

Hon Chris Hipkins

MP for Remutaka

Minister of Education

Minister of Police

Minister for the Public Service

Leader of the House



Jenn Bestwick
Chair
Tertiary Education Commission
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Dear Jenn

Determination of Design of Funding Mechanism: non-degree delivery at levels 3 – 7 on the New Zealand Qualification and Credentials Framework and all industry training

I am writing to advise you of a determination of the design of a funding mechanism, under section 419 of the Education and Training Act 2020 (the Act). This is one of two determinations comprising the unified funding system for vocational education and training.

This determination is for non-degree tertiary tuition and training at levels 3 – 7 on the New Zealand Qualifications and Credentials Framework and all industry training, as well as learner-based funding via the learner component.

The new determination is set out in the appendix to this letter. The determination covers the funding of provision delivered from 1 January 2023.

Under section 422 of the Act, it is the Tertiary Education Commission's responsibility to develop the details needed to implement my determinations of the design of funding mechanisms. I want to stress the importance of your continued focus on tertiary education organisations' Learner Success initiatives to support the success of these funds.

Yours sincerely,

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

Hon Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: NON-DEGREE DELIVERY AT LEVELS 3 – 7 ON THE NEW ZEALAND QUALIFICATION AND CREDENTIALS FRAMEWORK AND ALL INDUSTRY TRAINING

PRELIMINARY PROVISIONS

Statutory authority

1. This determination of the design of the funding mechanism is made under section 419 of the Education and Training Act 2020 (the Act).

On-Plan funding

2. The Tertiary Education Commission (TEC) must pay funding allocated under this funding determination in accordance with section 425 of the Act.

Effective period

3. This funding mechanism relates to funding provision from 1 January 2023.
4. The TEC may exercise any of its administrative functions before 1 January 2023 as required to give effect to this funding mechanism.

Available funding

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

Purpose of the unified funding system for vocational education and training

6. The unified funding system is designed to incentivise providers to:
 - a. support learners to transition to work-based training;
 - b. enhance support for employers;
 - c. increase and improve success and support for all learners;
 - d. respond to national and regional skills priorities; and
 - e. ensure a strong and sustainable regional network of provision.

PART ONE: DELIVERY COMPONENT FUNDING MECHANISM

Purpose

7. The purpose of this funding is to contribute towards the costs of providing vocational education and training.
8. Funding rates have been designed to enable and encourage providers to grow work-integrated learning pathways which meet learner, employer, and community needs. Differentiating funding by mode of delivery also allows recognition of the different cost structure of those activities.

TEO eligibility

9. The TEC may only fund a tertiary education organisation (TEO) under this funding mechanism if the TEO is one of the following:
 - a. a tertiary education institution (TEI), namely:
 - i. a university;
 - ii. Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga)¹;
 - iii. a wānanga; or
 - b. a private training establishment (PTE).

TEO quality assurance

10. To be eligible for funding under this funding mechanism, a TEO must be quality assured as follows:
 - a. if the funding is for delivery by Te Pūkenga or one or more of the subsidiaries of Te Pūkenga, Te Pūkenga or the relevant subsidiaries of Te Pūkenga are quality assured by the New Zealand Qualifications Authority (NZQA);
 - b. if the TEO is a wānanga or a PTE, the TEO is quality assured by the NZQA; or
 - c. if the TEO is a university, the TEO is quality assured by the New Zealand Vice-Chancellors' Committee.

Funding formula and rates

11. The TEC allocates funding under this funding mechanism for the relevant eligible programmes, credentials and activities that are specified in a TEO's investment plan.
12. For the purposes of calculating the value of a TEO's approved funding under this funding mechanism, the TEC must use a metric comprising:
 - a. the number of valid domestic enrolments, measured in equivalent full-time learner units (EFTLs); and
 - b. the programmes or credentials, and their component parts, in which learners are enrolled, and the assigned delivery classifications, funding categories, and funding rates of those programmes and component parts.

EFTL

13. One EFTL is equivalent to either one equivalent full-time student unit or one standard training measure.

¹ This reference to Te Pūkenga includes any Te Pūkenga subsidiary as defined in section 10(1) of the Act.

Equivalent Full-Time Student units (EFTS)

14. One (1.0) EFTS unit is defined as the student workload that would normally be carried out by a learner enrolled full-time in a single academic or calendar year.
15. The TEC will determine the EFTS value of each programme or credential and/or the EFTS factor of its component parts based on published criteria. These criteria should reflect the principle that the TEC, in setting EFTS values, will take into account both the inputs and the outputs of the learning process.

