



Office of Hon Paul Goldsmith

Minister for Tertiary Education, Skills and Employment

Minister of Science and Innovation

Minister for Regulatory Reform

12 SEP 2017

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

Dear Nigel

Supplementary Determination of Design of Funding Mechanism: Performance-Linked Funding

I am writing to advise you of the new supplementary funding determination that I have made under section 159L of the Education Act 1989 for performance-linked funding.

The supplementary funding determination is set out in the appendix to this letter and comes into effect from 1 January 2018.

Performance-linked funding for the 2016 year is to be allocated in accordance with the funding determinations applicable to that year.

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. 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

Paul Goldsmith
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

STUDENT ACHIEVEMENT COMPONENT - QUALIFICATIONS AT LEVELS 1 AND 2 OF THE NEW ZEALAND QUALIFICATIONS FRAMEWORK (COMPETITIVE ALLOCATION)

STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVELS 1 AND 2 ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK (NON-COMPETITIVE ALLOCATION)

INFORMATION AND COMMUNICATIONS TECHNOLOGY GRADUATE SCHOOLS

Background

1. 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 November 2016.
2. The Determination of Design of Funding Mechanism: Student Achievement Component - qualifications at levels 1 and 2 of the New Zealand qualifications framework (competitive allocation) was issued in December 2016.
3. The Determination of Design of Funding Mechanism: Student Achievement Component - provision at levels 1 and 2 of the New Zealand qualifications framework (non-competitive allocation) was issued in December 2016.
4. The Determination of Design of Funding Mechanism: "Information and Communications Technology Graduate Schools" was issued in March 2015.

Effective period

5. This supplementary determination relates to funding adjustments made as a consequence of domestic provision delivered after 1 January 2018.

Performance-linked funding

6. 95% of a TEO's total SAC funding is to be allocated under these funding mechanisms, with remaining 5% (performance-linked funding) to be paid on the basis of the TEO's educational performance¹. The performance-linked funding is to be paid on the basis of the TEO's educational performance at each of the following three groups of qualification levels on the NZQF:
 - a. levels 1-3; and

¹ The TEC is to determine any exclusions from the calculation of 5% of a TEO's total SAC funding .

- b. levels 4-7 (non-degree); and
 - c. levels 7 (degree) and 8².
7. The TEC must determine a performance score for each group of qualification levels. In determining a performance score, the TEC will publish weightings for the following indicators³:
- a. qualification completion
 - b. course completion
 - c. retention
 - d. student progression.
8. Two combinations of weightings must be used for performance-linked funding: the lead indicators (being course completion and retention) and all four indicators set out in paragraph 7⁴.
9. The TEC must set and publish annually the upper and lower benchmarks for each group of qualification levels and combination of weightings. Upper and lower benchmarks must be published for each of the weightings for lead performance indicators, and for all performance indicators. The benchmarks must be based on the following criteria:
- a. for the upper benchmark, the 50th percentile of performance at each group of qualifications levels; and
 - b. for the lower benchmark, the 10th percentile of performance at each group of qualifications levels.
10. If the TEO's performance score is:
- a. above the upper benchmark, the TEC must allocate the full amount of performance-linked funding; or
 - b. below the lower benchmark, the TEC must not allocate any of the performance-linked funding; or
 - c. between the two benchmarks, the TEC must allocate a portion of performance-linked funding to the TEO according to a formula which the TEC is to develop. The proportion of this funding allocated to a TEO depends on how close its performance score is to each benchmark.
11. The full amount of the reserved funding must be paid except where providers are on or below the upper benchmark for both lead indicators and all four indicators.
12. The TEC must apply this mechanism separately for full-time and part-time provision.

² Performance-linked funding does not apply to qualifications above level 8 on the NZQF.

³ The TEC may publish different weightings to apply to single- and multi-year qualifications if the TEC assesses that not doing so will distort the results unduly at a grouped qualification level.

⁴ Weightings may include a weighting of zero if an indicator is not suitable at a relevant level.

13. The TEC may operate a reasonable lead-in time for innovative provision by selected providers by excluding it for a period when calculating the performance scores for those providers.
14. The TEC must publish criteria for determining which provision may be excluded as innovative.