establishment funding); and
 - c. funding to support the agreed outcomes of ICT Graduate Schools (ICT outcomes funding), including research and industry collaboration undertaken in ICT Graduate Schools and non ICT SAC-funded and non SAC-funded ICT teaching and learning activities.

Off-plan funding

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

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

6. This funding mechanism is to fund provision from 1 January 2019.
7. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism before 1 January 2019.

Available funding

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

Eligibility and selection of ICT Graduate Schools

9. The TEC must select, through a competitive process determined by the TEC, tertiary education organisation (TEOs) and/or consortia to operate one or more ICT Graduate Schools.
10. A consortium must include a TEO that meets the eligibility criteria in paragraphs 11 and 12 of this funding mechanism and that is nominated as the 'lead TEO'. A consortium may include TEOs or other organisations (such as employers and industry bodies) and must include at least one TEO or other organisation in addition to the lead TEO. A reference to an ICT Graduate School in the subsequent paragraphs of this funding mechanism is a reference to all TEOs or other organisations that are members of a consortium, including the lead TEO.
11. If the TEC selects a consortium to operate one or more ICT Graduate Schools, the TEC must pay funding under this funding mechanism to the lead TEO. In this funding mechanism, any reference to a TEO includes a reference to a lead TEO of a consortium.
12. The TEC may only fund a TEO under this funding mechanism if that TEO is one of the following:
 - a. a tertiary education institution (TEI), namely:
 - i. a university; or
 - ii. an institute of technology and polytechnic (ITP); or
 - iii. a wānanga; or
 - b. a private training establishment (PTE).

TEC administrative responsibility in the case of under-funding

13. If a TEO receives funding under this funding mechanism that is less than it should have been, or than what 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.

TEO quality assurance

14. To be eligible for funding under this funding mechanism, a TEO must be quality assured by:
 - a. the New Zealand Qualifications Authority (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.

ICT Student Achievement Component (SAC) funding

15. The TEC allocates ICT SAC funding under this funding mechanism for programmes of study at ICT Graduate Schools (ICT SAC-funded activities).
16. For the purposes of calculating the amount of ICT SAC funding to be allocated to a TEO under this funding mechanism, the TEC must use the metric set out in the *Determination of Design of Funding Mechanism: Student Achievement Component – provision at Level 3 and above on the New Zealand Qualifications Framework* (funding mechanism for SAC Level 3+) in effect from 1 January 2019.
17. For the avoidance of doubt, the metric is as follows:
 - a. the number of valid domestic enrolments, measured in equivalent full-time students (EFTS); and
 - b. the qualifications, and their component courses, in which students are enrolled, and the assigned course classifications, funding categories, and funding rates of those qualifications and component courses.

Valid domestic enrolments

18. For the purpose of this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a student who is:
 - a. one of the following:
 - i. a domestic student¹; or
 - ii. an Australian citizen or Australian permanent resident currently residing in New Zealand; or
 - iii. an international student involved in postgraduate research and meets the criteria determined by the TEC (subject to the TEO having an investment plan that has not expired and was approved by the TEC before Budget 2018 on 17 May 2018); and
 - b. either:
 - i. aged 16 years and over; or
 - ii. aged under 16 years and meets the criteria determined by the TEC; and

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

- c. studying in New Zealand, unless the student meets the criteria in paragraph 21; and
 - d. has paid or committed to pay their fees (if fees apply).
19. 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:
- a. is aged under 16 years; or
 - b. has not paid their fees (if fees apply).
20. 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 domestic enrolment.

Eligibility for students studying outside of New Zealand

21. A student studying outside of New Zealand is a valid domestic enrolment only if:
- a. the student is:
 - i. a domestic student as defined by section 159 of the Act, including regulations made under section 159(4) of the Act; and
 - ii. enrolled in a course(s) leading to the award of a recognised qualification offered by a New Zealand TEO; and
 - b. the student meets the following criteria if they are studying at an overseas campus or delivery site (irrespective of whether they are enrolled at the TEO's New Zealand campus or overseas campus):
 - i. enrolled at a New Zealand TEO in a programme leading to the award of a qualification at level 7 or above on the NZQF; and
 - ii. the study outside New Zealand is full-time and face-to-face (i.e. not an extramural enrolment) in an approved country identified on the Education New Zealand website; and
 - iii. is undertaking part (but not all) of the programme outside New Zealand.

Inducements

22. Even if a student meets the criteria specified in paragraph 18, 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.
23. For the purposes of this funding mechanism, an "inducement" may include a financial incentive or ongoing personal possession of physical items where they induce a student to enrol.
24. The TEC must establish criteria for determining what constitutes an inducement.

The metric

Measurement of enrolments

25. 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.
26. The TEC will determine the EFTS value of each qualification and its components based on published criteria. These criteria should reflect the principle that TEC, in setting EFTS values, will take into account both the inputs and the outputs of the learning process.

Course classification: "1-39 Classification Prescription"

27. A TEO must assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription", of Appendix 1. The content of the course (rather than its name) must determine the assignment.
28. The TEC must validate each TEO's assignment of its courses to the appropriate course classification.

Funding categories

29. The TEC must assign each course classification to a funding category in accordance with Tables 2 and 3 of Appendix 1. Each category must have:
 - a. an alphabetic code, which applies to groups of courses according to their course classifications; and
 - b. a numeric code that reflects the level of study.
30. In relation to course classification #22.1, 'Vocational Training for Industry', the TEC must categorise courses according to their subject content.
31. The funding category codes are set out in Table 2, "Funding categories: alphabetic code" of Appendix 1, and Table 3, "Funding categories: numeric code" of Appendix 1.

Funding rates

32. The TEC must apply the per-EFTS funding rates for TEOs as set out in Table 4, "Funding rates" of Appendix 1.
33. The TEC must only apply the per-EFTS funding rates for TEOs for international students involved in postgraduate research, as set out in Category 5 of Table 4 of "Funding rates" of Appendix 1, for TEOs on investment plans that have not expired and were approved by the TEC before Budget 2018 on 17 May 2018.

Eligibility of students

34. The TEC must ensure that ICT SAC funding paid to a TEO under this funding mechanism is only used for programmes of study for valid domestic enrolments, as defined in paragraphs 18 to 20 of this funding mechanism.

Eligible programmes and qualifications

General matters

35. The TEC must ensure that the ICT SAC funding paid to a TEO under this funding mechanism is only used for a course that:
 - a. is part of a programme that is eligible to be provided by an ICT Graduate School; and
 - b. is provided by an ICT Graduate School; and
 - c. leads to the award of a qualification at level 3 or above on the NZQF; and
 - d. has been quality assured by either the NZQA or the New Zealand Vice-Chancellors' Committee (where appropriate).
36. For the purposes of paragraph 35(a) of this funding mechanism, the TEC must establish criteria for determining what programmes are eligible to be provided by an ICT Graduate School.

Specific matters

37. The TEC must ensure that ICT SAC funding paid to a TEO under this funding mechanism is not used for a programme of study where the TEC considers on reasonable grounds that a majority of the programme of study relates to health and safety or regulatory compliance learning.
38. The TEC must ensure that SAC funding paid to a TEO under this funding determination does not exceed a maximum EFTS value of 4 EFTS for doctoral study.

Funding for the establishment of schools and to support the agreed outcomes of ICT Graduate Schools

39. The TEC must establish criteria for allocating to TEOs:
 - a. ICT establishment funding; and
 - b. ICT outcomes funding.
40. The TEC must ensure that ICT establishment funding and ICT outcomes funding paid to a TEO under this funding mechanism are not used to contribute towards the costs of ICT SAC-funded activities.

