



Our approach to calculating your 2023 indicative allocations

This document provides the methodology and specifications for calculating the 2023 indicative funding allocations. This document covers the funds listed below:

- **Unified Funding System**, including:
 - Delivery Component
 - Learner Component (including Performance Element)
 - Strategic Component
- **Degree Level 7 and Above**, including
 - Secondary Initial Teacher Education
- **Student Achievement Component Levels 1 & 2**, including:
 - Special Supplementary Grant
- **Adult and Community Education**, including:
 - ACE in Communities
 - ACE in Schools (including Schools Coordination funding)
 - ACE in TEIs (including TELAC funding)
- **Literacy and Numeracy (LN) and English for Speakers of Other Languages (ESOL)**, including:
 - Intensive Literacy and Numeracy
 - Intensive Literacy and Numeracy – ESOL
 - Intensive Literacy and Numeracy – Refugee English
 - TEO-Led Workplace Literacy and Numeracy Fund
- **Equity Funding**
- **Youth Funds**, including:
 - Gateway
 - Youth Guarantee (including Exceptional Travel and Premium Payments)
- **Research Funds**, including:
 - Wānanga Research Capability Fund

Other funds included within this document that do not receive an indicative funding allocation for 2023:

- **Medical Intern Grants**
- **Māori and Pasifika Trades Training (MPTT)**, including:
 - MPTT Fees Top-Up
 - MPTT Brokerage Monthly
 - MPTT Consortium Activities
 - MPTT Consortium Learner Support
- **Fees Free Payments**
- **Performance-Based Research Fund (PBRF)**

The information in this document provides a summary of how your indicative allocation was calculated. For more details regarding your specific indicative allocation, please contact customerservice@tec.govt.nz or your Relationship Manager.

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Degree Level 7 and Above Fund

Purpose of the funding:

The Degree Level 7 and Above fund is the Government’s contribution towards the cost of teaching and learning services for students enrolled at a tertiary education organisation (TEO) and studying towards a qualification listed on the New Zealand Qualifications Framework (NZQF) at level 7 (degree) or above. The funding helps ensure New Zealand has graduates who contribute to the knowledge economy and society, to support stronger linkages between TEOs and with business, to drive productivity, and to meet labour market demand.

2023 will be the first year of a new appropriation and funding structure designed to support the roll out of the Unified Funding System (UFS) for vocational education. This has meant that the previous Student Achievement Component Level 3 and above (SAC3+) fund has now been split into the Degree Level 7 and Above provision funded through this new fund (and UFS funding). Assumptions have had to be made to translate previous year allocations and delivery to inform the 2023 indicative allocation.

How we calculate your indicative allocation:

The Degree Level 7 and Above funding indicative allocation will be calculated using your prior delivery and prior allocation information.

Important note: To calculate your 2023 indicative allocation for the Degree Level 7 and Above Fund, we have used your prior actual delivery against your Student Achievement Component Level 3 and Above (SAC3+) funding to identify the proportion of delivery that represents the equivalent of your Degree Level 7 and Above delivery.

For example, if 95% of your 2021 SAC3+ delivery was for (the equivalent of) Degree Level 7 and Above delivery in 2021, we have used 95% of your 2021 actual delivery in SAC3+ in the methodology to calculate your “2021 delivery”.

The lesser of your 2022 allocation or your average delivery for 2019 and 2021 delivery (with the maximum amount for your 2021 delivery limited to no more than 100% of your 2021 allocation) is used to calculate your 2023 indicative allocation.

How we derived each component of the methodology:

Component	Purpose	Calculation
Your 2022 allocation	Used as the initial component for comparison in the methodology.	Your 2022 SAC3+ final amended allocation multiplied by your 2021 ‘Degree Level 7 and Above’ proportion of actual delivery.
Your 2021 allocation	Used to calculate the maximum amount of your 2021 delivery for the purposes of the indicative allocation.	Your 2021 SAC3+ final amended allocation compared to your 2021 SAC3+ actual delivery to identify the percentage of over delivery.
Your 2021 delivery	Used to calculate your average delivery with the maximum amount limited to no more than 100% of your 2021 allocation.	The ‘Degree Level 7 and Above’ proportion of your 2021 SAC3+ actual delivery, net of offsets, capped to your 2021 allocation.
Your 2019 delivery	Used to calculate your average delivery.	The ‘Degree Level 7 and Above’ proportion of your 2019 SAC3+ actual delivery, net of offsets.

Note: Your 2020 delivery has not been considered in the methodology due to the significant impact of COVID on the 2020 calendar year.

Additional indicative allocation methodology factors:

- The value of your actual delivery in 2019 and 2021 has first been restated based on the 2022 funding rates.
- Your indicative allocation is reflective of the 2.75% rate increase for 2023 as announced by the Minister.
- All delivery figures are net of offsets (which include the dentistry provision cap, certificate of university preparation cap, early withdrawal of enrolment offsets (where students had not completed 10% or one month of the course, whichever was the earlier), and other provision caps).
- Your actual 2021 delivery value is limited to no more than 100% of your 2021 allocation (to remove the value of any delivery beyond the 2021 allocation amount) where your 2021 delivery was greater than your 2021 final amended allocation (inclusive of any in-year amendments). This has been calculated by taking the lower of your 2021 delivery or your 2021 final amended allocation (using the percentage of your delivery above your allocation in 2021 on your SAC3+ funding).
- If your indicative allocation is less than your 2022 allocation this drop will be limited to no more than 5% of your 2022 allocation.
- If you delivered SAC3+ for the first time in 2021 or 2022, we rolled over your Degree Level 7 and Above proportion of your 2022 allocation.

