



Office of Hon Steven Joyce

Minister for Economic Development
Minister for Regulatory Reform
Minister of Science and Innovation
Minister for Tertiary Education, Skills and Employment

Minister Responsible for Novopay
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02 DEC 2015

John Spencer
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear John

Determination of Design of Funding Mechanism (Supplement): more flexible funding arrangements in the major teaching and learning funds

I am writing to advise you of a supplement to the Determination of Design of the following funding mechanisms, issued under section 159L of the Education Act 1989 (the Act):

- Student Achievement Component – Provision at Level 3 and above on the New Zealand Qualifications Framework
- Youth Guarantee
- Industry Training Fund and the Industry Training Organisation Strategic Leadership Fund.

I foreshadowed the introduction of greater flexibility of tertiary education funding at Budget 2015.

As you are aware, the Tertiary Education Commission TEC has been unable to spend all the funding appropriated for the Student Achievement Component (SAC) level 3 and above, the Industry Training Fund and Youth Guarantee. However, some tertiary education organisations are experiencing demand above the level of their allocations. I am advised that timing barriers make it difficult for the TEC to remove funding from tertiary education organisations (TEOs) that are experiencing lower than forecast demand quickly enough to reallocate it to providers with more demand in the same year.

To address this, I have agreed to the TEC paying TEOs for equivalent full-time students (EFTS) or Standard Training Measures (STMs) achieved up to 102% of approved funding allocations (or 10 EFTS/STMs, whichever is the higher in terms of funding), with additional places paid for upon proof of delivery. The TEC may in some circumstances decide to fund places above 102% or 10 EFTS/STMs in order to take account of the individual circumstances of TEOs, should the TEC assess that doing so will not result in undue fiscal risk.

I have agreed that this system would initially apply to delivery of SAC places (at level 3 and above), Youth Guarantee Fees-free programmes and New Zealand Apprenticeships within the Industry Training Fund.

It is important that TEOs have certainty of funding for growth up to the set limits, unless there are significant issues with TEOs or their provision. I therefore expect you to notify TEOs that they will be eligible for the additional payments, so long as the following requirements are met:

- they are assessed through the external evaluation and review process as highly confident or confident
- minimum educational performance benchmarks are achieved
- they are not being investigated for significant breaches of funding conditions.

To avoid encouraging unsustainable growth, private training establishments must also be larger than 20 funded EFTS (or 15 EFTS where delivery is Youth Guarantee trades provision). Industry training organisations and tertiary education institutions are not small enough for this criterion to be relevant to them.

Cabinet has noted that overcoming the timing barriers referred to above may from time to time require the TEC to over-allocate funds compared to the funds' baselines, and that I expect the TEC to pay funding to reflect changes in demand even though there may be a fiscal risk associated with doing so.

The Ministry of Education will support the TEC in operating these funds more flexibly as outlined above, including facilitating financial transfers (if any) required to reconcile Vote Tertiary Education, should any of the relevant funds be over-spent by the end of the financial year, and incorporating this policy direction into its approach to financial monitoring of the TEC.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determinations of the designs of funding mechanisms. 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



Steven Joyce

Minister for Tertiary Education, Skills and Employment

SUPPLEMENTARY DETERMINATION OF DESIGN OF FUNDING MECHANISMS FOR:

STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVEL 3 AND ABOVE ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

YOUTH GUARANTEE

INDUSTRY TRAINING FUND AND THE INDUSTRY TRAINING ORGANISATION STRATEGIC LEADERSHIP FUND

The Determination of Design of Funding Mechanism: “Student Achievement Component – Provision at Level 3 and above on the New Zealand Qualifications Framework” (SAC 3+ funding mechanism) was issued in July 2014.

The Determination of Design of Funding Mechanism: “Youth Guarantee” (YG funding mechanism) was issued in August 2014.

The Determination of Design of Funding Mechanism: “Industry Training Fund and the Industry Training Organisation Strategic Leadership Fund” (ITF funding mechanism) was issued in August 2015.

Effective period

1. This supplementary determination relates to funding for activities:
 - a. in relation to the SAC 3+ funding mechanism, from 1 January 2016;
 - b. in relation to YG funding mechanism, from 1 January 2016 to 1 December 2016; and
 - c. in relation to the ITF funding mechanism, from 1 January 2016.

Flexible funding

2. For the purposes of flexible funding:
 - a. The SAC 3+ funding mechanism provides for the Tertiary Education Commission (TEC) to allocate student achievement component funding to tertiary education organisations (TEO) under the SAC 3+ funding mechanism for the relevant programmes and activities at Level 3 and above on the New Zealand Qualifications Framework (NZQF) which are specified in a TEOs proposed investment plan (unless exempt).
 - b. The YG funding mechanism provides for TEC to allocate funding to TEOs for fees-free tertiary places for eligible domestic students aged 16 to 19 years (inclusive) who are studying towards either the National Certificate of Educational Achievement Level 1 and 2 aligned to the Vocational Pathways or a qualification at Level 1, 2 or 3 on the NZQF.
 - c. The ITF funding mechanism provides for TEC to allocate funding to TEOs to fund New Zealand Apprenticeships only.

3. This supplementary determination provides for TEC to allocate additional funding in respect of the funds referred to in paragraph 2 in the following circumstances:
 - (a) if a qualifying TEO is a:
 - (i) a tertiary education institution (TEI), namely:
 - A. a university;
 - B. an institute of technology and polytechnic (ITP);
 - C. a wānanga; or
 - (ii) a rural education activities programme (REAP) provider; or
 - (iii) in respect of the YG funding mechanism only, a state school or state integrated school that has been funded by the TEC since 2011;
 - (iv) in respect of the ITF funding mechanism only, an industry training organisation or an organisation funded under the Industry Training Fund direct-funding scheme,

the value of provision measured in dollars that is specified in the qualifying TEO's funding approval is less than the value of provision measured in dollars actually delivered by the TEO; or
 - (b) if a qualifying TEO is a private training establishment (PTE), the value of provision 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 that TEC approves but does not allocate funding) is exceeded.
4. Subject to paragraph 5, 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.
5. A TEO that is a PTE does not qualify for the additional funding unless the minimum number of EFTS that the PTE is approved by TEC to deliver is:
 - (a) in relation to the SAC 3+ funding mechanism, 20 EFTS; or
 - (b) in relation to the YG funding mechanism, 20 EFTS for non-trades provision or 15 EFTS for trades provision.
6. If a TEO meets the criteria, the TEC must allocate funding up to the following limits, either:
 - a. 2% of their approved funding allocation; or
 - b. an additional 10 equivalent full-time students (EFTS); or
 - c. an additional 10 standard training measures (STMs),

whichever is greater.
7. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 6 provided the TEC has assessed whether the

funding available under the relevant funding mechanism is sufficient for TEC to provide funding above these limits.