PART TWO: FUNDING CONDITIONS

General conditions

41. The TEC, in funding an eligible TEO 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 provided.

Conditions that the TEC must attach to funding

Tertiary Education Organisations

42. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must meet, and for the length of the funding period continue to meet, all of the eligibility criteria specified in paragraphs 12 and 14 of this funding mechanism.
43. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism must:
 - a. not subcontract any ICT SAC-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 ICT SAC-funded activities; and
 - c. ensure that a party to whom ICT SAC-funded activities are subcontracted does not further subcontract any functions; and
 - d. remain accountable for the use of any ICT SAC funding that is subcontracted.

Students and enrolments

44. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism must ensure that each eligible student meets and continues to meet the criteria specified in paragraph 34 of this funding mechanism.
45. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism must not:
 - a. restrict enrolment in programmes that are funded with ICT SAC funding under this funding mechanism on the basis of private advantage (for example, enrolment being restricted to the TEO's employees only); and
 - b. not secure or seek to secure a valid domestic enrolment through the offering of an inducement, as specified in paragraphs 22 to 24.
46. The TEC must attach to funding a condition that a TEO that receives ICT 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

47. 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.

Courses, programmes and qualifications

48. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism must ensure that a course in which an eligible student is enrolled meets and continues to meet the criteria specified in paragraph 35 of this funding mechanism.
49. The TEC must attach to funding a condition that a TEO must not use funding paid under this funding mechanism to fund provision that leads to a qualification where a majority of the courses in the qualification relate to health and safety or regulatory compliance.

Fees and associated course costs

50. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism:
 - a. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular course or qualification²; and
 - b. in relation to the provision of essential equipment, including computers, must not:
 - i. include the costs in any fees, compulsory course costs, or compulsory student services fees, charged to students; or
 - ii. require the costs to be met through the "course-related costs" component of the Student Loan Scheme, as a condition of enrolment for students; and
 - c. must not meet the costs of overseas travel for students through the use of funding obtained under this funding mechanism or via the Student Loan Scheme, unless the overseas travel is academically essential.
51. For the purposes of paragraph 50(c) of this funding mechanism, the TEC must develop guidelines determining when overseas travel is academically essential.
52. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism must comply with the Annual Maximum Fee Movement, as specified in Part Three of this funding mechanism.
53. Any limits on fees for further years will be determined by way of a variation to the funding mechanism.

² 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.

Fees-Free Tertiary Education

53. The TEC must attach to funding a condition that a TEO must not charge an eligible student an amount in respect of fees (as defined by any delegation to the TEC in force relating to the funding of Fees-Free Tertiary Education and issued under section 159F(1)(e) of the Act) otherwise payable by the student if the TEC has advised the TEO that the TEC will:
 - a. if the TEO is not a PTE, pay that amount to the TEO in respect of fees on behalf of the student; or
 - b. if the TEO is a PTE, compensate the PTE for that amount in respect of fees forgone as a result of the condition required to be imposed under this paragraph.
54. For the purposes of the condition that the TEC must impose under paragraph 53, the TEC must determine each amount payable to a TEO by the TEC in accordance with criteria set out in any delegation to the TEC in force relating to the funding of Fees-Free Tertiary Education and issued under section 159F(1)(e) of the Act.
55. Each TEO must work collaboratively with the TEC to give effect to the Fees-Free Tertiary Education initiative. In particular, the TEO must provide information as required by the TEC, to enable the TEC to understand the EFTS consumption of eligible students, and in relation to fees.
56. Any fees in excess of the amount payable by the TEC under paragraphs 53 and 54 may be charged by the TEO to the student.

TEO responsibilities

57. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism must accurately assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription" of Appendix 1 of this funding mechanism.
58. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding, ICT establishment funding, or ICT outcomes funding must meet minimum performance standards specified by the TEC.
59. The TEC must attach to funding a condition that a TEO that receives ICT establishment funding or ICT outcomes funding under this funding mechanism must not use that ICT establishment funding or ICT outcomes funding to contribute towards the costs of ICT SAC-funded activities.

Lead TEO responsibilities

60. The TEC must attach to funding a condition that the lead TEO of a consortium must enter into an arrangement, or arrangements, with each other member of the consortium that:
 - a. enables the lead TEO to meet conditions of funding imposed by the TEC on the lead TEO; and
 - b. imposes on each other member of the consortium obligations owed to the lead TEO that are similar to the lead TEO'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 TEO and the TEC, in order to verify the lead TEO's compliance with conditions of funding imposed by the TEC on the lead TEO.
61. The TEC must attach to funding a condition that the lead TEO of a consortium must not, without the prior written consent of the TEC, enter into any arrangement with another TEO, or end any arrangement with any other member of that consortium that is a TEO, that would have the effect of changing the membership of the consortium that the TEO leads.

No other funding

62. The TEC must attach to funding a condition that a TEO that receives ICT SAC funding under this funding mechanism must:
- a. not (without the TEC's prior written consent) seek or obtain funding from any Crown source other than the TEC to fund ICT SAC-funded activities; 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

63. The TEC must attach to funding a condition that a TEO that receives any 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

64. The TEC must attach to funding a condition that if a TEO receives any 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.
65. 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.
66. For the purposes of this condition, a TEO will have received ICT SAC funding that was "greater than it should have been" if the total dollar value of the ICT SAC-funded provision funded under this funding mechanism that is delivered by the TEO, or in the case of a lead TEO, all of the members of that lead TEO's consortium, is less than the expected value in each of the contracted funding years.

Repayment of funding following revocation of funding approval

67. The TEC must attach to funding a condition that if, in accordance with section 159ZF of the Act, the TEC suspends or revokes some or all of a TEO's funding paid under this funding mechanism before that funding 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 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.

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

68. 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.
69. 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.

PART THREE: THE ANNUAL MAXIMUM FEE MOVEMENT

General

70. The conditions in Part Three of this funding determination apply to fees and course costs (together referred to as “fees”) charged by TEOs for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF.
71. Fees associated with a particular course are subject to these conditions if:
 - a. the TEO is the sole source of the item to which the fee relates; and
 - b. all domestic students validly enrolled in the course are required to pay the fees.

Definition

72. The term “fees” includes the following items: tuition fees, compulsory course costs, examination fees, material charges, costs of field trips, costs associated with the compulsory purchase of equipment or books through a TEO, and other charges associated with a course.

Annual Maximum Fee Movement

73. The annual maximum fee movement (AMFM) for 2019 is a 2% increase on the fees (GST exclusive) charged in 2018, for a course at level 3 and above on the NZQF, for which a TEO receives SAC funding, and which is part of a programme leading to qualifications listed on the NZQF³.

New courses

74. The AMFM applies to any new courses established by a TEO in substitution for an existing course dealing with the same or similar subject matter, at a same or similar level on the NZQF, for which funding under this funding mechanism can be used.

Exceptions to the AMFM

75. A TEO may apply for an exception to the AMFM for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF on the basis of exceptional circumstances (listed below in paragraphs 77 a-d).
76. The TEC may grant an exception to the AMFM for one or more of a TEO’s courses; however, any exception granted must not exceed an additional 2% increase over and above the permitted 2% increase.
77. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
 - a. the TEO is unable to support the course while remaining financially viable; and

³ For the avoidance of doubt, the AMFM also applies to professional masters programmes.

- b. for a course which is part of a programme leading to a qualification at level 3 to 8 on the NZQF, the completion rate for the qualification met or exceeded the median performance benchmark for that level in the previous year; and
 - c. the TEO can demonstrate that the course is in some way unique or special, for example, that there are no available local alternatives to the course; and
 - d. not allowing an exception will prevent the TEO from making a significant contribution to the achievement of one or more of the Government's priorities, as set out in the Tertiary Education Strategy.
78. The TEC must only grant an exception if it is satisfied that the TEO meets all of the above criteria.

Zero fee or low fee courses

79. If the fees for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF were less than \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS in the previous year, then a TEO may increase the fee by the greater of:
- a. (up to) \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS; or
 - b. 2%.