How we may apply your Educational Performance Indicators (EPIs):

After we calculated your 2023 indicative allocation, we have calculated potential further adjustments based on your 2021 Educational Performance Indicators.

Your 2021 Educational Performance Indicators may also be used to further adjust your 2023 indicative allocation.

The EPI Parity model has been developed and updated to calculate potential indicative funding allocation reductions for TEOs. The model identifies a score for each TEO based on their performance in relation to our set of parity targets for Level 7 Degree provision:

- Māori retention
- Māori course completion
- Pasifika retention
- Pasifika course completion

It models 2021 TEOs' EPIs against target levels (from the investment briefs published on the TEC website), and all sector or sub-sector (Universities) EPI actuals. It currently measures against the below targets from the Investment Briefs published on the TEC website: <https://www.tec.govt.nz/funding/funding-and-performance/investment/plan-guidance-and-toolkit/>

Sector Targets	L7 Degree - Māori		L7 Degree - Pasifika	
	<i>Retention</i>	<i>Course Completion</i>	<i>Retention</i>	<i>Course Completion</i>
2022 Target	76.0%	88.2%	76.0%	88.2%
2021 All	68.9%	80.9%	71.1%	73.9%
2021 Universities	72.3%	79.9%	73.9%	71.6%

Scoring the TEOs and calculating an allocation reduction

The model calculates a score based on how the TEO performs relative to each of the above rates for each of the four parity measures. This score is calculated by looking at the relevant learners for the parity measure (i.e. level 7 Degree provision for Māori learners).

Reductions for **each parity measure calculation** are currently set as per the table below.

Criteria	Score		Potential Reduction
Above target	By any amount	5	0%
Below target – but above the ALL sector actual or above the sub-sector actual:	By any amount	4	0%
Below target – and below the ALL sector actual and below the sub-sector actual:	Within 2 percentage points	3	0%
	Within 5 percentage points	2	10%*
	Within 10 percentage points	1	25%*

An allocation reduction may then be applied based on the score for each of the four parity measures to **50% of the delivery relating to each of the four parity measures (not the total indicative allocation already calculated).*

Note – If the All-sector actual rate is higher than the rate for a TEO’s sub-sector, then the TEO is measured against the sub-sector rate for the specific parity measure.

The use of EPIs and potential reductions will be further considered during the 2022 Plan Assessment round and quality of Learner Success Plans (where applicable).

In-year amendments:

- Any 2022 in-year amendments approved prior to 31 May 2022 have been included in the calculation to inform your 2023 allocation.
- When any 2022 in-year amendments are approved after 31 May 2022 TEC will advise whether the funding will be automatically added to the 2023 indicative allocation.

Approach for mergers

- Te Pūkenga modelling will continue to show an indicative allocation for a single organisation. Individual subsidiary information will not be available.
- All PTE mergers will have associated delivery and 2023 indicative allocations transferred to the remaining (or final) provider EDUMIS for 2023.

To determine your final 2023 allocation and Plan approval, we will consider the following information in our assessment and/or engagements with you:

- Your Investment Plan and related documents (as relevant),
- Your Education Performance Indicator data (refer Investment briefs), and
- Your year-to-date 2022 delivery as recorded in your August SDR.

Variation for Aviation (non-UFS provision)

The total cap on the Aviation provision is 450 EFTS across the sector (both UFS and Degree Level 7 and above). Massey University (EDUMIS 7003) receives an annual Aviation allocation of 126 EFTS. This comprises:

- 93 EFTS funded at **M2 funding rate** (pilot training)
- 33 EFTS funded at **A2/J2 funding rate** (non-pilot training)

126 EFTS will be used to calculate Massey Universities 2023 indicative allocation of capped aviation EFTS within the Degree 7 and Above fund.

- This allocation will be a subset of the Degree Level 7 and Above Fund allocation.

Note: The remaining Aviation EFTS can be found in the *Unified Funding System (Delivery Component)* section

Secondary Initial Teacher Education

How we calculate your indicative allocation:

The Secondary Initial Teacher Education (SITE) funding indicative allocation will be calculated using your 2021 actual delivery for SITE.

Your 2021 actual delivery will be used to calculate your 2023 indicative allocation for SITE.

Additional indicative allocation methodology factors:

- The value of your actual delivery in 2021 has first been restated based on the 2022 funding rates.
- Your 2021 actual delivery is based on your delivery in either:
 - For TEIs, Course Classification 20, or
 - For PTEs, specific qualifications as listed below.
- Your indicative allocation is reflective of the 2.75% rate increase for 2023 as announced by the Minister.
- Your SITE indicative allocation is calculated as a subset of your Degree Level 7 and Above funding allocation.

EDUMIS	PTE	Qualification Code
8327	NZ Graduate School of Education Limited	PCCC01: Graduate Diploma of Education (Secondary)
8694	Bethlehem Institute Limited	PC1796: Graduate Diploma of Education (Secondary)
9185	The Mind Lab Limited	124250: Master of Teaching and Education Leadership
6668	Teach first New Zealand Trust	125988: Postgraduate Diploma in Secondary Teaching
8563	Laidlaw College	4122: Graduate Diploma of Education (Secondary)

2023 final allocation for SITE:

TEOs will submit their 2023 Mix of Provision documents to TEC that will include the estimated 2023 SITE eligible EFTS. This information will be used to calculate and adjust the 2023 final allocation for the SITE provision within the Degree Level 7 and Above fund.

Note: SITE is only a **Degree Level 7 and Above provision** – any 2021 actual delivery coded to UFS funding is not included in the SITE indicative allocation.

Unified Funding System

The new Unified Funding System (UFS) will fund the delivery of vocational education and training that is focused on learners, supports employers, and addresses national and regional skill priorities. The UFS has three components: learner component, delivery component and strategic component.

