# Education Report: Funding for tertiary education grants under section 321 of the Education Act

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<th>To:</th>
<th>Hon Chris Hipkins, Minister of Education</th>
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<td>Date:</td>
<td>28 November</td>
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<td>§ 9(2)(a)</td>
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<td>Messaging seen by Communications team:</td>
<td>No</td>
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<td>Round Robin:</td>
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## Purpose of Report

This paper seeks your agreement to funding arrangements, under section 321 of the Education Act, for:
- New Zealand School of Dance
- Te Kura Toi Whakaari o Aotearoa: New Zealand Drama School (Toi Whakaari)

## Summary

The New Zealand School of Dance (NZSD) and Te Kura Toi Whakaari o Aotearoa: New Zealand Drama School (Toi Whakaari), have not received an increase to their funding under section 321 of the Education Act since 2009. You indicated agreement to increase both providers funding from 2019, in line with the inflation adjustment for other tertiary education provision at level 3 and above.

### § 9(2)(f)(iv)

We recommend that any additional payment for NZSD should be ongoing, as the cost pressures they raised in delivering their dance performance qualifications are also ongoing. We have proposed two options for ongoing funding, which are: increasing their funding from 2019 by $150,000 per year or $75,000 per year. These options represent an increase of 15% and 7% respectively, in addition to the inflation adjustment of 1.6%.

A funding increase above the cumulative 2.6% inflation adjustment tertiary providers gained over 2018 (1%) and 2019 (1.6%), may raise expectations for funding increases from other providers, especially from providers delivering sub-degree courses, as they also received no funding increases between 2009 and 2018.

The Ministry and the Tertiary Education Commission will reflect your decisions on funding in the funding agreements with the two providers.
Recommended Actions

The Ministry of Education recommends you:

a. **agree** to increase the 2018 section 321 funding for New Zealand School of Dance and Te Kura Toi Whakaari o Aotearoa: New Zealand Drama School from 2019 by 1.6%, for consistency with the inflation adjustment applied to Student Achievement Component Funding at level 3 and above

   Agree / Disagree

b. **agree** to an additional increase in the New Zealand School of Dance section 321 grant, for the activities of delivering qualifications to students, that include best practice in teaching and learning, and high quality public performance opportunities:
   
i. $150,000, for 2019 only
   
   Agree / Disagree
   
   or;
   
   ii. $75,000 per year, from 2019
   
   Agree / Disagree
   
   or;
   
   iii. $150,000 per year, from 2019
   
   Agree / Disagree

c. **note** the funding increases proposed in recommendation (a) and (b), can met within the Tertiary Tuition and Training Multi-category appropriation baseline

d. **sign** the letter to the New Zealand School of Dance, which reflects the funding increase you agreed to in recommendation (b)

e. **sign** the letter to Te Kura Toi Whakaari o Aotearoa: New Zealand Drama School outlining the funding increase

f. **agree** to forward this report to the Associate Minister of Arts, Culture and Heritage, Hon Grant Robertson

   Agree / Disagree

g. **proactively release** this education report, after contracts have been signed with the providers, and any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

   Agree / Disagree

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Andy Jackson  
Group Manager  
Tertiary Education  
28/11/2018

Hon Chris Hipkins  
Minister of Education  
6/12/18
Background

Section 321 funding for two performing arts providers

1. Section 321 of the Education Act 1989 exists to provide the Minister of Education with flexibility to recognise and fund educational organisations that do not fit within the standard funding provisions of the Act. The amount of the grant and the terms and conditions under which it is awarded are determined by the Minister.

2. The New Zealand School of Dance (NZSD) and Te Kura Toi Whakaari o Aotearoa: New Zealand Drama School (Toi Whakaari), have received section 321 grants since 2005. Since 2009 there have been no increases in their section 321 funding.

3. Over 2005–2008, their section 321 funding increased, in line with increases for tuition subsidies. Over 2009–2018, increases in tuition subsidies were targeted for degree-level and above programmes, mainly in areas such as science. However, in 2018, there was a 1% increase in tuition subsidies, and in 2019 tuition subsidies for courses at level 3 and above will increase by 1.6%.

Funding requests from NZSD

4. In 2014, the NZSD sought a funding increase. No funding increase was provided at that time, due to their effective funding rates for provision being higher than comparable Student Achievement Component (SAC) funding rates for music and performing arts, and there had also been no increases in these SAC rates at sub-degree level either. As the NZSD fees were lower than other performing arts courses, one option to address funding was to increase revenue from fees and other income.