APPENDIX 1: CALCULATION OF SAC FUNDING

Table 1: Course Classification Prescription

#01	Agriculture; Horticulture
#02	Architecture; Quantity Surveying
#03	Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences
#03.1	Osteopathy; Acupuncture
#04	Business; Accountancy; Office Systems/Secretarial; Management
#05.2	General Education
#06	Computer Science
#07	Dentistry
#11	Engineering; Technology
#11.1	Priority Engineering
#11.2	Pilot Training
#12	Fine Arts; Design
#13	Health Sciences (excluding classifications #07, #15, and #17)
#13.1	Optometry
#14	Law
#15	Medicine (excluding intermediate/first year)
#16	Music and Performing Arts
#17	Health Related Professions
#17.3	Dental Therapy
#18	Science
#19.1	Teaching: Early Childhood Education
#19.2	Teaching: Primary
#20	Teaching: Secondary
#21	Trades 1
#22	Trades 2
#22.1	Vocational Training for Industry
#23	Veterinary Science
#23.3	Veterinary Science Undergraduate (Years 3, 4 & 5)
#24	Nursing
#25	Medical Imaging
#27	Midwifery (3 year)
#28	Occupational Therapy
#29	Physiotherapy
#30	Medical Radiation Therapy
#31	Pharmacy Professionals
#32	Speech Language Therapy
#33	Medical Laboratory Science
#34	Clinical Psychology
#35	Audiology
#36	Dietetics
#37	Medicine Undergraduate (Years 4, 5 & 6)
#38	Foreign-Going Nautical
#39	Specialist Large Animal Science

Table 2: Funding categories: alphabetic code

Category (alphabetic)	Relevant discipline and course classification
A	Arts [#03], Social Sciences [#03], General Education [#5.2], Vocational Training for Industry [#22.1]
B	Architecture (non-degree) [#02], Computer Science [#06], Fine Arts [#12], Design [#12], Music and Performing Arts [#16], Health Related Professions [#17], Vocational Training for Industry [#22.1], Medical Imaging [#25], Occupational Therapy [#28], Clinical Psychology [#34]
C	Architecture (degree) [#02], Engineering [#11], Technology [#11], Health Sciences [#13], Vocational Training for Industry [#22.1], Midwifery (3 year) [#27], Physiotherapy [#29], Speech Language Therapy [#32], Medical Laboratory Science [#33], Audiology [#35]
G	Dentistry (postgraduate only) [#7], Medicine (postgraduate only) [#15]
H	Agriculture (degree) [#01], Horticulture (degree) [#01] Specialist Large Animal Science [#39]
I	Teaching [#19.1, #19.2, #20]
J	Business [#04], Accountancy [#04], Law [#14], Vocational Training for Industry [#22.1]
L	Agriculture (non degree) [#01], Horticulture (non degree) [#01], Osteopathy [#03.1], Acupuncture [#03.1], Vocational Training for Industry [#22.1], Nursing [#24],
M	Pilot Training [#11.2], Optometry [#13.1], Dental Therapy [#17.3], Pharmacy [#31]
N	Priority Engineering [#11.1], Dietetics [#36]
O	Medical Radiation Therapy [#30]
P	Trades 2 [#22], Vocational Training for Industry [#22.1]
Q	Veterinary Science [#23], Veterinary Science (years 3–5) [#23.3]
R	Dentistry undergraduate (years 2-5) [#07]
S	Foreign-Going Nautical [#38]
T	Medicine undergraduate (years 2-3) [#15]
U	Medicine undergraduate (years 4–6) [#37]
V	Science [#18]

Table 3: Funding categories: numeric code

Category (numeric)	Classification by level and content of study
1	Courses designed for non-degree qualifications with no research requirement, including certificates and diplomas
2	Courses designed for undergraduate degree qualifications, including bachelors degrees, graduate certificates and diplomas
3	Courses designed for taught postgraduate qualifications, including postgraduate certificates and diplomas, bachelors degrees with honours, and taught masters papers
4	Research-based postgraduate qualifications, including masters' theses/dissertations of 1.0 EFTS or more for masters and doctoral study
5	Foreign student enrolments in research-based postgraduate qualifications

Table 4: Funding rates

	1	2	3	4	5*
A	\$6,295	\$6,295	\$7,945	\$8,403	\$3,439
B	\$9,630	\$9,630	\$12,243	\$13,162	\$6,304
C	\$11,557	\$11,557	\$14,714	\$15,835	\$7,530
G			\$26,839	\$26,839	\$6,847
H		\$20,876	\$26,328	\$27,624	\$5,296
I	\$8,969	\$8,969	\$11,262	\$11,719	\$3,439
J	\$6,295	\$6,295	\$7,945	\$8,403	\$3,439
L	\$10,820	\$10,820	\$13,642	\$14,560	\$7,024
M	\$13,780	\$15,701	\$19,715	\$20,995	\$8,851
N	\$12,845	\$12,845	\$16,158	\$17,391	\$8,269
O		\$18,635			
P	\$10,402				
Q		\$28,241	\$28,241	\$28,241	\$6,847
R		\$53,042			
S	\$19,156				
T		\$43,737			
U		\$43,737			
V	\$11,258	\$13,759	\$17,345	\$18,512	\$7,308

* As specified in paragraph 33, the TEC must only apply the per-EFTS funding rates for category 5 funding for TEOs on investment plans that have not expired and were approved by the TEC before Budget 2018 on 17 May 2018.

Hon Chris Hipkins

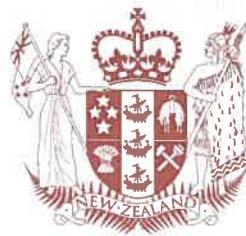
MP for Rimutaka

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 Level 3 and above 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 – provision at Level 3 and above on the New Zealand Qualifications Framework. The determination is set out in the appendix to this letter and is to fund provision from 1 January 2019.

I note that under relevant determinations and the delegation to fund Fees-Free tertiary education and training, the Commission will set criteria for the administration of the Fees-Free policy.

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 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

Hon Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVEL 3 AND ABOVE 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 Student Achievement Component (SAC) provision at level 3 and above on the New Zealand Qualifications Framework (NZQF).
2. This determination incorporates the supplementary determinations issued on 4 September 2017 and 12 February 2018.

Purpose

3. SAC funding contributes towards the provision of teaching and learning services for enrolled students at tertiary education organisations (TEOs).
4. The SAC comprises the following two funds:
 - a. provision at levels 1 and 2 on the NZQF¹; and
 - b. provision at level 3 and above on the NZQF.

On-plan funding

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

¹ For the requirements regarding the funding of provision relating to qualifications at levels 1 and 2 on the NZQF, refer to: “*Determination of design of funding mechanism: Student Achievement Component – provision at levels 1 and 2 on the New Zealand Qualifications Framework*”.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

6. This funding mechanism is to fund provision from 1 January 2019.
7. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism before 1 January 2019.

Available funding

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

Funding for provision at level 3 and above per sub-sector

9. The TEC must allocate SAC funding paid under this funding mechanism to each tertiary education subsector in accordance with the funding minimums set out in Appendix One.
10. The TEC may allocate any remaining SAC funding payable under this funding mechanism without reference to subsector.

Flexible funding

11. 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 14 (a "qualifying TEO").
12. However, a TEO is not a qualifying TEO unless the minimum number of equivalent full-time students (EFTS) that it is approved by TEC to deliver is 20 EFTS.
13. The TEC must allocate additional funding, over and above that approved through investment plans, to qualifying TEOs in the following circumstances:
 - a. if the TEO is a:
 - i. a tertiary education institution (TEI); or
 - ii. a rural education activities programme (REAP) provider,the value of provision actually delivered by the TEO, as measured in dollars, is greater than the value of their approved funding allocation; or
 - b. if the TEO is a private training establishment (PTE), the value of provision actually delivered by the PTE, as measured in dollars, that is specified in the qualifying TEO's funding approval (being the value of provision measured in dollars for which TEC allocates funding and the value of provision measured in dollars for which TEC does not allocate funding) is exceeded.