Delivery Component

Purpose of the funding:

Funding through the Delivery Component seeks to enable and encourage providers to grow work-integrated learning pathways which meet learner, employer, and community needs. This means provider-based learners should be able to easily access work-based training as part of their programmes, and employers and work-based learners will receive greater support from providers.

The delivery component comprises the bulk of the new funding system (approximately 84% of total funding). It will replace SAC funding for levels 3-7 (non-degree) and all funding from the Industry Training Fund.

It will be volume-based, and rates will be differentiated by the subject of the delivery and how it is delivered (mode of delivery) – that is, in a classroom, in the workplace or extramurally.

How we calculate your indicative allocation:

Funding will be allocated for all education and training at levels 3-7 (non-degree) and industry training based on the **subject**, how delivery occurs (**mode of delivery**), and the **amount of learning** (common across all modes).

Note: To calculate your 2023 indicative allocation for the Delivery Component, we have used your prior actual delivery against your Student Achievement Component Level 3 and Above (SAC3+) funding to identify the proportion of delivery that represents the equivalent of your UFS Delivery Component.

For example, if 95% of your 2021 SAC3+ delivery was for (the equivalent of) UFS delivery, we have used 95% of your 2021 actual delivery in SAC3+ in the methodology to calculate your “2021 delivery”.

Your Single Data Return (SDR) data average actual delivery for 2019 and 2021 FTEs (Full-time Equivalent Learner) will be multiplied by rates per funding category and mode of delivery to calculate your 2023 indicative allocation.

Note: Your 2020 delivery has not been considered in the methodology due to the significant impact of COVID on the 2020 calendar year.

Additional indicative allocation methodology factors:

- The value of your actual delivery in 2019 and 2021 is first restated based on the 2022 funding rates.
- Your actual 2021 delivery value is limited to no more than 100% of your 2021 allocation (to remove the value of any delivery beyond the 2021 allocation amount) where your 2021 delivery was greater than your 2021 final amended allocation (inclusive of any in-year amendments). This has been calculated by taking the lower of your 2021 delivery or your 2021 final amended allocation (using the percentage of your delivery above your allocation in 2021 on your SAC3+ funding).

- Your funding changes between 2021 and 2022 are also factored in.
- Your modes of delivery are factored into the underlying calculations.
- Your courses that are Te Reo and Tikanga (based on NZSCED code of the course) have been assigned the funding rate as outlined in the fund rates table below.
- If you delivered SAC3+ or Industry Training Fund related provision for the first time in 2021, we have applied the same methodology but take your 2021 delivery only.
- If you delivered SAC3+ or Industry Training Fund related provision for the first time in 2022, we have used your 2022 Mix of Provisions as the basis.

Your Industry Training Register (ITR) data actual delivery 2021 FTEs (Full-time Equivalent Learner) will be multiplied by rates per funding category and mode of delivery to calculate your 2023 indicative allocation.

Additional indicative allocation methodology factors:

- The value of your actual delivery in 2021 is first restated based on the 2023 funding rates.
- Modes of delivery are based on the analysis work that you have done with the UFS project team over the last two years.
- Subject based funding rates will be applied in line with the data sent to you by the UFS

Approach for mergers

- Te Pūkenga modelling will show an indicative allocation for a single organisation. Individual subsidiary information will not be available.
- All PTE mergers will have associated delivery and 2023 indicative allocations transferred to the remaining (or final) provider EDUMIS for 2023.

Subject

There will be six subject-rate groupings that apply to both provider-based and work-based learning and recognise the different cost structures that come with different types of delivery:

- Humanities, business and social service vocations
- Trades, Creative Arts, Information Technology and Health-related Professions
- Agriculture, Engineering, Health Sciences, and Science
- Pilot Training and Priority Engineering
- Foreign-going Nautical and Specialist Agriculture
- Te Reo Māori and Tikanga.

Mode of delivery

There will be five modes of delivery that reflect where and how a learner is receiving learning. A programme can be made up of one or more modes. This is to allow learners and employers to access learning opportunities in the way that is best for them and to move seamlessly between modes of learning. The five modes are:

- **Provider-based** - Learner enrolled with provider with delivery at a provider site, e.g. Campus or other NZQA and TEC approved delivery site and is undertaking teaching and learning activities, such as lectures and tutorials, with added supported self-directed learning.
- **Provider-based: Extramural** - Learner enrolled with provider with learning occurring away from a provider site (and not in the workplace).
- **Work-based: pathway to work** - Learner enrolled with provider and delivery has transitioned from either Provider-based mode or Provider-based: extramural mode to Work-based learning with the same provider. Learning is provided in partnership between the provider and employer.

- **Work-based** - The learner is an employee, contractor or volunteer, and an enrollee with a provider and acquires skills in their workplace. Learning is typically work-based with supported self-directed learning.
- **Assessment and verification** - Learner is already employed with skills acquisition and training occurring in their workplace. Learner undertakes in-house learning to complete training towards a level 3-7 (non-degree) credential that is delivered by their employer.

2023 Funding rates:

Funding categories	Mode of delivery / \$ per full time equivalent learner (FTEL)				
	Provider-based	Extra-mural	Work-based	Pathway to work	A&V
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	N/A

Variation for Aviation (for UFS provision)

The total cap on the Aviation provision is 450 EFTS across the sector (both UFS and Degree Level 7 and Above). Massey University receives an annual Aviation allocation of 126 EFTS.

This leaves 324 EFTS to be delivered between levels 3 and 7 (non-degree) within UFS. The UFS provision of the aviation methodology is calculated as a subset of the **UFS Delivery Component** indicative allocation.