Standard Training Measures (STMs)

16. An STM is defined as the amount of training that is required for a work-based learner to achieve 120 New Zealand Qualification and Credentials Framework (NZQCF) credits.
17. The TEC must use the following formula to calculate the number of STMs for which a TEO is entitled to receive funding:

$$\text{funded STMs} = \frac{\text{number of enrolled industry trainees or New Zealand Apprentices} \times \text{credits per industry trainee or New Zealand Apprentice per year}}{120}$$

Funding classifications

18. For data submitted through the Single Data Return (SDR), TEOs must assign each classified programme, credential and/or component part a funding category according to the tables (relating to subject classification and mode of delivery) in Appendix 1. The content of the programmes and/or component parts (rather than its name) must determine the assignment.
19. The TEC must validate the TEO's assignment of its programmes, credentials and/or component parts to the appropriate classifications and funding categories, as outlined in the tables in Appendix 1.
20. For data submitted through the Industry Training Register (ITR), the TEC must assign a funding category according to the tables (relating to subject classification and mode of delivery) in Appendix 1.

Funding rates

21. The TEC must apply the per-EFTL funding rates for programmes, credentials and/or their component parts, as set out in Table 4, "Funding rates" of Appendix 1.

Flexible funding

22. The TEC must establish criteria, based on minimum thresholds for organisational and educational performance, for determining under which circumstances a TEO qualifies for flexible funding (a "qualifying TEO").
23. However, a TEO is not a qualifying TEO unless it is funded by the TEC to deliver 20 or more EFTLs.

24. The TEC must allocate flexible funding, over and above that approved through investment plans, to qualifying TEOs in the following circumstance: the value of provision actually delivered by the TEO, as measured in dollars, is greater than the value of its approved funding allocation.
25. If a qualifying TEO meets the condition specified in paragraph 24 above, 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 EFTLs, whichever is greater.
26. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 25, provided the TEC has assessed whether the funding available is sufficient for the TEC to provide funding above these limits.

Valid domestic enrolments

27. For the purposes of this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a learner who is:
 - a. a domestic student as defined in section 10(1) of the Act; or
 - b. an Australian citizen or Australian permanent resident currently residing in New Zealand; and
 - c. either:
 - i. aged 16 years and over; or
 - ii. aged under 16 years and meets the criteria determined by the TEC; and
 - d. studying in New Zealand, unless the learner meets the criteria in paragraph 31; and
 - e. has paid or committed to pay their fees (if fees apply).
28. The TEC must establish criteria for determining under which circumstances a learner can be considered to be a valid domestic enrolment, where the learner:
 - a. is aged under 16 years; or
 - b. has not paid their fees (if fees apply).
29. The TEC must establish the requirements that TEOs must comply with to verify each learner's identity and confirm that a learner is a valid domestic enrolment.

Eligibility for learners studying outside of New Zealand

30. A learner studying outside of New Zealand is a valid domestic enrolment only if the learner meets the above criteria in paragraph 27 (a)-(c) and (e) and:
 - a. 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), the learner meets the following criteria:

- i. enrolled at a New Zealand TEO in a programme leading to the award of a qualification at level 7 (non-degree) on the NZQCF;
- ii. the study outside New Zealand is full-time and face-to-face (i.e. not in an extramural mode of delivery) 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

- 31. Even if a learner meets the criteria specified in paragraph 27, 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.
- 32. An inducement may include a financial incentive or ongoing personal possession of physical items where they induce a learner to enrol. An inducement does not include advertising or offering programmes of study where learning is undertaken in the work-based: pathway to work mode of delivery.
- 33. The TEC must establish criteria for determining what constitutes an inducement.

Programme Eligibility

- 34. The TEC must ensure funding paid to a TEO under this funding mechanism is for:
 - a. a programme or credential;
 - i. either leading to a qualification on the NZQCF at levels 3-7 (non-degree) and has been quality assured by NZQA or the New Zealand Vice Chancellors Committee (as appropriate), or
 - ii. in line with the NZQA criteria for the approval of micro-credentials; or
 - b. part of a programme or credential, where the programme or credential it is part of leads to a qualification on the NZQCF at level 3-7 (non degree) and has been quality assured by NZQA or the New Zealand Vice Chancellors Committee (as appropriate) for which the TEO has TEC funding approval; and
 - c. meets any other criteria specified by the TEC.
- 35. The TEC may fund a programme or credential, or part of a programme or credential, at levels 1 and 2 on the NZQCF only if it is predominately completed in the work-based or assessment and verification modes of delivery.
- 36. A programme or credential, or part of a programme or credential, leading to a qualification at Level 1, 2, or 3 on the NZQCF must include embedded literacy and numeracy.

37. The TEC must set guidelines, to ensure consistency across the sector, on how a TEO will determine the literacy and numeracy needs of eligible learners and provide support to those learners to meet their literacy and numeracy needs.