14. If a qualifying TEO meets the criteria specified in paragraph 13, the TEC must pay the TEO up to the following limits, either:
 - a. 2% of the qualifying TEO's approved funding allocation; or
 - b. 10 EFTS,whichever is greater.
15. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 14, provided the TEC has assessed whether the funding available is sufficient for TEC to provide funding above these limits.

TEC administrative responsibility in the case of under-funding

16. If a TEO receives funding under this funding mechanism that is less than it should have been, or than what 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 rate(s)

17. The TEC allocates SAC funding under this funding mechanism for the relevant programmes and activities at level 3 and above on the NZQF which are specified in a TEO's proposed investment plan or equivalent arrangement.
18. For the purposes of calculating the value of a TEO's approved SAC funding, the TEC must use a metric comprising:
 - a. the number of valid domestic student enrolments, measured in EFTS; and
 - b. the qualifications, and their component courses, in which students are enrolled, and the assigned course classifications, funding categories, and funding rates of those qualifications and component courses.

Valid domestic enrolments

19. For the purpose of this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a student who is:
 - a. one of the following:
 - i. a domestic student²; or
 - ii. an Australian citizen or Australian permanent resident currently residing in New Zealand; or
 - iii. an international student involved in postgraduate research and meets the criteria determined by the TEC (subject to the TEO having an investment plan that has not expired and was approved by the TEC before Budget 2018 on 17 May 2018); and

² For the definition of domestic student, refer to section 159 of the Act.

- 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 the criteria in paragraph 22; and
- d. has paid or committed to pay their fees (if fees apply).
20. 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:
- a. is aged under 16 years; or
 - b. has not paid their fees (if fees apply).
21. 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 domestic enrolment.

Eligibility for students studying outside of New Zealand

22. A student studying outside of New Zealand is a valid domestic enrolment only if:
- a. the student is:
 - i. a domestic student as defined by section 159 of the Act, including regulations made under section 159(4) of the Act; and
 - ii. enrolled in a course(s) leading to the award of a recognised qualification offered by a New Zealand TEO; and
 - b. the student meets the following criteria if they are studying at an overseas campus or delivery site (irrespective of whether they are enrolled at the TEO's New Zealand campus or overseas campus):
 - i. enrolled at a New Zealand TEO in a programme leading to the award of a qualification at level 7 or above on the NZQF; and
 - ii. the study outside New Zealand is full-time and face-to-face (i.e. not an extramural enrolment) in an approved country identified on the Education New Zealand website; and
 - iii. is undertaking part (but not all) of the programme outside New Zealand.

Inducements

23. Even if a student meets the criteria specified in paragraph 19, 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.

24. An inducement may include a financial incentive or ongoing personal possession of physical items where they induce a student to enrol.
25. The TEC must establish criteria for determining what constitutes an inducement.

The metric

Measurement of enrolments

26. 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.
27. The TEC will determine the EFTS value of each qualification and its components based on published criteria. These criteria should reflect the principle that TEC, in setting EFTS values, will take into account both the inputs and the outputs of the learning process.

Course classification: "1-39 Classification Prescription"

28. A TEO must assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription", of Appendix 2. The content of the course (rather than its name) must determine the assignment.
29. The TEC must validate each TEO's assignment of its courses to the appropriate course classification.

Funding categories

30. The TEC must assign each course classification to a funding category in accordance with Tables 2 and 3 of Appendix 2. Each category must have:
 - a. an alphabetic code, which applies to groups of courses according to their course classifications; and
 - b. a numeric code that reflects the level of study.
31. In relation to course classification #22.1, "Vocational Training for Industry", the TEC must categorise courses according to their subject content.
32. The funding category codes are set out in Table 2, "Funding categories: alphabetic code" of Appendix 2, and Table 3, "Funding categories: numeric code" of Appendix 2.

Funding rates

33. The TEC must apply the per-EFTS funding rates for TEOs, as set out in Table 4, "Funding rates" of Appendix 2.
34. The TEC must only apply the per-EFTS funding rates for TEOs for international students involved in postgraduate research, as set out in Category 5 of Table 4 of "Funding rates" of Appendix 2, for TEOs on investment plans that have not expired and were approved by the TEC before Budget 2018 on 17 May 2018.

TEO eligibility

35. The TEC may only fund a TEO under this funding mechanism if the TEO is one of the following:
 - a. a TEI, namely:
 - i. a university;
 - ii. an institute of technology and polytechnic (ITP);
 - iii. a wānanga; or
 - b. a PTE; or
 - c. a REAP provider.

TEO quality assurance

36. 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, a PTE, or REAP provider; or
 - b. the New Zealand Vice-Chancellors' Committee, if the TEO is a university.

Eligibility of students

37. The TEC must ensure that the SAC funding paid to a TEO under this funding mechanism is only used for programmes of study or training for valid domestic student enrolments, as defined in paragraphs 19 to 21.

Eligible programmes and qualifications

General matters

38. The TEC must ensure that the SAC funding paid to a TEO under this funding mechanism, is only used for a course that:
 - a. is part of a programme that:
 - i. leads to the award of a qualification at level 3 to 10 on the NZQF; and
 - ii. has been quality assured by either NZQA or the New Zealand Vice-Chancellors' Committee (where appropriate); or
 - b. is part of a training scheme that:
 - i. leads to an award that is not a qualification listed on the NZQF; and
 - ii. has been quality assured.
39. The TEC must publish criteria for determining whether a training scheme has been quality assured.

40. The TEC must restrict the availability of training schemes, including certificates of personal interest and certificates of proficiency, by developing criteria limiting the eligibility of related courses or programmes for SAC funding at level 3 and above on the NZQF.

Specific matters

Health-related professional qualifications

41. The TEC may allow SAC funding paid to a TEO under this funding mechanism to be used for courses that are part of a programme leading to the award of a post-entry health-related professional qualification that:
- is of an academic or research nature; and
 - has a clinical component of 30% or less within the total qualification.
42. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for courses that are part of a programme leading to the award of a post-entry health-related professional qualification that has:
- a clinical component of more than 30% within the total qualification; and
 - either:
 - a requirement for clinical education and training; or
 - an emphasis on specialist clinical professional skills.

Health and safety and regulatory compliance learning

43. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for a programme 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 learning.

Cap on high-cost provision

44. The TEC must ensure that SAC funding paid under this funding mechanism is not used for specified high-cost provision across all sub-sectors above the following caps:
- aviation (qualifications that includes an in-flight training component): 450 EFTS;
 - dentistry (intermediate) year 1 intake: 60 EFTS;
 - medical undergraduate year 1 intake: 539 EFTS;
 - specialist large animal science total enrolment over all years: 70 EFTS;
 - veterinary science year 1 intake: 100 EFTS.
45. The TEC must ensure that 10 EFTS of the dentistry (intermediate) year 1 intake are used for students of rural origin, as defined by the TEC.

46. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism does not exceed a maximum EFTS value of 4 EFTS for doctoral study.

PART TWO: FUNDING CONDITIONS

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

Tertiary Education Organisations

48. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must meet, and for the length of the funding period continue to meet, all of the eligibility criteria specified in paragraphs 35 and 36 of this funding mechanism.
49. 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

50. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each eligible student meets and continues to meet the criteria specified in paragraph 37 of this funding mechanism.
51. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must not:
 - a. restrict enrolment in programmes 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, as specified in paragraphs 23 to 25.
52. The TEC must attach to funding a condition that a TEO that receives 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

53. 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.

Courses, programmes and qualifications

54. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a course in which an eligible student is enrolled meets and continues to meet the criteria specified in paragraph 38 of this funding mechanism.
55. The TEC must attach to funding a condition that a TEO must not use funding paid under this funding mechanism to fund provision that leads to a qualification where a majority of the courses in the qualification relate to health and safety or regulatory compliance.