Your average actual aviation delivery for 2019 and 2021 FTEs (Full-time Equivalent Learner) (rounded up to nearest FTEL) will be multiplied by rate per the Pilot Training and Priority (F4) funding category to calculate your 2023 indicative allocation.

Providers receiving a UFS aviation allocation
7123 - North Shore Helicopter Training Limited
7256 - Southern Wings Limited
7413 - Waikato Aero Club Incorporated
7826 - Wanaka Helicopters Limited
8026 - Air Hawkes Bay Limited
8031 - Christchurch Helicopters 2001 Limited
8074 - New Zealand International Commercial Pilot Academy Limited
8589 - International Aviation Academy of NZ Ltd
8595 - Nelson Aviation College Limited
8638 - Ardmore Flying School Limited

Learner Component

Purpose of the funding:

The learner component is intended to support TEOs to improve outcomes for learners. It is targeted at supporting all learners, particularly those who traditionally have not been well served by the education system. These priority learner groups are:

- Learners with low prior achievement (LPA)
- Disabled learners
- Māori learners
- Pacific learners.

These priority groups serve as a proxy for learners who need additional support to be successful in VET by providing a straightforward way to allocate funding across the VET system. It is not the intention that the learner component funding will only be used for learners in these four groups. Instead, TEOs are expected to identify the unique needs of all their learners, make decisions about how to support them, and allocate this funding accordingly.

How we calculate your indicative allocation:

Learner component funding will be calculated based on the **enrolments of the four priority groups of learners**. It will apply to learners in all modes of delivery (of the delivery component) apart from assessment and verification.

Your 2021 actual delivery FTEs (Full-time Equivalent Learner) is used to determine the number of learners that meet each Learner Component group. The number of learners will be multiplied by associated rate for each group to calculate your 2023 indicative allocation.

Starting point

- To be eligible to receive Learner component a TEO must receive UFS funding in 2023.
- Allocations for Te Pūkenga will be based on the 2021 data for it or for the Institute of Technology and Polytechnic (ITP) it replaces.
- An indicative funding allocation may be made to a TEO that later transfers delivery to a transitional or other TEO. In that case, we will engage with the new TEO to transfer and adjust the allocation.

Learner component priority group learners

We will use your 2021 UFS eligible SDR enrolment data and ITR enrolment data to determine the number of Full-Time Equivalent Learners (FTEs) consumed by priority group learners, by level of the qualification.

The indicative allocation funding calculation for priority group learners will depend on:

- the learner's ethnicity;
- the New Zealand Qualification Framework (NZQF) qualification levels the learner is enrolled in 2021;
- the volume of UFS eligible enrolment FTEs (Full-time Equivalent Learner) delivered in 2021; and
- mode of delivery is not Assessment and Verification mode

Single top-up payable

- a single top-up is payable in relation to learner records identifying as both Māori and Pacific,
- a single top-up is payable in relation to learner records identifying as both LPA and Disabled.

Rates

Please note that we will use the rates outlined in the table below to calculate your allocation. These rates are the 2023 rates applied to the learner component:

Learner component	
Learner group	Funding rates /FTEL
Māori and Pacific learners up to level 6	\$141
Māori and Pacific learners level 7	\$338
Learners with low prior achievement	\$1,233
Disabled learners	\$1,233

Performance element of Learner component

TEC will set performance expectations with incentive payments paid to TEOs on achievement. 20% of each TEO's learner component funding is linked to meeting these performance expectations.

The TEC is taking a phased approach to implementing these incentive payments, with an initial focus in 2023 on implementing it with a small number of **selected TEOs** (but those with significant levels of learner component funding), then rolling out to all TEOs in 2024. In 2023, those who are not taking part in the targeted implementation will receive the full amount of learner component funding.

Your Performance element of the Learner Component is 20% of your allocation of the four priority learner groups: Māori learners, Pacific learners, learners with low prior achievement and disabled learners.

For TEOs subject to the performance element incentive payments in 2023, we will pay milestone and/or partial payments to ensure TEOs are recognised and paid promptly for their progress and achievements.

- The TEC and a TEO will either:
 - agree milestones towards their performance expectations, and the TEC will pay a portion of the incentive payment when each milestone is achieved.
 - agree multiple performance expectations, and the TEC will pay a portion of the incentive payment if the TEO achieves some, but not all, of the performance expectations.

The providers receiving the performance element through a milestone-based allocation for 2023 include:

EDUMIS	TEO
6683	Te Pūkenga
8661	NZ Management Academies Ltd
8619	NZ Tertiary College
8895	ATC NZ
8365	Cornerstone Education Ltd
5997	The Electrical Training Company
7502	Ignite Colleges
8199	Vertical Horizonz NZ Ltd
8630	Te Wānanga o Aotearoa

Remaining TEOs will not have learner component-specific performance expectations for 2023 or incentive payments. They will receive their full learner component allocation as well as the performance element incentive payments automatically in 2023.

In 2024, performance element incentive payments will be rolled out to all other TEOs that meet the criteria.

Approach for TEOs for which there is no 2021 data available for these calculations

- For funded providers who deliver for the first time in 2023, we will use the 2023 April SDR/ITR submission to calculate the 2023 Learner component, then calculate the final allocation following the 2023 December SDR/ITR submission.
- For funded providers who delivered for the first time in 2022 and for funded providers who delivered for the first time in 2021 and had zero delivery, we will use the 2022 April SDR/ITR submission to calculate the 2023 Learner component.
- If there is no SDR and/or ITR submitted, a provider will not receive a Learner component allocation.

Strategic Component

Purpose of the funding:

The strategic funding component is designed to respond to regional and national skills priorities, including supporting Te Pūkenga to build and sustain a national Network of Provision (NoP), and support programme development and maintenance.

