

# Hon Chris Hipkins

MP for Remutaka

Minister of Education

Minister of Police

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Leader of the House



Jenn Bestwick  
Chair  
Tertiary Education Commission  
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Dear Jenn

## **Determination of Design of Funding Mechanism: Delivery on the New Zealand Qualifications and Credentials Framework at Levels 1 and 2**

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), for delivery on the New Zealand Qualifications and Credentials Framework (NZQCF) at levels 1 and 2.

The new determination is set out in the appendix to this letter. The determination covers the funding of provision on the NZQCF at levels 1 and 2 delivered from 1 January 2023. The new determination includes a 2.75 percent increase to all funding rates specified in the determination.

Under section 422 of the Act, it is the Tertiary Education Commission's (TEC) responsibility to develop the details needed to implement my determinations for the design of funding mechanisms.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'CHM', written over a light blue horizontal line.

**Chris Hipkins**  
Minister of Education

# **DETERMINATION OF DESIGN OF FUNDING MECHANISM: DELIVERY ON THE NEW ZEALAND QUALIFICATIONS AND CREDENTIALS FRAMEWORK AT LEVELS 1 AND 2**

## **PRELIMINARY PROVISIONS**

### ***Statutory authority***

1. This funding determination is made under section 419 of the Education and Training Act 2020 (the Act), and specifies the design of the funding mechanism for:
  - a. Delivery on the New Zealand Qualifications and Credentials Framework (NZQCF) at qualification levels 1 and 2 (DQ1-2); and
  - b. special supplementary grant (SSG) funding for special education.

### ***Purpose***

2. This funding contributes to the provision of teaching and learning services for enrolled learners at tertiary education organisations (TEOs).
3. The objectives of foundation-level tertiary education (levels 1 and 2 on the NZQCF) are to:
  - a. provide people who do not already have essential foundation skills with access to a low cost way to gain those skills;
  - b. provide progression to higher level study and skilled employment;
  - c. build the literacy and numeracy skills of eligible learners;
  - d. enable learners to learn English or Te Reo Māori; and
  - e. encourage TEOs that are best able to meet the needs of foundation education learners.
4. SSG funding is to fund additional tutor support for special education in TEOs.
5. In this funding mechanism, all references to funding exclude SSG funding, unless specified otherwise.

### ***On-plan funding***

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

## **PART ONE: THE FUNDING MECHANISM**

### **General parameters**

#### ***Effective period***

7. This funding mechanism applies to the funding of eligible programmes, micro-credentials and credentials that are delivered from 1 January 2023 to 31 December 2023.
8. The TEC may exercise any of its administrative functions outside those dates as required to give effect to this funding mechanism.

#### ***Available funding***

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

#### ***TEC administrative responsibilities in the case of under-funding***

10. If a TEO receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must pay the amount of the under-funding as soon as reasonably practicable.

### **Specific parameters**

#### ***Funding formula and rates***

11. The TEC must calculate funding paid under this funding mechanism based on a metric comprising:
  - a. the number of valid domestic student enrolments, measured in equivalent full-time students (EFTS); and
  - b. the qualification or micro-credential in which eligible learners are enrolled.

#### ***Valid domestic enrolments***

12. For the purpose of calculating funding paid under 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; and
  - 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 learner meets criteria established by the TEC.

13. The TEC must establish criteria for determining under which circumstances a learner can be considered to be a valid domestic enrolment, where they are aged under 16 years.
14. The TEC must establish the requirements that TEOs must comply with to verify each learner's identity and to confirm that a learner is a valid domestic enrolment.

### ***Inducements***

15. Even if a learner meets the criteria specified in paragraph 12, 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.
16. An inducement may include a financial incentive or on-going personal possession of physical items where they induce a learner to enrol.
17. The TEC must establish criteria for determining what constitutes an inducement.

### ***The metric***

#### **Measurement of enrolments**

18. The TEC must measure valid domestic enrolments in units of EFTS. One (1.0) EFTS unit is defined as the learner workload that would normally be carried out by a learner enrolled full-time in a single academic or calendar year.
19. The EFTS value of a qualification represents the TEC's assessment of the normal minimum time for a successful full-time student to complete the qualification. In addition, the credit value assigned to the qualification by either the New Zealand Qualifications Authority (NZQA) or the New Zealand Vice-Chancellors Committee must be a part of the EFTS metric.
20. The TEC must consider qualifications that the TEO has disaggregated into component courses. The TEC must assign each course an EFTS factor that represents the proportion of the whole qualification that the course constitutes.