High-cost provision

56. If the TEC allocates funding to a TEO for high-cost provision, the TEC must attach the following condition or conditions to funding:

All high-cost provision

57. A TEO must not use funding provided under this funding mechanism to fund high-cost provision, as specified in paragraph 44, above the volume of EFTS for that provision at the TEO that the TEC has agreed to fund.

Aviation

58. A TEO that is allocated EFTS for aviation provision that includes an in-flight training component (pilot training) must supply the Ministry of Social Development with the correct student enrolment information, through the Verification of Study system, that ensures that:
 - a. annual student loan fee borrowing for any pilot training student does not exceed:
 - i. \$35,000 per EFTS, if not eligible for Fees-Free Tertiary Education, as set out in paragraphs 64 and 65 and in any delegation to the TEC in force relating to the funding of Fees-Free Tertiary Education and issued under section 159F(1)(e) of the Act; or
 - ii. \$35,000 per EFTS, less the amount payable to a TEO by the TEC on behalf of the student for fees in accordance with criteria set out in paragraphs 64 and 65 and in any delegation to the TEC in force relating to the funding of Fees-Free Tertiary Education and issued under section 159F(1)(e) of the Act; and
 - b. where a pilot training student is studying part-time, annual student loan fee borrowing does not exceed the proportion of \$35,000 that is represented by the proportion of an EFTS course load that is being undertaken by the student, less any fees payment made by the TEC on behalf of the student (as set out in paragraphs 64 and 65 and in any delegation to the TEC in force relating to the funding of Fees-Free Tertiary Education). For example, if a student is studying 0.4 EFTS in the year, the student loan borrowing limit will be \$14,000. For those eligible for the Fees-Free Tertiary Education payment, the student loan borrowing limit for 0.4 EFTS in the year would be \$14,000, less the amount payable to a TEO by TEC on behalf of the student for fees.

Dentistry (intermediate) year 1 intake

59. A TEO that is allocated EFTS for the dentistry (intermediate) year 1 intake for students of rural origin must only use the funding in respect of students who are of rural origin.

Fees and associated course costs

60. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
- must pay for the necessary equipment, infrastructure and hardware required to deliver a particular course or qualification³; and
 - in relation to the provision of essential equipment, including computers, diving hardware, and chainsaws, must not:
 - include the costs in any fees, compulsory course costs, or compulsory student services fees, charged to students; or
 - require the costs to be met through the "course-related costs" component of the Student Loan Scheme, as a condition of enrolment for students; and
 - must not meet the costs of overseas travel for students through the use of funding obtained under this funding mechanism or via the Student Loan Scheme, unless the overseas travel is academically essential.
61. For the purposes of paragraph 60(c) of this funding mechanism, the TEC must develop guidelines determining when overseas travel is academically essential.
62. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must comply with the Annual Maximum Fee Movement, as specified in Part Three of this funding mechanism.
63. Any limits on fees for further years will be determined by way of a variation to the funding mechanism.

Fees-Free Tertiary Education

64. The TEC must attach to funding a condition that a TEO must not charge an eligible student an amount in respect of fees (as defined by any delegation to the TEC in force relating to the funding of Fees-Free Tertiary Education and issued under section 159F(1)(e) of the Act) otherwise payable by the student if the TEC has advised the TEO that the TEC will:
- if the TEO is not a PTE, pay that amount to the TEO in respect of fees on behalf of the student; or

³ 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.

- b. if the TEO is a PTE, compensate the PTE for that amount in respect of fees forgone as a result of the condition required to be imposed under this paragraph.
- 65. For the purposes of the condition that the TEC must impose under paragraph 64, the TEC must determine each amount payable to a TEO by the TEC in accordance with criteria set out in any delegation to the TEC in force relating to the funding of Fees-Free Tertiary Education and issued under section 159F(1)(e) of the Act.
- 66. Each TEO must work collaboratively with the TEC to give effect to the Fees-Free Tertiary Education initiative. In particular, the TEO must provide information as required by the TEC, to enable the TEC to understand the EFTS consumption of eligible students, and in relation to fees.
- 67. Any fees in excess of the amount payable by the TEC under paragraphs 64 and 65 may be charged by the TEO to the student.

TEO responsibilities

- 68. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
 - a. accurately assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription" of Appendix 2 of this funding mechanism; and
 - b. meet minimum performance standards specified by the TEC.

No other funding

- 69. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
 - a. not (without the TEC's prior written consent) seek or obtain funding from any Crown source other than the TEC to fund a programme or training scheme 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

- 70. 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

- 71. 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.
72. 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.
73. 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 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 provision paid to the TEO under this funding mechanism.
74. 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

75. 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 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 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.

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

76. 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.
77. 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 funding for TEIs funded under this funding mechanism

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

Enrolment

79. 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

80. 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.

PART THREE: THE ANNUAL MAXIMUM FEE MOVEMENT

General

81. The conditions in Part Three of this funding mechanism apply to fees and course costs (together referred to as "fees") charged by TEOs for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF.
82. Fees associated with a particular course are subject to these conditions if:
 - a. the TEO is the sole source of the item to which the fee relates; and
 - b. all domestic students validly enrolled in the course are required to pay the fees.

Definition

83. "Fees" are defined as:
 - a. tuition fees and
 - b. compulsory course costs, which may only include examination fees, material charges, costs of field trips, costs associated with the compulsory purchase of equipment or books through a TEO, and other charges associated with a course.

Annual Maximum Fee Movement

84. The annual maximum fee movement (AMFM) for 2019 is a 2% increase on the fees (GST exclusive) charged in 2018, for a course at level 3 and above on the NZQF, for which a TEO receives SAC funding, and which is part of a programme leading to qualifications listed on the NZQF⁴.

New courses

85. The AMFM applies to any new courses established by a TEO in substitution for an existing course dealing with the same or similar subject matter, at a same or similar level on the NZQF, for which funding under this funding mechanism can be used.

Exceptions to the AMFM

86. A TEO may apply for an exception to the AMFM for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF on the basis of exceptional circumstances (listed below in paragraphs 88 (a)-(d)).
87. The TEC may grant an exception to the AMFM for one or more of a TEO's courses; however, any exception granted must not exceed an additional 2% increase over and above the permitted 2% increase.

⁴ For the avoidance of doubt, the AMFM also applies to professional masters programmes.

88. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
- a. the TEO is unable to support the course while remaining financially viable; and
 - b. for a course which is part of a programme leading to a qualification at level 3 to 8 on the NZQF, the completion rate for the qualification met or exceeded the median performance benchmark for that level in the previous year; and
 - c. the TEO can demonstrate that the course is in some way unique or special, for example, that there are no available local alternatives to the course; and
 - d. not allowing an exception will prevent the TEO from making a significant contribution to the achievement of one or more of the Government's priorities, as set out in the Tertiary Education Strategy.
89. The TEC must only grant an exception if it is satisfied that the TEO meets all of the above criteria.

Zero fee or low fee courses

90. If the fees for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF were less than \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS in the previous year, then a TEO may increase the fee by the greater of:
- a. up to \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS; or
 - b. 2%.

APPENDIX 1: FUNDING MINIMUMS FOR SAC-FUNDED PROVISION RELATING TO QUALIFICATIONS AT LEVELS 3 AND ABOVE ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

The funding minimums for SAC-funded provision relating to qualifications at levels 3 and above on the NZQF, to be allocated by subsector, represent 90% of the total available for each subsector.

The TEC may allocate the remainder of the funding available for provision relating to qualifications at levels 3 and above on the NZQF, without reference to subsector.