Health and safety and regulatory compliance learning may not be funded

38. The TEC must not provide funding for learning that can be defined as one or more of the following:
- a. a programme or credential designed primarily to equip a participant with the skills and knowledge they need 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.
39. The TEC must not provide funding for a programme or credential 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 programme or credential.

Cap on high-cost aviation provision

40. The TEC must ensure that funding for provider-based aviation qualifications that includes an in-flight training component does not exceed 450 EFTS.²

Health-related professional qualifications and credentials

41. The TEC may allow funding paid to a TEO under this funding mechanism to be used for programmes and/or credentials, or their component parts that lead to the award of a post-entry health-related professional qualification or credential that:
- a. is of an academic or research nature; and
 - b. has a clinical component of 30% or less within the total qualification or credential.
42. The TEC must ensure that funding paid to a TEO under this funding mechanism is not used for programmes and/or credentials, or their component parts that lead to the award of a post-entry health-related professional qualification or credential that has:
- a. a clinical component of more than 30% within the total qualification or credential; and
 - b. either:

² This 450 EFTS cap includes any delivery on the NZQCF at level 3 and above in aviation.

- i. a requirement for clinical education and training; or
- ii. an emphasis on specialist clinical professional skills.

PART TWO: LEARNER COMPONENT FUNDING

Purpose

43. The purpose of this funding is to support TEOs to put learners at the centre of their organisation and to improve outcomes for learners. It supports all learners, particularly those learners who have traditionally been underserved by the education system. It recognises that there are higher costs involved in adapting education delivery and support to meet learners' unique needs.
44. The learner groups mentioned in this funding determination serve as a proxy for learners who need additional support to be successful in vocational education and training (VET).³ I expect TEOs to identify the unique needs of all their learners (including through engagement with learners and their communities), make decisions about how to support them, and allocate funding accordingly.

Funding priority for the learner component

45. My priority for learner component funding is to see TEOs demonstrate how they will deliver results for learners (including, where relevant, in supporting employers who deliver work-based learning) by committing to:
 - a. addressing racism, bias and low expectations that impact VET learners and their whānau;
 - b. strengthening mechanisms to hear and act on VET learner voice and understand the views of whānau and communities about VET;
 - c. reducing barriers for VET learners, particularly in accessing work-based learning, and supporting them to be successful in VET; and
 - d. ensuring VET teaching and learning meets learner, employer and industry needs, and delivers skills relevant for the workplace.
46. Achieving this will mean TEOs and employers have the necessary capabilities, capacities and relationships to enrol and support learners, particularly those who have traditionally been underserved by the VET system, to be successful in VET qualifications, particularly those with significant elements of work-based learning.
47. Over time, I expect this behaviour to result in a VET system where learners, particularly those who have traditionally been underserved by the VET system:
 - a. are well supported by TEOs and employers to enrol in, and complete, VET qualifications;
 - b. have increased enrolment rates in qualifications with significant elements of work-based learning; and

³ Vocational education and training, for the purposes of this funding mechanism, refers to delivery eligible to be funded through this funding mechanism.

- c. have increased qualification completion rates across all VET qualifications.

Funding formula and rates

- 48. The TEC must calculate learner component funding allocations based on the number of valid domestic enrolments who are part of the learner groups identified below at each eligible TEO. Funding allocated under the learner component is in addition to the funding allocated under the delivery component.
- 49. This funding does not apply to valid domestic enrolments in the assessment and verification mode of delivery.
- 50. The learner component rates per EFTL are:

Eligible learner	Rate
Learners with low prior attainment and/or disabled learners	\$1,233
Māori and/or Pacific learners at levels 3-6	\$141
Māori and/or Pacific learners at level 7 (non-degree)	\$338

- 51. A 'learner with low prior attainment' is someone who at the date of enrolment has not previously achieved a qualification on the NZQCF at level 3 or above or equivalent.
- 52. Following the calculations above, 20% of each allocation will be paid subject to paragraphs 53 and 54 below.

Performance expectations

- 53. The TEC and each TEO must agree to performance expectations that show how the TEO will contribute to meeting the current funding priority of the learner component, and that are relevant and tailored to each TEO and the needs of their learner populations.
- 54. The TEC must pay TEOs 20% of their learner component allocation upon meeting agreed performance expectations.
- 55. The TEC must monitor and report progress against the funding priority for the learner component.
- 56. From 2024, the TEC must engage with Māori and iwi when developing performance expectations and when developing monitoring arrangements. This includes ensuring that TEOs appropriately engage with Māori and iwi as required for Investment Plans.
- 57. For 2023, TEC has discretion to determine which TEOs are required to set and meet performance expectations. From 2024, I expect all TEOs who receive learner component funding to be required to set and meet performance expectations.

PART THREE: FUNDING CONDITIONS

Performance standards

58. The TEC may set minimum and maximum performance and delivery standards for TEOs, including credit achievement standards.