The strategic component will provide necessary funding unlinked to learner enrolments (i.e. is not volume based) to progress strategic priorities as identified by Workforce Development Councils (WDCs) and Regional Skills Leadership Groups (RSLGs).

The total amount of strategic component funding available is \$76.033m (8% of total UFS funding) and comprises of two elements – Regional and National Skills Priorities and Programme Development and Maintenance.

Final subsector splits for the strategic component

Strategic component				
Subsector	Regional and National Skills Priorities		Programme Development and Maintenance Fund (PDMF)	
	Share	Funding (millions)	Share	Funding (millions)
Te Pūkenga	70%	\$26.611 (including NoP)	60%	\$22.810
Private Training Establishments (PTEs)	30%	\$11.405	30%	\$11.405
Wānanga	N/A ^[1]	N/A	10%	\$3.802

How we calculate your indicative allocation:

Regional and National Skills Priorities (\$38.016m):

50% of the strategic component will respond to regional and national skills priorities as identified by Workforce Development Councils (WDCs) and Regional Skills Leadership Groups (RSLGs).

- This will be split as:
 - 70% for Te Pūkenga (\$26.611m), and
 - 30% for PTEs (\$11.405m)
- Te Pūkenga will receive an indicative allocation (on-Plan) for their strategic component funding. Te Pūkenga's strategic funding will support its charter requirements to sustain a national network of provision.

^[1] This component will be covered through the Te Hono Wānanga dialogue, and associated funding, with the wānanga sector

- PTEs will not receive a strategic component indicative allocation for the National and Regional Skills Priorities funding as this will be determined following an off-Plan contestable funding round. Details of this contestable funding round for PTEs will be released in due course.

The funding for Skills Priorities and Network of Provisions will be allocated through TEC's Investment Plan process. Funding must be used to respond to national and regional skill priority and ensure the network of provision.

Programme Development and Maintenance (PDMF) (\$38.017m):

The other 50% of the component will support programme development and maintenance, including for extramural programmes, aligned with the Reform of Vocational Education (RoVE) objectives. This component will support the system to innovate and adapt to meet the ever-changing needs of the New Zealand labour market.

- This will be split as:
 - 60% for Te Pūkenga (\$22.810m),
 - 30% for PTEs (\$11.405m), and
 - 10% for Wananga (\$3.802m)

As with the Regional and National Skills Priorities, Te Pūkenga will receive an indicative allocation (on-Plan) for their Programme Development and Maintenance funding.

PTEs will not receive a strategic component indicative allocation for the Programme Development and Maintenance funding as this will also be determined as part of the same off-Plan contestable funding round.

We have recently been engaging with wānanga about the PDMF being part of their Investment Round process. As part of these discussions, we have been signalling that they will not receive an indicative allocation for the PDMF but will be notified later. Modelling work is underway to identify the appropriate allocation methodology.

Transition funding for PTEs

Transition funding will be allocated to selected PTEs in a two-year transition approach focused on enabling strategically important provision to adapt to the new incentives offered by the UFS. Transition funding will achieve this by limiting funding reductions for priority and niche areas of provision at PTEs with significant funding reductions.

This funding is specifically for PTEs delivering priority or niche provision with significant funding reductions of greater than 10% (when compared to 2021 funding).

These amounts will be automatically calculated and PTEs do not need to apply for this transition funding. Transition funding for selected PTEs will be paid in twelve equal monthly instalments.

The **criteria** for transitions funding is PTEs that are:

- Facing a significant UFS funding reduction (equal to or greater than 10% of 2021 UFS equivalent funding – i.e. SAC3+ vocational education related funding), **AND**
- The only provider delivering a particular or specialist area of provision within the region or nationally, **AND/OR**
- Delivering provision in a priority area for New Zealand (e.g. primary industries, construction, engineering, early childhood education, hauora/whānau ora, health and care), **AND**
- Delivering a minimum of 15 percent UFS provision as a proportion of total funding for provision, **AND**
- Delivering a minimum of 15 percent of EFTS in Strategic priority/Niche provision of their UFS provision.

TEOs delivering between 15 and 50 percent of EFTS in Strategic priority/Niche provision of their UFS provision will receive transitions funding supporting a 10 percent funding reduction for only the EFTS classified as Strategic priority/Niche provision.

All other TEOs receiving transitions funding will be supported to a 10 percent funding reduction for all UFS provision.

Foundation education and community funds

We have applied the **same indicative allocation methodology** for Adult and Community Education (ACE), English for Speakers of Other Languages (ESOL), Literacy and Numeracy (LN), TEO-led Workplace Literacy and Numeracy (WLN), Student Achievement Component (SAC) Levels 1 and 2, Gateway and Youth Guarantee (YG) funds:

How we calculate your indicative allocation:

Your 2022 final amended allocation is used as the starting point to calculate your 2023 indicative allocation.

Additional indicative allocation methodology factors:

- Use of 2022 allocation and prior delivery:
 - Your 2023 indicative allocation is rolled over from your 2022 allocation if:
 - you delivered more than \$0 in 2021, or
 - you delivered for the first time in either 2021 or 2022
 - Your 2023 indicative allocation is \$0 if:
 - you did not deliver for the first time in 2021 or 2022 and your actual delivery for 2021 was \$0
- All indicative calculations use prior allocations and actual delivery measured in dollars (\$).
- All indicative calculation outputs are measured in dollars (\$).
- Several funds are subject to performance – refer below and see sub-sections '*Performance adjustment*'
 - English for Speakers of Other Languages (ESOL)
 - Literacy and Numeracy
 - TEO-led Workplace Literacy and Numeracy

Approach for mergers

- Te Pūkenga modelling will show an indicative allocation for a single organisation. Individual subsidiary information will not be available.
- All PTE mergers will have associated delivery and 2023 indicative allocations transferred to the remaining (or final) provider EDUMIS for 2023.