#### **Funding rates**

21. The TEC must apply the funding categories and per-EFTS funding rates for TEOs to deliver provision to the learner, as set out in Appendix 1, Table 1.

### ***TEO eligibility***

22. The TEC may only fund a TEO under this funding mechanism if the TEO is one of the following:
  - a. Te Pūkenga - The New Zealand Institute of Skills and Technology (Te Pūkenga)<sup>1</sup>;
  - b. a wānanga;

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

- c. a university; or
- d. a private training establishment (PTE).

### ***TEO quality assurance***

23. 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 NZQA; or
  - c. if the TEO is a university, the TEO is quality assured by the New Zealand Vice-Chancellors' Committee.

### ***Eligibility of learners***

24. The TEC must ensure that the funding that is allocated to a TEO under this funding mechanism is only used for valid domestic enrolments, as defined by paragraphs 12 and 13.
25. The TEC must take into account a TEO's enrolment practices for learners with prior qualifications/micro-credentials, as set out in paragraph 27.

### ***Learners with prior qualifications***

26. The TEC must establish processes to prevent a TEO from receiving funding under this funding mechanism in relation to a learner enrolled in a programme or micro-credential if:
- a. that learner has already achieved a qualification at Level 2 or higher on the NZQCF; and
  - b. 10% of the learners for which the TEO receives funding paid under this funding mechanism in the calendar year had, at the time of their enrolment, already achieved a qualification at Level 2 or higher on the NZQCF.
27. The TEC must measure the limit on enrolments with a prior qualification:
- a. by excluding enrolments in qualifications in English for Speakers of Other Languages (ESOL) or Te Reo Māori;
  - b. by excluding qualifications achieved five years or more prior to the current enrolment; and
  - c. according to any other methodology set by the TEC.
28. The TEC may recover funding if a TEO exceeds the prior qualification limit.

## ***Eligible programmes, qualifications, and micro-credentials***

### *General matter*

29. The TEC must ensure that funding allocated under this funding mechanism is only used for provision that:
- a. meets the objectives of foundation-level tertiary education (as set out in paragraph 3);
  - b. is one of the following:
    - i. part of a programme that:
      - A. leads to the award of a qualification (of 40 credits or more) at level 1 or 2 on the NZQCF; and
      - B. has been quality assured by either NZQA or the New Zealand Vice-Chancellors' Committee (where appropriate); or
    - ii. part of a micro-credential that:
      - A. leads to an award with a credit value at least 20 credits; and
      - B. has been quality assured by NZQA; or
    - iii. part of a programme that leads to the award of the National Certificate of Educational Achievement (NCEA) at level 2 that is aligned with one or more of the Vocational Pathways;
  - c. includes embedded literacy and numeracy provision (except for qualifications in ESOL or Te Reo Māori);
  - d. includes an effective assessment process for determining the literacy and numeracy needs of eligible funded learners and provide support to ensure that those learners progress in line with the guidelines provided by TEC;
  - e. involves synchronous learning (delivered in real time to the learner);
  - f. may be delivered extramurally, with prior approval from the TEC; and
  - g. is provided by tutors who are appropriately qualified<sup>2</sup>.
30. The TEC must publish criteria for determining whether a micro-credential has been quality assured by either NZQA or the New Zealand Vice-Chancellors' Committee.
31. The TEC may restrict the availability of micro-credentials, by developing criteria limiting the eligibility of related courses or programmes for funding under this mechanism.

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<sup>2</sup> The appropriateness of qualified tutors relates to the foundation education qualification being delivered, including specialist areas, such as ESOL, Te Reo Māori and supported learning, as well as capability around the delivery of embedded literacy and numeracy (see paragraph 29(c)).

### *Ineligible programmes and micro-credentials*

32. The TEC must ensure that funding paid to a TEO under this funding mechanism is not used for programmes of study or micro-credentials where the TEC considers on reasonable grounds that a majority of the programme of study or micro-credential relates to health and safety or regulatory compliance.