TEOs

59. 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 must continue to meet, all of the eligibility criteria specified in paragraphs 9 and 10 of this funding mechanism.
60. 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 programmes, credentials and/or component parts an EFTS factor;
 - b. accurately assign the credit value and nominal duration to a programme in order for the correct STM value to be calculated;
 - c. for data reported through the SDR –
 - i. accurately assign each of its programmes, credentials and/or component parts a classification listed in Table 1, “Delivery Classification” of Appendix 1 of this funding mechanism;
 - ii. accurately assign each of its programmes, credentials and/or component parts a funding category listed in the tables in Appendix 1 of this funding mechanism; and
 - d. meet minimum and maximum performance standards specified by the TEC.

Programmes

61. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each programme or credential and/or its component parts in which an eligible learner is enrolled meets and continues to meet the criteria specified in paragraph 34 of this funding mechanism.
62. Where funding is used for programmes or credential leading to a qualification at level 1, 2, or 3, the TEC must attach to funding a condition that the programme or credential, or its component part, at Level 1, 2, or 3 includes embedded literacy and numeracy.
63. The TEC must attach to funding a condition that a TEO must not use funding paid under this funding mechanism to fund a programme or credential where a majority of the programme or credential relates to health and safety or regulatory compliance, as excluded in paragraphs 38 and 39.

New Zealand Apprenticeships

64. The TEC must attach a funding condition that a TEO must report programmes that meet the following criteria as New Zealand Apprenticeships:
- 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. require a tripartite agreement;
 - d. contain a strong theoretical component to support further learning, as well as a practical element;
 - e. are directly related to the intended career; and
 - f. lead to either:
 - i. a qualification at level 4 on the NZQCF that has a minimum of 120 credits and, if approved by the TEC, additional qualifications at level 3 or level 4 on the NZQCF; or
 - ii. multiple qualifications that together have at least 120 credits, provided those qualifications are at level 3 and level 4 on the NZQCF, and at least 60 credits are at level 4 on the NZQCF; and
 - g. meet any additional criteria set by the TEC to ensure that the programme is focussed on Level 4 outcomes on the NZQCF.
65. The TEC must attach a funding condition that a TEO must report learners as a New Zealand Apprentice if they are a valid domestic enrolment, and are:
- a. employed in the occupation for which the apprentice is training;
 - b. supported by a training plan agreed by the apprentice, the employer, and the TEO arranging the training, throughout the programme of training; and
 - c. either
 - i. enrolled in a New Zealand Apprenticeship programme; or
 - ii. were enrolled in a Managed Apprenticeship programme or New Zealand Apprenticeship programme on 31 December 2022.
66. 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.

Subcontracting

67. 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 without the prior written approval by NZQA where the TEO is quality assured by NZQA;
- b. comply with any conditions imposed by the TEC on an approval to subcontract;
- c. ensure that a subcontracted party does not further subcontract any functions; and
- d. remain accountable for the use of the funding.

Learners and enrolments

- 68. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each eligible learner meets and continues to meet the criteria specified in paragraph 27 of this funding mechanism.
- 69. 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 credentials 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 31 to 33.
- 70. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must verify a learner's identity, and confirm and obtain evidence that a learner is a valid domestic enrolment in accordance with the criteria developed by the TEC.
- 71. The TEC must attach a funding condition that if a learner is in a work-based: pathway to work, work-based or assessment and verification mode of delivery, the TEO must ensure that it keeps a record of evidence that the learner has a formal training agreement with their employer that is intended to lead to the completion of one or more of the programmes and/or credentials.

Reporting withdrawals to Ministry of Social Development

- 72. The TEC must attach to funding a condition that a TEO that receives funding under this mechanism must report the withdrawal of learners in provider-based and provider-based extramural modes of delivery 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.

Refunding fees for Withdrawals

- 73. The TEC must attach to funding a condition that, if fees are to be refunded to a learner on the basis that the learner withdrew on or before the withdrawal date, the TEO must, as soon as reasonably practicable, pay the refund:

- a. to the Ministry of Social Development, if the student paid the fees using the Student Loan Scheme; or
- b. directly to the learner or employer.

High-cost provision

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

Aviation

75. A TEO must not use funding provided under this funding mechanism to fund high-cost provision, as specified in paragraph 40, above the volume of EFTS for that provision at the TEO that the TEC has agreed to fund.
76. The TEC must attach to funding a condition that each 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 learner enrolment information, through the Verification of Study system, that ensures that:
- a. annual student loan fee borrowing for any pilot training learner does not exceed:
 - i. if the learner is not eligible for Fees Free Tertiary Education, \$35,000 per EFTS, as set out in paragraphs 80 and 81 and in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education that is issued under section 409(1)(j) of the Act; or
 - ii. if the learner is eligible for Fees Free Tertiary Education, \$35,000 per EFTS, less the amount payable to a TEO by the TEC on behalf of the learner for fees in accordance with criteria set out in paragraphs 80 and 81 and in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education that is issued under section 409(1)(j) of the Act; and
 - b. where a pilot training learner 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 learner, less any fees payment made by the TEC on behalf of the learner (as set out in paragraphs 80 and 81 and in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education). For example, if a learner is studying 0.4 EFTS units 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 units in the year would be \$14,000, less the amount payable to a TEO by TEC on behalf of the learner for fees.