In-year amendments:

- Any 2022 in-year amendments approved prior to 31 May 2022 have been included in the calculation to inform your 2023 allocation.
- When any 2022 in-year amendments are approved after 31 May 2022 TEC will advise whether the funding will be automatically added to the 2023 indicative allocation.

Adult and Community Education (ACE)

ACE in Communities funding: The purpose of the ACE fund is to purchase provision that provides adults with community-based education, foundation skills, and pathways into other learning opportunities that meet community learning needs.

ACE in Schools funding: The purpose of the ACE Fund is to purchase provision that provides adults with community-based education, foundation skills, and pathways into other learning opportunities that meet community learning needs provided by Schools.

ACE in Schools Coordination funding: Coordination funding is once off funding and needs to be reapplied for each year. As ACE in Schools Coordination funding has a separate analysis code, we have made an adjustment that excludes Schools Coordination from the 2022 final allocation totals.

ACE in Te Pūkenga and Wananga: The purpose of the ACE Fund is to purchase provision that provides adults with community-based education foundation skills, and pathways into other learning opportunities that meet community learning needs.

- **ACE in TELAC funding:** This funding delivers advice to adults with low skills and qualifications on how tertiary education increases their opportunities, provides advice about all the different options available, and encourages them to make the most of these opportunities.
 - No rate increase is applied to TELAC.

English for Speakers of Other Languages (ESOL)

ILN for ESOL: The ILN – ESOL supports the intensive provision of high quality, fees-free ESOL literacy and numeracy learning opportunities, to help adult learners gain the literacy and numeracy skills needed to progress to further study or the workplace.

We fund specialised ESOL provision to:

- Increase opportunities for adults to engage in literacy and numeracy learning, particularly migrants and refugees
- Raise adults' literacy and numeracy skills to help learners progress onto further study and employment
- Improve the quality and relevance of provision, including the ability to identify learner need and learning gain

Performance adjustment: In addition to the base methodology, we make a performance adjustment: If 40% or more of your 2021 enrolled learners received less than 20 hours of literacy, numeracy, or literacy and numeracy tuition, your 2023 indicative allocation will be reduced by 5%.

If you provided ESOL for the first time in 2021 or 2022, we have not undertaken a performance adjustment of your 2023 indicative allocation for ESOL.

ESOL-Refugee English funding: The English for Speakers of Other Languages – Refugee English Fund (ESOL-Refugee English) supports refugees to reach a level of English that will allow them to enter employment or undertake their choice of vocational or degree-level education.

The ESOL - Refugee English Fund is a component of the Specialised English for Speakers of Other Languages funds (Specialised ESOL funds). The purpose of Specialised ESOL funds is to:

- increase opportunities for adults to engage in literacy and numeracy learning, particularly migrants and refugees
- raise adults' literacy and numeracy skills to help learners progress onto further study and employment, and
- improve the quality and relevance of provision, including the ability to identify learner needs and learning gain.

Programmes funded through the ESOL - Refugee English Fund must be delivered fees-free and lead to a recognised ESOL qualification at level 3 or above on the New Zealand Qualifications Framework (NZQF).

Literacy and Numeracy (LN)

Intensive Literacy and Numeracy (ILN): The ILN Fund supports the intensive provision of high quality, fees-free literacy and numeracy learning opportunities for learners with low-level literacy and numeracy skills.

We fund intensive literacy and numeracy provision to:

- raise adults' literacy and numeracy skills
- increase opportunities for adults to engage in literacy and numeracy learning, particularly for those in low-skilled employment, and
- Improve the quality and relevance of provision, including the ability to identify learner need and learning gain.

Performance adjustment: In addition to the base methodology, we make a performance adjustment: If 40% or more of your 2021 enrolled learners received less than 80 hours of literacy, numeracy, or literacy and numeracy tuition, your 2023 indicative allocation will be reduced by 5%.

If you provided LN for the first time in 2021 or 2022, we have not undertaken a performance adjustment of your 2023 indicative allocation for LN.

TEO-Led Workplace Literacy and Numeracy Fund

Workplace Literacy and Numeracy (WLN) TEO-led funding supports the provision of literacy and numeracy programmes for employees to increase their literacy and numeracy skills and contribute to workplace productivity.

We fund workplace literacy and numeracy provision to:

- increase the literacy and numeracy skills of employees, and
- contribute to workplace productivity through the provision and evaluation of literacy and numeracy learning in a workplace context.

Performance adjustment: In addition to the base methodology, we make a performance adjustment: Performance adjustments: If 40% or more of your 2021 enrolled learners received less than 25 hours of literacy, numeracy, or literacy and numeracy tuition, your 2023 indicative allocation will be reduced by 5%.

If you provided TEO-Led Workplace Literacy and Numeracy for the first time in 2021 or 2022, we have not undertaken a performance adjustment of your 2023 indicative allocation for TEO-Led Workplace Literacy and Numeracy.

Student Achievement Component Levels 1 and 2

The Student Achievement Component (SAC) is the Government's contribution towards the cost of teaching and learning services for students enrolled at a tertiary education organisation (TEO). Students must be studying towards a qualification listed on the New Zealand Qualifications Framework (NZQF) at level 1 and 2.

Note: Māori and Pasifika Trades Training is not included within the SAC Level 1 and 2 allocations.

Student Achievement Component Levels 1 and 2 Special Supplementary Grant (SSG) funding

The purpose of the Student Achievement Component levels 1 and 2 SSG Fund is to purchase special tutor and teaching resources associated with the Student Achievement Component (SAC) for students enrolled at a tertiary education organisation (TEO). Students must be studying towards a qualification listed on the New Zealand Qualifications Framework (NZQF) at level 1 and 2.