### ***Special supplementary grant (SSG) for special education***

33. The TEC may provide SSG funding for additional tutor support for special education in TEOs that have previously delivered provision to learners requiring increased assistance.
34. The TEC must establish an allocation process for the provision of SSG funding.

## **PART TWO: FUNDING CONDITIONS**

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

### ***TEOs***

36. 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 meet all the eligibility criteria specified in paragraphs 22 and 23 of this funding mechanism.
37. 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***

38. 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 24 of this funding mechanism.
39. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must not:

- a. restrict enrolment in eligible programmes and micro-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.
40. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must limit enrolments with prior qualifications, as specified in paragraphs 26 and 27.
41. 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 that a learner is a valid domestic enrolment, in accordance with the requirements developed by the TEC.

### ***Reporting withdrawals to Ministry of Social Development***

42. The TEC must attach to funding, a condition that a TEO that receives funding under this mechanism must report the withdrawal of learners 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***

43. The TEC must attach to funding a condition that, if student services fees are to be refunded to a student on the basis that the student 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 student.

### ***Programmes, qualifications and micro-credentials***

44. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must ensure that a programme or micro-credential in which an eligible learner is enrolled meets and continues to meet the criteria specified in paragraph 29 of this funding mechanism.
45. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must have in place an effective assessment process for determining the literacy and numeracy needs of eligible learners and provide support to ensure that those learners progress in line with the guidelines provided by TEC.
46. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must ensure that a majority of the programme or micro-credential in which an eligible learner is enrolled does not relate to health and safety or regulatory compliance, as described in paragraph 32.



### ***Fees and associated course costs***

47. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must not charge a fee to a learner enrolled in a programme, micro-credential or qualification that is funded under this funding mechanism.
48. For the purposes of the condition in paragraph 47, the term “fee” includes the following items: tuition fees, compulsory course costs, examination fees, costs of materials, costs of field trips, costs associated with the compulsory purchase of equipment or books through a TEO, and other charges associated with a course that is part of a qualification.
49. For the purposes of the condition in paragraph 47, the term “fee” does not include student services fees or fees for student identification cards.
50. 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 micro-credential, programme, or qualification<sup>3</sup>; and
  - b. in relation to the provision of essential equipment, including computers, diving hardware, and chainsaws, must not require the costs to be met through the “course-related costs” component of the Student Loan Scheme, as a condition of enrolment for students.

### ***TEO responsibilities***

51. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must meet minimum performance standards specified by the TEC.

### ***No other funding***

52. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism (including SSG) must:
  - a. not (without the TEC’s prior written consent) seek or obtain funding from any Crown source other than the TEC to fund provision 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.

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<sup>3</sup> 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.

### ***Responsible use of funding***

53. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism (including SSG) 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 funding***

54. The TEC must attach to funding, a condition that if a TEO receives funding under this funding mechanism (including SSG) 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.
55. 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.
56. 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.
57. 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***

58. The TEC must attach to funding a condition that if, in accordance with clause 16, Schedule 18 of the Act, the TEC suspends, revokes or withdraws some or all of a TEO's funding paid under this funding mechanism (including SSG) before that funding provided 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:
- 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***

59. 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.

60. 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: FEE REGULATION SETTINGS**

61. The conditions in Part Three of this funding mechanism apply to student services fees charged to domestic students who are funded through this funding mechanism. All TEOs that charge student services fees to domestic students who are funded through this funding mechanism must comply with the requirements set out in paragraphs 64 to 69.
62. 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).
63. The objective of the requirements on TEOs that charge fees for the provision of student services 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***

64. **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.
65. **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.
66. **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 EFTS 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 65.
67. **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](mailto:ssf@tec.govt.nz)
68. **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 EFTS (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.
69. **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 DQ1-2 FUNDING

*Table 1: DQ1-2 classification of qualifications and micro-credentials for funding*

<b>DQ1-2 classification of qualifications and micro-credentials</b>	<b>Funding rate/EFTS (GST Excl)</b>
English for Speakers of Other Languages	\$8,603.00
General foundation education	\$9,141.00
Services	\$9,680.00
Supported Learning	\$13,981.00
Te Reo Maori	\$8,603.00
Trades	\$13,981.00
Delivery in a Correctional Facility	\$13,981.00