Fees and associated course costs

77. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:

- a. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular programme, credential and/or component part⁴; and
 - b. in relation to the provision of necessary equipment, including computers, diving hardware, and chainsaws, must not:
 - i. include the costs of these items in any fees, compulsory course costs, or student services fees, charged to learners; 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 learners; and
 - c. must not meet the costs of overseas travel for learners through the use of funding obtained under this funding mechanism or via the Student Loan Scheme, unless the overseas travel is academically essential.
78. For the purposes of paragraph 77(c) above, the TEC must develop guidelines determining when overseas travel is academically essential.
79. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must comply with the Fee Regulation Settings, as specified in Part Four of this funding mechanism.

Fees Free Tertiary Education

80. The TEC must attach to funding a condition that a TEO must not charge an eligible learner, or their employer if applicable, 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 409(1)(j) of the Act) otherwise payable by the learner, or their employer if applicable, 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 learner, or their employer if applicable; 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.
81. For the purposes of the condition that the TEC must impose under paragraph 80 (above), 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 409(1)(j) of the Act.
82. The TEC must attach to funding a condition that each TEO must work collaboratively with the TEC to give effect to the Fees Free Tertiary Education

⁴ The phrase “equipment, infrastructure and hardware” refers to those items that can be used by successive intakes of learners. It does not include personal items which are provided for individual learner use and which the TEO does not retain for the next intake of learners nor does it refer to the infrastructure used by learners in work-based: pathway to work, work-based or assessment and verification modes.

initiative. In particular, the TEO must provide information as required by the TEC, to enable the TEC to understand the EFTLs consumption of eligible learners, and in relation to fees.

83. Any fees in excess of the amount payable by the TEC under paragraphs 80 and 81 may be charged by the TEO to the learner, or their employer if applicable.

Learner component funding

84. The TEC must attach to learner component funding a condition that a TEO must:
- a. identify the unique needs of all learners (including through engagement with learners and their communities);
 - b. make decisions about how to support learners; and
 - c. allocate funding accordingly.
85. The TEC must attach to funding a condition that a TEO required to set and meet performance expectations must demonstrate how it will deliver results for learners, and commit to:
- a. address racism, bias and low expectations that impact VET learners and their whānau;
 - b. strengthen mechanisms to hear and act on VET learner voice and understand the views of whānau and communities about VET;
 - c. reduce barriers for VET learners, particularly in accessing work-based learning, and supporting them to be successful in VET; and
 - d. ensure VET teaching and learning meets learner, employer and industry needs, and delivers skills relevant for the workplace.
86. If the TEC has identified that a TEO must set and meet performance expectations, the TEC must attach to funding a condition that the TEO:
- a. must agree performance expectations with the TEC; and
 - b. provide any information specified by the TEC within timeframes specified by the TEC to enable the TEC to monitor the TEO's performance against those performance expectations.

No other funding

87. 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 micro-credential 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

88. 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.

TEC administrative responsibility in the case of under-funding

89. 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.

Recovery of funding

90. 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 as determined by TEC, 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.
91. 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.
92. 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.
93. 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.

Over-delivery

94. The TEC must attach to funding a condition that a TEO cannot deliver provision above 105% of their approved allocation, without prior written approval from the TEC.

Recovery of funding in case of deviation from approval

95. The TEC must attach to funding a condition that if a TEO deviates materially and substantially from their commitments of delivering specific subject areas, programme or credential levels and/or the mode of delivery for which funding is approved, the TEC may treat the funding for that programme or activity as recoverable 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.
96. 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.

Repayment of funding following revocation of funding approval

97. The TEC must attach to funding a condition that if, in accordance with clause 16, Schedule 18 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

98. 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.
99. 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.

Benchmarking

100. The TEC must attach to funding a condition that a TEI must participate as appropriate in benchmarking, including:
- a. providing the vendor of benchmarking services appointed by the TEC 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 FOUR: FEE REGULATION SETTINGS

101. The conditions in Part Four of the funding mechanism relate to fees charged by TEOs for the relevant programmes, credentials, activities and/or component parts funded under this funding mechanism, and to student services fees charged to domestic students who are funded under this funding mechanism. However, fees charged for industry training (i.e., programmes previously funded through the Industry Training Fund) are exempt from the conditions in paragraphs 104 to 123.