Gateway

The purpose of the Gateway Fund is to support school students' transition into the workforce by offering them workplace learning while at secondary school. Gateway programmes are based on a formal agreement and individualised learning plans between the school, the student and the workplace.

Note:

- Gateway uses learner numbers rather than dollars to match to the cohort-based funding rate.
- The Gateway establishment funding of \$4,444 is not included in the 2023 indicative allocation (as these are one-off payments).
- Your Gateway average credit achievement per distinct learner does not have an impact on your indicative allocation.

Youth Guarantee

The Youth Guarantee Fund provides fees-free tertiary education for students aged 16-19 years who have no or low prior qualification achievement. Students may study towards:

- NCEA level 1 and 2 aligned to the Vocational Pathways
- another qualification at level 1 or 2 on the New Zealand Qualifications Framework (NZQF), which is intended to enable students to progress to higher-level education or employment, or
- a qualification at level 3 on the NZQF, particularly if the student:
 - has no or low (level 1) prior achievement before enrolling in Youth Guarantee, or
 - has achieved level 1 or 2 qualification(s) through Youth Guarantee and is progressing to a level 3 Youth Guarantee qualification during their two equivalent full-time student (EFTS) Youth Guarantee entitlement.

Your 2023 indicative allocation is **exclusive** of any **YG premium** and **YG exceptional travel** funding.

YG Premium

- Your 2023 final allocation will include the YG premium payment, after we provision the MoP and understand how many level 1 and 2 learners will be expected in 2023.

The Youth Guarantee Premium allocation funds qualifications at Level 1 and 2 at 20% above the standard Youth Guarantee rates. The allocation adjusts the overall Youth Guarantee funding you receive so that you are fully funded for 1 EFTS for every 100 credits delivered at level 1 and 2.

We will allocate the YG premium based on your level 1 and 2 commitments in your 2023 Mix of Provision (MoP) file. We will calculate your final delivery (including the premium relating to actual delivery at levels 1 and 2) against your total YG allocation including the premium and recovery if you were over-paid.

Significant plan changes during the year may affect the amount of level 1 and 2 premium needed, for example if we have agreed a change in the total allocated, or there is a change in the distribution of your commitments within the allocation. If necessary, we will recalculate and adjust your premium allocation.

YG Exceptional Travel

- Any YG exceptional travel will be calculated after the SDRs within 2023.

Exceptional Circumstances Transport Assistance (ECTA) funding is to provide additional transport assistance to students who live in relatively isolated areas who may have higher transport needs. ECTA funding is based on EFTS delivered, and the rural isolation of the site where the delivery took place. The rural isolation of TEOs' delivery sites uses a classification system developed by Statistics New Zealand.

Equity Funding

Equity Fund

Purpose of the funding

The purpose of the Equity funding is to support tertiary education organisations (TEOs) to improve access, participation, and achievement of all learners within the tertiary education system.

Equity funding is a 'top-up' to SAC 1 and 2 and Degree Level 7 and Above funding – to help cover the costs of providing extra support for these learners. It is not intended to be the sole or primary source of funding; it should supplement other investments to ensure the success of all learners.

There are two elements of Equity funding: Māori and Pacific; and Tertiary Students with Disabilities.

How we calculate your indicative allocation:

The 2023 indicative allocation for Equity Funding is based on your 2021 delivery.

Your actual 2021 delivery (EFTS) is used to calculate your 2023 indicative allocation.

- For the **Tertiary Students with Disabilities** component:
 - o Total 2021 actual EFTS in provision at Levels 1 and 2; and at Level 7 degree and above.
 - o TEIs (universities, wānanga and Te Pūkenga) are eligible for this funding.
- For the **Māori and Pacific** component:
 - o All 2021 Māori and Pacific SAC EFTS NZQF Level 7 degree and above.
 - o All TEOs except transitional ITOs are eligible for this funding.

Rates:

Component	NZQF Level	Rate per EFTS (GST exclusive)
Māori and Pacific	Levels 5 to 7*	\$338.00
	Level 8 and above	\$470.00
Tertiary Students with Disabilities	All levels	\$30.22

**Note that qualifications at levels 5 and 6 may appear in non-UFS delivery when they are graduate certs & dips (with QAC codes 20,21,25)*

TEOs do not need to provide any additional information to TEC to receive Equity funding. TEOs should complete and submit their SDRs or ITR as usual.

We do expect TEOs to actively consider how they will use this funding to support their learners; to include these plans in their normal Investment Plan round documentation, including Learner Success Plans and Disability Action Plans; and be prepared to discuss their approach with their Relationship Manager or a Relationship Advisor.

Please note: if a provider receives a proposed zero allocation for their Degree Level 7 and Above funding then we will automatically ring-fence their Equity funding until the final 2022 allocations are approved. Providers will not be eligible to receive Equity funding if they receive a final zero allocation for the Degree Level 7 and Above funding.

Research Funds

Wānanga Research Capability Fund

Purpose of the funding

The purpose of the Wānanga Research Capability Fund is to support research capability building within wānanga, particularly in wānanga specialisation in mātauranga Māori/Māori knowledge.

How we calculate your indicative allocation:

Your 2022 funding allocation is your starting point for your 2023 indicative allocation.

Your 2022 allocation will be rolled over and used to calculate your 2023 indicative allocation.

- No rates increase is applied to the Wananga Research Capability Fund.

Wānanga Research Capability funding is paid in monthly instalments. The payment amounts are in equal instalments from January to June, and in equal instalments from July to December.