Table 1: Funding Minimums by Subsector

\$ millions	2019
Universities	\$1,088.61
Institutes of Technology and Polytechnics	\$430.20
Wānanga	\$109.68
Private Training Establishments	\$165.96
Total Student Achievement Component by sub-sector	\$1,794.44
All sub-sectors	\$199.38
Total Student Achievement Component (Levels 3 and above)	\$1,993.82

APPENDIX 2: CALCULATION OF SAC FUNDING

Table 1: Course Classification Prescription

#01	Agriculture; Horticulture
#02	Architecture; Quantity Surveying
#03	Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences
#03.1	Osteopathy; Acupuncture
#04	Business; Accountancy; Office Systems/Secretarial; Management
#05.2	General Education
#06	Computer Science
#07	Dentistry
#11	Engineering; Technology
#11.1	Priority Engineering
#11.2	Pilot Training
#12	Fine Arts; Design
#13	Health Sciences (excluding classifications #07, #15, and #17)
#13.1	Optometry
#14	Law
#15	Medicine (excluding intermediate/first year)
#16	Music and Performing Arts
#17	Health Related Professions
#17.3	Dental Therapy
#18	Science
#19.1	Teaching: Early Childhood Education
#19.2	Teaching: Primary
#20	Teaching: Secondary
#21	Trades 1
#22	Trades 2
#22.1	Vocational Training for Industry
#23	Veterinary Science
#23.3	Veterinary Science Undergraduate (Years 3, 4 & 5)
#24	Nursing
#25	Medical Imaging
#27	Midwifery (3 year)
#28	Occupational Therapy
#29	Physiotherapy
#30	Medical Radiation Therapy
#31	Pharmacy Professionals
#32	Speech Language Therapy
#33	Medical Laboratory Science
#34	Clinical Psychology
#35	Audiology
#36	Dietetics
#37	Medicine Undergraduate (Years 4, 5 & 6)
#38	Foreign-Going Nautical
#39	Specialist Large Animal Science

Table 2: Funding categories: alphabetic code

Category (alphabetic)	Relevant discipline and course classification
A	Arts [#03], Social Sciences [#03], General Education [#5.2], Vocational Training for Industry [#22.1]
B	Architecture (non-degree) [#02], Computer Science [#06], Fine Arts [#12], Design [#12], Music and Performing Arts [#16], Health Related Professions [#17], Vocational Training for Industry [#22.1], Medical Imaging [#25], Occupational Therapy [#28], Clinical Psychology [#34]
C	Architecture (degree) [#02], Engineering [#11], Technology [#11], Health Sciences [#13], Vocational Training for Industry [#22.1], Midwifery (3 year) [#27], Physiotherapy [#29], Speech Language Therapy [#32], Medical Laboratory Science [#33], Audiology [#35]
G	Dentistry (postgraduate only) [#7], Medicine (postgraduate only) [#15]
H	Agriculture (degree) [#01], Horticulture (degree) [#01] Specialist Large Animal Science [#39]
I	Teaching [#19.1, #19.2, #20]
J	Business [#04], Accountancy [#04], Law [#14], Vocational Training for Industry [#22.1]
L	Agriculture (non degree) [#01], Horticulture (non degree) [#01], Osteopathy [#03.1], Acupuncture [#03.1], Vocational Training for Industry [#22.1], Nursing [#24],
M	Pilot Training [#11.2], Optometry [#13.1], Dental Therapy [#17.3], Pharmacy [#31]
N	Priority Engineering [#11.1], Dietetics [#36]
O	Medical Radiation Therapy [#30]
P	Trades 2 [#22], Vocational Training for Industry [#22.1]
Q	Veterinary Science [#23], Veterinary Science (years 3–5) [#23.3]
R	Dentistry undergraduate (years 2-5) [#07]
S	Foreign-Going Nautical [#38]
T	Medicine undergraduate (years 2-3) [#15]
U	Medicine undergraduate (years 4–6) [#37]
V	Science [#18]

Table 3: Funding categories: numeric code

Category (numeric)	Classification by level and content of study
1	Courses designed for non-degree qualifications with no research requirement, including certificates and diplomas
2	Courses designed for undergraduate degree qualifications, including bachelors degrees, graduate certificates and diplomas
3	Courses designed for taught postgraduate qualifications, including postgraduate certificates and diplomas, bachelors degrees with honours, and taught masters papers
4	Research-based postgraduate qualifications, including masters' theses/dissertations of 1.0 EFTS or more for masters and doctoral study
5	Foreign student enrolments in research-based postgraduate qualifications

Table 4: Funding rates

	1	2	3	4	5*
A	\$6,295	\$6,295	\$7,945	\$8,403	\$3,439
B	\$9,630	\$9,630	\$12,243	\$13,162	\$6,304
C	\$11,557	\$11,557	\$14,714	\$15,835	\$7,530
G			\$26,839	\$26,839	\$6,847
H		\$20,876	\$26,328	\$27,624	\$5,296
I	\$8,969	\$8,969	\$11,262	\$11,719	\$3,439
J	\$6,295	\$6,295	\$7,945	\$8,403	\$3,439
L	\$10,820	\$10,820	\$13,642	\$14,560	\$7,024
M	\$13,780	\$15,701	\$19,715	\$20,995	\$8,851
N	\$12,845	\$12,845	\$16,158	\$17,391	\$8,269
O		\$18,635			
P	\$10,402				
Q		\$28,241	\$28,241	\$28,241	\$6,847
R		\$53,042			
S	\$19,156				
T		\$43,737			
U		\$43,737			
V	\$11,258	\$13,759	\$17,345	\$18,512	\$7,308

* As specified in paragraph 34, the TEC must only apply the per-EFTS funding rates for category 5 funding for TEOs on investment plans that have not expired and were approved by the TEC before Budget 2018 on 17 May 2018.

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: Industry Training Fund

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

The key changes to the funding mechanism for industry training:

- enable the Tertiary Education Commission (TEC) to fund a training arrangement or micro-credential that, according to criteria to be set by the TEC, have been quality assured
- require the TEC to restrict funding for industry training that does not lead to a listed qualification.

In some cases, quality assurance by an organisation other than the New Zealand Qualifications Authority (NZQA) may provide adequate quality assurance with regard to the coherence and value of a set of unit standards. I expect the TEC to consult NZQA and the Ministry of Education on criteria for determining whether a training arrangement has been adequately quality assured.

The funding determination simplifies and slightly relaxes restrictions on the funding of industry training at Level 5 and above. In restricting this funding, I expect the TEC to consider whether trainees are likely to have adequate support and instruction to successfully complete the theory components of proposed training.

I note that under the determination and the delegation to fund Fees-Free tertiary education and training in 2019, the TEC will set criteria for the administration of the Fees-Free policy.

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

I expect that the TEC 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".

Hon Chris Hipkins
Minister of Education

Proactively Released

DETERMINATION OF DESIGN OF FUNDING MECHANISM: INDUSTRY TRAINING FUND

PRELIMINARY PROVISIONS

Introduction and statutory authority

1. This determination, which is made under section 159L of the Education Act 1989 (the Act), specifies the design of the funding mechanism for the Industry Training Fund (ITF), and incorporates the supplementary determination issued on 12 February 2018.
2. This funding mechanism enables the Tertiary Education Commission (TEC) to fund industry training organisations (ITOs) to fulfil their statutory functions specified in the Industry Training and Apprenticeships Act 1992, and to fund eligible organisations participating in the ITF direct funding scheme.

Purpose

3. The **Industry Training Fund** covers:
 - a) industry training;
 - b) New Zealand Apprenticeships; and
 - c) industry training-related projects.
4. The purpose of the ITF is to subsidise formal, structured employment-based training linked to qualifications, predominantly at levels 1 to 4 on the New Zealand Qualifications Framework (NZQF). The ITF encourages structured training by supporting ITOs and organisations participating in the ITF direct funding scheme in their management of on-and off-job training. Funding from the ITF can also be applied to industry training-related projects.