102. The fees charged by a TEO are subject to these conditions if the TEO is the sole source of the item to which the fee relates.

Definitions

103. In Part Four of this funding mechanism, unless the context otherwise requires:
- a. **Course** means part of a programme of study that leads to the award of a qualification on the New Zealand Qualifications and Credentials Framework (NZQCF), including a certificate, diploma or degree. For the avoidance of doubt, this includes a course that is part of a qualification where the student is not enrolled in the qualification (for example, where a student is only enrolled in the course or where the student is undertaking the course as part of a micro-credential); and
 - b. **Micro-credential** means study or training that leads to an award but does not, of itself, lead to an award of a qualification listed on the NZQCF; and
 - c. **Fees** means:
 - i. tuition fees; and
 - ii. compulsory course costs that are charged to all students enrolled in a course, which includes (but are not limited to) the following: any compulsory costs associated with enrolment, examinations (including reporting of credits to the New Zealand Qualifications Authority), field trips, and any compulsory purchase of equipment or books through the TEO; and
 - iii. excludes any administrative fees or charges (other than tuition fees or compulsory course costs) for additional services that are payable as a result of the specific circumstances of a student, which includes (but are not limited to) the following: reassessment or remarking of examination results, examination relocation fees, fees associated with recognition of prior learning, or fees associated with an application for selected entry programmes; and
 - iv. excludes student services fees; and
 - d. **Student services fees** are fees that TEOs may charge to domestic students to fund student services. These were previously known as compulsory student services fees (CSSFs); and
 - e. **TEO** means tertiary education organisation as defined in section 10 of the Act.

The Annual Maximum Fee Movement

104. The Annual Maximum Fee Movement (AMFM) sets the maximum percentage that TEOs may increase their domestic tuition fees by each year for all courses that are funded under this funding mechanism, excluding any fees charged for

industry training (i.e., programmes previously funded through the Industry Training Fund).

105. The AMFM for 2023 is set at 2.75 percent. This permits a 2.75 percent increase on the fees (GST exclusive) charged in 2022 to domestic students for all courses that are funded under this funding mechanism.
106. 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 NZQCF, for which funding provided under this funding mechanism can be used, except where the provisions in paragraph 107 below apply.
107. For courses delivered by a subsidiary of Te Pūkenga that are part of Te Pūkenga's process to unify similar programmes, and where Te Pūkenga delivers this course across its network, the fees for these courses are not subject to the AMFM limits, but are subject to the fee setting limits for new courses outlined below in paragraphs 112-117.

Exceptions to the Annual Maximum Fee Movement

108. A TEO may apply for an exception from the 2023 AMFM on the basis of exceptional circumstances. Any exception granted will not exceed an additional 2.75 percent increase over and above the permitted 2.75 percent increase.
109. In considering exceptional circumstances, the TEC must only have regard to the following criteria:
 - a. the TEO is unable to support the course(s) while remaining financially viable; and
 - b. where the course is part of a qualification at levels 3-7 (non-degree) on the NZQCF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQCF group 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; 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 current Tertiary Education Strategy.
110. An application must satisfy all criteria to gain an exception.

Low or Zero Fee Courses

111. If the fees for a course funded under this funding mechanism are less than \$511.11 (GST inclusive) (\$444.44 (GST exclusive)) per EFTL in 2022, then for 2023, the TEO may increase the fee to up to \$511.11 (GST inclusive) (\$444.44 (GST exclusive)) per EFTL, or can increase the fee for the course by 2.75 percent, whichever is the greater.

Fee Setting Limits for New Courses

112. The fees for a new course established by a TEO and funded under this funding must be no more than the 75th percentile from the range of fees charged for similar courses. The TEC will specify how similar courses will be determined.
113. The above fee setting limit applies to any new course funded under this funding mechanism (excluding any fees charged for industry training), except where the course is in substitution for an existing course dealing with the same or similar subject matter, at a same or similar level on the NZQCF. Substitute courses are subject to the AMFM.

Exceptions to Fee Setting Limits for New Courses

114. A TEO may apply for an exception from the fee setting limits for new courses on the basis of exceptional circumstances.
115. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
 - a. the course would be financially unviable without a higher fee; and
 - b. where the course is part of a qualification at levels 3-7 (non-degree) on the NZQCF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQCF group in the previous year; and
 - c. the TEO can demonstrate that the course is in some way unique or special, for example, there are no or very few similar courses to compare fees with; and
 - d. the course is aligned to Government priorities as set out in the Tertiary Education Strategy.
116. The TEC must only grant an exception if it is satisfied that the TEO meets all of the above criteria.
117. The TEC will have discretion to determine the level at which a TEO can set fees for any new courses granted an exception.