5. The NZSD indicate that they subsequently increased fees by 12% a year for three years. Their course fees for first year students in 2018 are $8,300, and $1,536 in compulsory student services fees.

6. In 2018, the NZSD made a funding request to the Ministry and Tertiary Education Commission [B/18/00656 refers]. You subsequently met with Hon Grant Robertson, Associate Minister of Arts, Culture and Heritage, in November to discuss the NZSD’s funding concerns.

7. You indicated wanting to increase both the NZSD and Toi Whakaari’s section 321 funding in 2019, in line with the inflation adjustment provided to SAC-funded courses at level 3 and above. You also indicated providing additional funding for the NZSD, of $150,000 in 2019, as a one-off payment to address cost pressures in delivering the activities they are funded for under section 321.

Funding for 2019

Toi Whakaari

8. The current activities they are expected to deliver from their section 321 funding are:
   - 55 equivalent full-time students (EFTS) in Bachelor of Performing Arts (Acting)
   - other activities including theatre performances, and filmed productions.

9. An increase in Toi Whakaari’s current section 321 funding by 1.6% will increase their funding to $1,236,577 (an increase of $19,474). The section 321 funding is effectively
over $22,000 per EFTS place, at least $12,000 higher per EFTS place than the SAC funding rate for performing arts. However, a portion of their section 321 funding is for activities that are not EFTS-based.

10 In addition to section 321 funding, Toi Whakaari also receive SAC funding for tertiary education provision. For 2019, the Tertiary Education Commission (TEC) has allocated Toi Whakaari $630,828 in SAC funding for 65 EFTS places. These are at EFTS rates of $9,630 to $10,402, depending on level and type of study.

11 With the inflation adjustment, the total funding (section 321 and SAC), Toi Whakaari would receive is $1,867,405 in 2019 for 120 EFTS. This equates to a combined effective funding rate of $15,562 per EFTS place.

NZSD

inflation adjustment

12 A 1.6% increase in NZSD’s current section 321 funding will increase their payment to $1,019,395 (an increase of $16,053). The current activities they are expected to deliver for this are:

- 78 EFTS places in certificates and diplomas in dance performance
- sustaining and influencing best practice in teaching and learning
- providing high quality public performance opportunities for students.

13 With the inflation adjustment for their 2019 funding, the effective funding amount per EFTS place will be $13,069. This is $3,439 per EFTS place higher than the SAC funding rate for music and performing arts. However, a portion of their section 321 funding is for activities that are not EFTS-based.

increase in base grant

14 If NZSD section 321 funding was increased by a further $150,000 in 2019, that would be an increase of 15%, in addition to the 1.6% inflation adjustment. Their total funding for 2019 would be $1,169,395, an increase of $166,053 (including the inflation adjustment), with an effective funding rate of $14,992 per EFTS place.

15 Providing a one-off increase in funding will raise expectations that the funding increase should continue into 2020. The cost issues raised by NZSD relate to ongoing teaching, specialist support and performance venue costs, which are not one-off cost issues. The increase in 2019 would set a precedent for additional funding to meet these costs. If the one-off payment was to meet specific one-off costs, or additional delivery for that year, then it would be less likely to create additional expectations from 2020.

16 We would recommend making any increase in the NZSD’s funding ongoing, rather than one-off. For an ongoing funding increase, you could increase their funding by a smaller amount, such as $75,000.

17 An increase by $75,000 would provide the NZSD with $150,000 in additional funding over two years, rather than one year, and the $75,000 increase would be ongoing. Total funding for 2019 would be $1,094,395, an increase of $91,053 (including the inflation adjustment). This equates to a funding rate of $14,031 per EFTS place.

18 Alternatively, you could make the $150,000 increase ongoing. An increase of $75,000 equates to an increase of 7% in their funding, and an increase of $150,000, an increase of 15%.
Risks of funding increase

An increase in their ongoing funding may raise questions from other providers who did not get, or had minimal funding increases, between 2009 and 2018. The lower funding increase, 7% rather than 15%, may raise less equity concerns from other providers.

There may be concerns from other dance performance providers, such as Whitiara or Excel School of Performing Arts, funded at lower rates for performing arts programmes, which also received no funding increases for their sub-degree programmes over 2009–2018. Other providers could also raise concerns about a funding increase for NZSD, of 7% or 15%, when others in the sector have received an increase of 2.6%, cumulatively, over 2018 (1%) and 2019 (1.6%).

Toi Whakaari have not raised any funding concerns with their section 321 grant. Any concerns about their section 321 grant not receiving the same additional increase can be addressed by indicating that their funding per EFTS place, combined for SAC and section 321, would be similar to the increased NZSD per EFTS funding rate.