On-Plan and Off-Plan funding

5. The TEC must pay funding from the ITF under section 159YA of the Act in relation to tertiary education organisations (TEOs) funded via an investment plan.
6. The TEC must pay funding from the ITF under section 159ZC of the Act in relation to TEOs exempt under section 159U of the Act from submitting a proposed investment plan.
7. The TEC must pay funding from the ITF under section 159ZC of the Act in relation to industry-training related projects.

PART ONE: THE FUNDING MECHANISM

GENERAL PARAMETERS

Effective period

8. This funding mechanism relates to funding for activities from 1 January 2019.
9. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism before this date.
10. The TEC may continue to fund, from the ITF, activities that commenced prior to 1 January 2019, other than Modern Apprenticeships.

Available funding

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

Flexible funding

12. 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 14 (a "qualifying TEO").
13. The TEC must allocate additional funding, over and above that approved through investment plans, to a qualifying TEO if the value of New Zealand Apprenticeship training arranged by the TEO, as measured in dollars, is greater than the value of the TEO's approved funding allocation for New Zealand Apprenticeship training.
14. If a qualifying TEO meets the condition specified in paragraph 13, the TEC must pay the TEO up to the following limits, either:
 - a) 2% of the qualifying TEO's approved funding allocation for New Zealand Apprenticeships for a year; or
 - b) 10 standard training measures (STMS) for New Zealand Apprenticeships, whichever is greater.
15. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 14, provided the TEC has assessed whether the funding available is sufficient for TEC to provide funding above these limits.

Funding formula and rates

16. The TEC must allocate ITF funding (other than project funding) to a TEO based on the number of industry trainees (including New Zealand Apprentices) validly registered with the TEO, measured in standard training measures (STMs).
17. An STM is defined as the amount of training that is required for an industry trainee to achieve 120 NZQF credits.

Formula for funding

18. The TEC must use the following formula to calculate the number of STMs for which a TEO is entitled to receive funding:

$$\text{funded STMs} = \frac{\text{number of enrolled trainees} \times \text{credits per trainee per year}}{120}$$

19. The TEC must determine the maximum number of credits for which a TEO can apply the funding in respect of an industry trainee in each year.

Funding rates

20. The funding rate for a single STM for industry training is:

- a) \$3,200.00 (GST exclusive) for training arranged by an ITO; or
- b) \$2,880.00 (GST exclusive) for training arranged by a TEO accessing the ITF through the direct funding scheme.

21. The funding rate for a single STM for New Zealand Apprenticeships (as defined under this funding mechanism) is:

- a) \$5,200.00 (GST exclusive) for a New Zealand Apprenticeship arranged by an ITO; or
- b) \$4,680.00 (GST exclusive) for a New Zealand Apprenticeship arranged by a TEO accessing the ITF through the direct funding scheme.

Performance standards

22. The TEC must set minimum performance standards, including credit achievement standards.

TEO eligibility

23. The TEC may only fund an ITO from the ITF under this funding mechanism if the ITO is fully or provisionally recognised by the Minister of Education (the Minister) under the Industry Training and Apprenticeships Act 1992.
24. The TEC must not fund an ITO to deliver training itself, and an ITO must not have any ownership stake in, or be a beneficiary of, an organisation with which the ITO arranges to deliver the training.
25. The TEC may only fund an eligible organisation¹ under this funding mechanism if the organisation satisfies the eligibility and assessment criteria for participation in the ITF direct funding scheme.
26. The TEC may also fund organisations that are not ITOs or eligible organisations from the ITF, but may only fund them for industry training-related projects.

¹ An organisation as defined in section 159B(1)(c) of the Education Act 1989.

Eligibility criteria for organisations to participate in the ITF direct funding scheme

27. The TEC must use the following general criteria to select organisations to participate in the ITF direct funding scheme. An eligible organisation must:
 - a) be one of the following:
 - i. an employer; or
 - ii. a group of employers or industry associations that are part of a consortium arrangement; and
 - b) have at least 40 industry trainees each year who:
 - i. are actively training towards one or more of the qualifications and programmes set out in paragraph 32; and
 - ii. meet the industry trainee eligibility criteria set out in paragraph 30.
28. The TEC may determine if any additional criteria are needed to select organisations to participate in the ITF direct funding scheme, and apply those criteria in the assessment process.

Industry trainee eligibility

29. The TEC must not fund a TEO for a learner who does not meet the criteria to be an "industry trainee".
30. For the purposes of this funding mechanism, an "industry trainee" is:
 - c) one of the following:
 - i. an employee who is employed and working in New Zealand and has a training agreement with his or her employer; or
 - ii. a self-employed contractor working in New Zealand under an arrangement with an organisation in the nature of employment, who has a training agreement with that organisation and meets any additional criteria determined by the TEC; or
 - iii. a person volunteering in New Zealand under an arrangement with an organisation in the nature of employment, who has a training agreement with that organisation and meets any additional criteria determined by the TEC; and
 - d) 16 years of age or over (unless the industry trainee meets additional eligibility criteria determined by the TEC).
31. The TEC must establish the requirements that TEOs must comply with to verify each learner's identity.

Programme eligibility

32. Funding paid from the ITF under this funding mechanism may be used for the purpose of arranging:

- a) a programme of training leading to a National or New Zealand Certificate; or
 - b) a programme of training leading to a National or New Zealand Diploma; or
 - c) a Limited Credit Programme that:
 - i. is designed to encourage entry into a full qualification; and
 - ii. has a minimum of 20 credits and a maximum of 70 credits; and
 - iii. is composed of skill standards drawn from a programme that leads to a qualification for which the TEO has TEC funding approval; and
 - iv. meets any other criteria as specified by TEC; or
 - d) a Supplementary Credit Programme that:
 - i. is designed to provide post-qualification skill development; and
 - ii. has a minimum of 20 credits and a maximum of 70 credits; and
 - iii. is composed of skill standards drawn from a programme that leads to a qualification for which the TEO has TEC funding approval; or
 - e) a training arrangement or micro-credential of between 5 and 40 credits, composed of skill standards for which the TEO has consent to assess, that, according to criteria set by the TEC, has been adequately quality assured.
33. In providing funding from the ITF to a TEO under this funding mechanism, the TEC must require the following:
- a) that the TEO meets any quality assurance requirements of the New Zealand Qualifications Authority (NZQA); and
 - b) that a majority of training occurs on-job.
34. A programme leading to a qualification at level 1, 2, or 3 on the NZQF must include embedded literacy and numeracy.
35. A TEO must use the Literacy and Numeracy for Adults Assessment Tool to identify the literacy and numeracy needs of each industry trainee for whom funding is provided and to measure the industry trainee's progress, as required by the TEC.
36. The TEC must restrict funding as follows:
- a) for industry training that does not lead to a listed qualification, by developing criteria limiting the funding eligibility of this training; and
 - b) allocating a maximum of 10% of the total ITF to training at level 5 and above on the NZQF.

Health and safety and regulatory compliance learning may not be funded

37. The TEC must not provide funding under this funding mechanism for learning that can be defined as one or more of the following:
 - a) a programme designed primarily to equip a participant with the skills and knowledge he or she needs to carry out a given task or function in a manner that complies with a specific health and safety or regulatory compliance requirement; or
 - b) learning that displaces the responsibility of employers to provide training necessary to mitigate health and safety, and legal risks.
38. The TEC must not provide funding for a programme containing health and safety and regulatory compliance learning if it considers it likely that most enrolments will lead only to completion of the health and safety or regulatory compliance components, rather than the whole qualification.²

New Zealand Apprenticeships

39. The TEC may provide funding from the ITF to fund New Zealand Apprenticeships. These are programmes of training that:
 - a) provide an entry point into an occupation to set a person up for a career in an industry;
 - b) meet any regulatory requirements for entry into an occupation;
 - c) contain a strong theoretical component to support further learning, as well as a practical element;
 - d) are directly related to the intended career;
 - e) lead to either:
 - i. a qualification at level 4 on the NZQF that has a minimum of 120 credits and, if approved by the TEC, additional qualifications at level 3 or level 4 on the NZQF; or
 - ii. multiple qualifications that together have at least 120 credits, provided those qualifications are at level 3 and level 4 on the NZQF, and at least 60 credits are at level 4 on the NZQF; and
 - f) meet any additional criteria set by the TEC to ensure that the programme is focussed on level 4 outcomes.
40. In addition to the eligibility requirements for an industry trainee in paragraph 30, a New Zealand Apprentice must be:
 - a) employed in the occupation for which he or she is training; and

² For the avoidance of doubt, subject to paragraph 37, health and safety and regulatory compliance learning may comprise part of a larger programme that includes an appropriately wide range of skills.