Fee Capping Limits for Micro-credentials

118. The fees for a micro-credential must be no more than \$60 (GST inclusive) per credit. This fee cap does not apply to components made up of courses that also lead to the award of a qualification and are funded through this funding mechanism, or to any fees charged for industry training.
119. Where a micro-credential is wholly or partly comprised of courses that also lead to the award of a qualification and are funded through this funding mechanism, the fees for those courses must be equal to, or less than, the maximum fee permitted for the course under the AMFM and fee setting limits for new courses. The fees for the components that are not part of existing courses must be no more than \$60 (GST inclusive) per credit.

Exceptions to Fee Capping Limits for Micro-credentials

120. A TEO may apply for an exception from the fee capping limits for a micro-credential (or components of a micro-credential that are not made up of existing courses) on the basis of exceptional circumstances.
121. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
 - a. the TEO can demonstrate that the fee cap makes it financially unsustainable to offer the micro-credential, in terms of the costs of delivering the micro-credential and taking into account the total income that the micro-credential would generate (including government funding and fees), and that there are no satisfactory alternatives to limit costs; and
 - b. the TEO must provide evidence that there is strong support from industry and/or employers to deliver the micro-credential and that this clearly meets industry and/or employer needs.
122. The TEC must only grant an exception if it is satisfied that the TEO meets both of the above criteria.
123. The TEC will have discretion to determine the level at which a TEO can set fees for any micro-credential granted an exception.

Student services fees

124. All TEOs that charge student services fees to domestic students who are funded through this funding mechanism must comply with the requirements set out paragraphs 126 to 132.
125. The objective of the requirements on TEOs that charge student services fees is to ensure:
 - a. accountability in the use of fees for student services to students; and
 - b. involvement of students in decisions in the charging and use of fees for student services; and
 - c. fair arrangements for students in different tertiary education settings (for example, work-based students or students in fees-free foundation education programmes).

Requirements when setting student services fees

126. **Opt-in arrangements for apprentices and trainees:** TEOs must not charge a compulsory fee for student services to apprentices and trainees (as defined in section 10(1) of the Act), or their employers. TEOs must give apprentices, trainees and their employers the option of paying for and accessing student services. Where apprentices and trainees opt in to receive student services and pay fees, TEOs are still required to comply with the requirements outlined in paragraphs 127 to 132.

127. **Decision-making:** TEOs must establish and demonstrate adequate arrangements for decisions to be made jointly or in consultation with the students enrolled at the TEO, or their representatives, on the following matters:
- a. The maximum amount that students will be charged for student services; and
 - b. the types of services to be delivered (within the permitted categories set out below); and
 - c. the procurement of these services; and
 - d. the method for authorising expenditure on these services.
128. **Accounting for the use of student services fees:** TEOs must either hold all student services fees in a separate bank account or ensure that all income and expenditure associated with the provision of such services is separately accounted for in the TEO's accounting system.
129. **Reporting on student services fees:** Institutions must provide information on all student services fees through their annual report, and registered Private Training Establishments (PTEs) must provide information on all student services fees through a written report to students. Institutions and registered PTEs must include the following information in their annual report or written report to students:
- a. a description of the services funded out of the student services fee; and
 - b. a statement of the fee income and expenditure for each type of student service; and
 - c. the student services fee amount charged per EFTL or academic year (or however it is calculated); and
 - d. a statement describing how the provider is complying with the accounting requirements specified above in paragraph 128.
130. **Private training establishment's written reports to students:** Registered PTEs charging a student service fee must provide to the Tertiary Education Commission a copy of the report that is provided to students. A copy of the report must be sent to:
- Requirements for Student Services Fees Submissions
Monitoring and Crown Ownership
The Tertiary Education Commission
PO Box 27048
Wellington 6141
Email: ssf@tec.govt.nz
131. **Publishing information online:** TEOs charging student services fees must, as soon as reasonably practicable each year, publish the following information on their website:

- a. basic student services fee information for the year, including the amount charged per EFTL (or however it is calculated) and a description of the student services the fee supports; and
- b. a description of the current year's student services fee decision-making process – including a description of how the current fees and services offered were determined, how consultation with students occurred, and what the decisions were; and
- c. a description of how students can be involved in student services fee decisions for the following year – i.e. how TEOs propose to consult with their students and what issues might be considered.

132. **Categories of student services:** TEOs may charge student services fees to support the delivery of the following categories of services:

- a. Advocacy and legal advice – Advocating on behalf of individual students and groups of students, and providing independent support to resolve problems. This includes advocacy and legal advice relating to accommodation.
- b. Careers information, advice and guidance – Supporting students' transition into post-study employment.
- c. Counselling services – Providing non-academic counselling and pastoral care, such as chaplains.
- d. Employment information – Providing information about employment opportunities for students while they are studying.
- e. Financial support and advice – Providing hardship assistance and advice to students on financial issues.
- f. Health services – Providing health care and related welfare services.
- g. Media – Supporting the production and dissemination of information by students to students, including newspapers, radio, television and internet-based media.
- h. Childcare services – Providing affordable childcare services while parents are studying.
- i. Clubs and societies – Supporting student clubs and societies, including through the provision of administrative support and facilities for clubs and societies.
- j. Sports, recreation and cultural activities – Providing sports, recreation and cultural activities for students.