Financial Implications

The options for increasing these two section 321 grants can met within Vote Tertiary Education baselines within the Tertiary Tuition and Training Multi-category appropriation (MCA).

Section 321 grants for the NZSD and Toi Whakaari are funded from the SAC category within the Tertiary Tuition and Training MCA. The highest amount of funding increase this paper proposes to section 321 grants is $185,527 per annum. This is 0.009% of funding in this category, which has over $2 billion.

The Ministry expect that this small funding increase can be met within SAC baselines, without affecting other tertiary education delivery or materially impacting the availability of funding for reprioritisation in Budget 2019.

Improving reporting and monitoring

The TEC and the Ministry intend to work towards using more information about delivery under section 321, and monitoring students’ outcomes, in line with students funded under SAC. In 2019, we will work with the two providers on options and arrangements to improve information on their delivery and students outcomes. This could inform any additional requirements in their contracts for section 321 funding, if needed, for 2020.

This would improve transparency, and more accurately report EFTS enrolments funded by the government for tertiary education. Currently, Toi Whakaari EFTS places funded through section 321 grant funding are included in reporting on total delivery by providers, but not government-funded EFTS places, as is not part of a tertiary fund, such as SAC.
Next steps

28 The attached letters for you to sign communicate your decision to increase the two providers funding from 2019 with the inflation adjustment. The three letters attached for the NZSD reflect different funding amounts for NZSD in recommendation (b), with you to sign the specific letter reflecting your decision.

29 Once you indicate which funding options for 2019 you agree with, the Ministry and the TEC will progress contracts reflecting these decisions with the two tertiary providers.
06 DEC 2018

Christian Penny
Director
Te Kura Toi Whakaari o Aotearoa: New Zealand Drama School

Dear Christian

Increase in Section 321 Grant for provision in performing arts

I have agreed to increase Te Kura Toi Whakaari o Aotearoa: New Zealand Drama School’s funding provided through section 321 of the Education Act 1989 (the Act). The funding increase from 2019 is an increase of 1.6%, in line with the inflation adjustment increase to Student Achievement Component funding rates for provision at level 3 and above.

This will increase the funding provided through section 321 of the Act to $1,236,577 per annum from 2019.

Pursuant to section 321(4) of the Act, I give notice that the increase in the grant is not to be used except for the purposes as set out in the first schedule of the current funding agreement. This includes:

- delivering qualifications on the New Zealand Qualifications Framework for performing arts, which will be specified in the funding agreement
- filmed productions
- theatre performances.

The Tertiary Education Commission, on behalf of the Ministry, will continue to administer your funding agreement. They will contact you shortly to discuss the details of the grant and arrange an updated funding agreement for 2019, reflecting the funding decisions.

I expect you to work with the Tertiary Education Commission over 2019 on any improvements in reporting arrangements that are needed, to support their role in monitoring student outcomes and provider performance.

I wish you well in supporting students to gain the performing arts skills they require for successful careers.

Yours sincerely

Hon Chris Hipkins
Minister of Education

cc: Tim Fowler, Chief Executive, TEC
Garry Trinder  
Director  
New Zealand School of Dance

Dear Garry

Increase in Section 321 Grant for provision in dance performance

In response to your funding concerns, and following discussions with Hon Grant Robertson, Associate Minister of Arts, Culture and Heritage, I have agreed to increase the New Zealand School of Dance’s funding provided through section 321 of the Education Act 1989 (the Act).

The funding increase from 2019 has two components:

- an increase of 1.6%, in line with inflation adjustment increase to funding rates for Student Achievement Component provision at level 3 and above
- an additional increase of $75,000.

This will increase the funding provided through section 321 of the Act to $1,094,395 per annum from 2019.

Pursuant to section 321(4) of the Act, I give notice that the increase in the grant is not to be used except for the following purposes:

- delivering qualifications on the New Zealand Qualifications Framework for dance performance, which will be specified in funding agreement
- sustaining and influencing best practice in teaching and learning
- providing high quality public performance opportunities for students.

The Tertiary Education Commission, on behalf of the Ministry, will continue to administer your funding agreement. They will contact you shortly to discuss the details of the grant and arrange an updated funding agreement for 2019, reflecting the funding decisions.

I expect you to work with the Tertiary Education Commission over 2019 on any improvements in reporting arrangements that are needed, to support their role in monitoring student outcomes and provider performance.
I wish you well in supporting students to gain the dance performance skills they require for successful careers.

Yours sincerely

[Signature]

Hon Chris Hipkins
Minister of Education

cc: Tim Fowler, Chief Executive, TEC