- b) supported by a training plan agreed by the apprentice, the employer, and the organisation arranging the training, throughout the programme of training; and enrolled in a New Zealand Apprenticeship.
41. TEC funding for a TEO for an eligible New Zealand Apprentice must be at the rates specified in paragraph 21.
42. The TEC must approve, and maintain a register of, all New Zealand Apprenticeships, and may withdraw approval, with effect for new enrolments after a reasonable notice period.

Activities eligible for funding from the ITF

Arranging training

43. The TEC may fund an ITO from the ITF under this funding mechanism to arrange training in respect of an industry trainee:
- a) in an industry for which the ITO is recognised by the Minister under the Industry Training and Apprenticeship Act 1992; or
 - b) in an arrangement approved by the TEC under the Industry Training and Apprenticeship Act 1992.
44. The TEC may fund an eligible organisation participating in the ITF direct funding scheme from the ITF to arrange training.
45. To receive funding for arranging training for any industry trainee, the TEO must keep a record of evidence that the industry trainee has a formal training agreement with his or her employer that is intended to lead to the completion of one or more of the programmes set out in paragraph 32.

Industry training-related projects

46. The TEC may, under this funding mechanism, fund industry training-related projects from the ITF for the following purposes:
- a) to support the organisation of vocational skills competitions, including contributing towards the costs of representation at the international World Skills competition (up to \$450,000 per year, GST exclusive); and
 - b) to assist ITOs to work together and with other organisations (up to \$3,500,000 per year, GST exclusive) to:
 - i. facilitate desirable structural changes and joint-ventures in the sector;
 - ii. support best practice in vocational education and training;
 - iii. support projects to enhance the efficiency and effectiveness of ITOs.
47. The TEC must set appropriate criteria and monitoring and evaluation requirements for industry training-related projects, to ensure that the projects provide value for money and contribute to the government's strategic objectives for tertiary education.

PART TWO: FUNDING CONDITIONS

General conditions for off-Plan funding

48. The TEC may impose any conditions on funding paid under this funding mechanism under section 159ZC that it considers necessary to ensure that funding will achieve the purpose for which it has been allocated.

Conditions that the TEC must attach to funding (on- and off-Plan)

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

TEO ownership and subcontracting

50. 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:
- be an ITO fully or provisionally recognised by the Minister under the Industry Training and Apprenticeships Act 1992; or
 - in relation to an eligible organisation funded through the ITF direct funding scheme, meet the eligibility criteria specified in paragraph 27, and any additional criteria determined and applied by the TEC under paragraph 28; or
 - in relation to an organisation receiving funding for an industry training-related project, to meet criteria specified by the TEC.
51. The TEC must attach to funding a condition that an ITO must not deliver training itself, and must not have any ownership stake in, or be a beneficiary of, an organisation with which the ITO arranges the delivery of training.
52. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
- not subcontract its functions without the TEC's written consent;
 - comply with any conditions imposed by the TEC on a consent; and
 - ensure that a subcontracted party does not further subcontract any functions.

Financial contribution

53. The TEC must attach to funding a condition that a TEO that receives funding from the ITF must ensure that all employers of industry trainees or apprentices who are enrolled with the TEO make a financial contribution towards the cost of each trainee's or apprentice's training and assessment, noting that there may be some specific circumstances where the full financial costs of training and assessment for a trainee could be met by the financial contribution from the ITF and the fees-free tertiary education initiative.

Industry trainees

54. The TEC must attach to funding a condition that a TEO that receives funding from the ITF must ensure that:
- each industry trainee who is enrolled in an industry training programme meets and continues to meet the criteria specified in paragraph 30 of this funding mechanism; and
 - each New Zealand Apprentice who is enrolled in a New Zealand Apprenticeship meets and continues to meet the criteria specified in paragraphs 30 and 40 of this funding mechanism.

Programmes

55. The TEC must attach to funding a condition that a TEO that receives funding from the ITF must ensure that a programme in which an eligible industry trainee is enrolled:
- continues to meet the eligibility criteria specified in:
 - paragraph 32 of this funding mechanism; and
 - paragraph 39 of this funding mechanism if the programme is delivered to a New Zealand Apprentice;
 - includes a majority of on-job training;
 - meets any quality assurance requirements of NZQA;
 - does not include learning specified in paragraph 37 or 38 of this funding mechanism; and
 - includes embedded literacy and numeracy if that programme is at level 1, 2, or 3 on the NZQF.
56. The TEC must attach to funding a condition that a TEO that receives funding from the ITF must use the Literacy and Numeracy for Adults Assessment Tool to identify the literacy and numeracy needs of each industry trainee for whom funding is provided and measure the industry trainee's progress, as required by the TEC.
57. The TEC must attach to funding a condition that a TEO that receives funding from the ITF must not spend more than 10% of the funding it has received for training above level 4 on the NZQF unless it has approval from the TEC.
58. The TEC must attach to funding a condition that a TEO that receives funding from the ITF must not apply the funding in relation to any industry trainee above a maximum number of credits per year, as determined by the TEC.

Fees-free Tertiary Education

59. TEC must attach to funding a condition that a TEO must not charge an eligible trainee or eligible trainee's employer an amount in respect of fees (as defined by any delegation to the TEC in force relating to the funding of Fees-Free

Tertiary Education and issued under section 159F(1)(e) of the Act), otherwise payable by the trainee or trainee's employer, if the TEC has advised the TEO that the TEC will pay that amount to the TEO in respect of fees on behalf of the trainee or employer.

60. For the purposes of the condition that the TEC must impose under paragraph 59, the TEC must determine each amount payable to a TEO by the TEC in accordance with criteria set out in any delegation for the time being in force from the Minister to the TEC under section 159F(1)(e) of the Education Act 1989 relating to the funding of Fees-Free Tertiary Education.
61. Each TEO must work collaboratively with the TEC to give effect to the fees-free tertiary education initiative in industry training. In particular, the TEO must provide information as required by the TEC, to enable the TEC to understand the STM consumption of eligible trainees, and in relation to fees.
62. Any fees in excess of the amount payable by the TEC under a delegation referred to in paragraph 60 in respect of a trainee may be charged by the TEO to the trainee or employer.

Performance

63. The TEC must attach to funding a condition that a TEO that receives funding from the ITF must meet any minimum performance standards set by the TEC.

No other funding

64. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
 - a) not (without the TEC's prior written consent) seek or obtain funding from any Crown source other than the TEC to fund a programme or training scheme 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 this condition.

Responsible use of funding

65. 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

66. 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.
67. 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

68. If the TEO receives funding under this funding mechanism that is less than it should have been, or less than 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.

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

69. The TEC must attach to funding a condition that an ITO must consent in writing, for the purposes of section 37A(a) of the Statistics Act 1975, to Statistics New Zealand disclosing information to the Ministry of Education from its Integrated Data Infrastructure that identifies, or may identify, the ITO.
70. The TEC must inform ITOs that the Statistics Act 1975 does not constrain the ongoing use or sharing of the ITO-level data once it is disclosed.