APPENDIX 1: CALCULATION OF FUNDING

Table 1: Delivery Classification

#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
#11	Engineering; Technology
#11.1	Priority Engineering
#11.2	Pilot Training
#12	Fine Arts; Design
#13	Health Sciences (excluding classifications #07, #15, and #17)
#14	Law
#16	Music and Performing Arts
#17	Health Related Professions
#18	Science
#22	Trades
#38	Foreign-Going Nautical
#40	Te Reo Māori
#41	Tikanga Māori

Delivery to which this funding mechanism relates that has a delivery classification code that is not included in the table above must be mapped by the TEC to the most appropriate delivery classification code within the above table based on the contents of the programme, credential and/or component parts.

Table 2: Funding categories: alphabetic code

UFS subject category	Delivery classification guide numbers and subject areas
<p>F1</p> <p>Humanities, Business and Social Service Vocations</p>	<p>#03: Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences.</p> <p>#04: Business; Accountancy; Office Systems/Secretarial; Management.</p> <p>#5.2: General Education (unclassified)</p> <p>#14: Law</p>
<p>F2</p> <p>Trades, Creative Arts, Information Technology and Health-related Professions</p>	<p>#02: Architecture; Quantity Surveying</p> <p>#06: Computer Science</p> <p>#12: Fine Arts; Design</p> <p>#16: Music and Performing Arts</p> <p>#17: Health Related Professions</p> <p>#22: Trades</p>
<p>F3</p> <p>Agriculture, Engineering, Health Sciences and Science</p>	<p>#01: Agriculture and Horticulture</p> <p>#3.1: Osteopathy, Acupuncture</p> <p>#11: Engineering, Technology</p> <p>#13: Health Sciences</p> <p>#18: Science</p>
<p>F4</p> <p>Pilot Training and Priority Engineering</p>	<p>#11.1: Priority Engineering (leading to qualifications at L5 or above)</p> <p>#11.2: Pilot Training</p>
<p>F5</p> <p>Foreign-going Nautical and Specialist Agriculture</p>	<p>#38: Foreign-Going Nautical</p> <p>#01: Agriculture and Horticulture (specialist / higher-level provision at level 5 and above)</p>
<p>F6</p> <p>Te Reo and Tikanga Māori</p>	<p>#40: Te Reo Māori</p> <p>#41: Tikanga</p>

Table 3: Funding categories: numeric code

Category (numeric)	Mode	Description
1	Provider-based	Learners study mainly in a campus setting with supported self-directed learning. Providers are responsible for learners' health and wellbeing support.
2	Provider-based: extramural	Learners study mainly away from a campus setting but not in the workplace. Learners undertake supported self-directed learning and the provider is responsible for the learners' health and wellbeing support.
3	Work-based	Learners study mainly in the workplace with supported self-directed learning. Learners are supported in their training by both the provider and employer. Providers are responsible for learners' health and wellbeing support in conjunction with the employer.
4	Work-based pathway to work	Learners have completed some study in the provider-based mode. Providers assist learners to find jobs with training agreements and support them to establish their learning in the workplace. All other work-based responsibilities are the same as the work-based mode. This rate will be limited to the transition period between study and work.
5	Assessment and verification:	Learners receive training in the workplace. The employer has created or purchased a programme of study leading to a qualification and delivers this. Providers work with employers to map the programme to the appropriate New Zealand qualification. Providers are responsible for the assessment of the learning.

Table 4: The funding rates

Funding categories	Mode of delivery / \$ per EFTL				
	1	2	3	4	5
Humanities, Business and Social Service Vocations (F1)	\$5,574	\$4,881	\$5,297	\$6,412	\$1,541
Trades, Creative Arts, Information Technology and Health-related Professions (F2)	\$8,863	\$4,881	\$7,270	\$9,043	\$1,541
Agriculture, Engineering, Health Sciences and Science (F3)	\$9,978	\$4,881	\$7,938	\$9,935	\$1,541
Pilot Training and Priority Engineering (F4)	\$12,208	\$4,881	\$9,276	\$11,719	\$1,541
Foreign-going Nautical and specialist Agriculture (F5)	\$16,723	\$4,881	\$11,986	\$15,330	N/A
Te reo and Tikanga Māori (F6)	\$6,770	\$6,770	\$6,770	\$6,770	\$1,541