Approach for mergers

- Te Pūkenga modelling will show an indicative allocation for a single organisation. Individual subsidiary information will not be available.
- All PTE mergers will have associated delivery and 2023 indicative allocations transferred to the remaining (or final) provider EDUMIS for 2023.

Appendix 1: Other funds that do not receive an indicative allocation

Māori and Pasifika Trades Training (MPTT)

Purpose of the funding

The purpose of MPTT funding is to increase access for Māori and Pasifika learners to vocational and pre-employment training. This enables these learners to develop skills for sustainable employment and achieve better employment outcomes. MPTT funding is paid to organisations that are part of an approved consortium.

How we will calculate your allocation:

Note: No indicative allocations will be made for the Māori and Pasifika Trades Training funding. MPTT funding for 2023 will be confirmed when the plan assessment process is completed (for MPTT Fees Top-Up and MPTT Brokerage Monthly) and on actual 2022 delivery (for MPTT Brokerage Success and MPTT Consortium).

MPTT Fees Top-Up

The TEC will assess your consortium plans. We will allocate the appropriate rate per learner per consortium based on the plan assessments. The allocation of MPTT Fees Top-Up will be based on a mixture of quantitative and qualitative criteria through the assessment of your plans and success targets.

Your MPTT Fees Top-Up final allocation will be based on the outcome of your consortium plan assessment

MPTT Brokerage Monthly

The TEC will assess your consortium plans. We will allocate the appropriate rate per learner per consortium based on the plan assessments. The MPTT Brokerage Monthly funding is paid in monthly instalments based on the number of learners allocated by the consortium to a TEO.

Your MPTT Brokerage Monthly final allocation will be based on the outcome of your consortium plan assessment

This Brokerage Success and Brokerage Monthly rates are subject to change in 2023 and will impact the final funding amounts paid for MPTT Brokerage in 2023.

MPTT Brokerage Success

The MPTT Brokerage funding is a success component that is paid where learners successfully go into pre-trade training, employment, or further education.

Your MPTT Brokerage Success final allocation will be based on your actual delivery

The Brokerage Success and Brokerage Monthly rates applied for 2022 learner components and delivery is \$584.00 per learner. This is subject to change in 2023 and will impact the final funding amounts paid for MPTT Brokerage in 2023.

MPTT Consortium

Your MPTT Consortium final allocation will be based on your actual delivery

Your prior delivery will be considered for the allocation of MPTT Consortium funding. Final allocations will then be amended based on the plan assessments.

Fees Free

Purpose of the funding

The purpose of Fees Free tertiary education is to assist in making tertiary education more affordable and accessible by:

- funding one year of Fees Free provider-based education, and
- two years of industry training, for eligible learners.

Fees Free funding is a learner-based fund. All funds will be paid for eligible learners.

How we will calculate your allocation:

Fees Free funding for 2023 will be confirmed in October 2022 when a better estimate of Fees Free funding can be made. The final allocation will be communicated at the same time we send the Fees Free funding agreements for 2023.

Prior to October 2022, there is limited data that can accurately inform levels of Fees Free for 2023, including any possible changes to learner eligibility, introduction of the Unified Funding System, and closure of the Targeted Training and Apprenticeships Fund.

It is important to note that we will make frequent in-year adjustments to allocations throughout 2023 based on actuals reporting as there are unknowns that we may not be able to factor into your allocation.

Medical Intern Grant

Purpose of the funding

The purpose of the Medical Trainee Intern Grant is to provide a stipend for medical students working as interns in their sixth year of study.

How we will calculate your allocation:

The Medical Trainee Intern Grant (the Grant) provides a stipend of \$26,756 (GST exempt) per eligible EFTS (note this is the latest rate subject to change) for medical students working as interns in their sixth year of study. The TEC allocates the Medical Trainee Intern Grant in response to annual applications from eligible tertiary education institutions. The University of Auckland and the University of Otago are eligible to receive the funding.

Medical Intern Grant funding for 2023 will be confirmed in August 2022 when the estimated eligible EFTS for 2023 are shared with the TEC.

Your determined EFTS of eligible students multiplied by the 2023 rate

TEOs will submit to TEC their estimated number of eligible graduate-entry (lump sum payment) and non-graduate entry (monthly payment) Medical Trainee Intern Grant students for 2023 in 2022. The total eligible graduate-entry and non-graduate entry students determines the total number of students funded for 2023. This will inform the final Medical Intern Grant allocation for 2023.

Funding is calculated by the determined EFTS of eligible students x \$26,756.

The cohort of EFTS from Otago University runs from December 2022 to November 2023. One twelfth of the Otago University 2023 EFTS are paid in December 2022 and the remainder of the EFTS are paid out from January to November 2023.

TEC pays the Medical Trainee Intern Grants to the Universities who then pass the funding directly to eligible sixth year medical interns either as a lump sum to graduate-entry students or as twelve equal monthly payments to non-graduate entry students.

Where the number of EFTS is over estimated, the TEC will recover the over estimated value in 2024, and where the number of EFTS is underestimated, the TEC will pay the underestimated value in 2024.

We use this information to model the agreement between the TEC and the eligible TEOs.

Performance-Based Research Fund

Purpose of the funding

The purpose of the Performance-Based Research Fund (PBRF) is to ensure that excellent research in the tertiary education sector is encouraged and rewarded. This means assessing the research performance of tertiary education organisations (TEOs) and then funding them on the basis of their performance.

How we will calculate your allocation:

Your prior performance information was used to calculate your 2023 indicative allocation.

Starting point

The PBRF is a mixed performance-assessment regime that employs both peer review processes and performance measures.

We calculate PBRF allocations based on the performance of eligible TEOs in:

- A periodic **Quality Evaluation**.
- The number of eligible **Research Degree Completions**.
- The value of **External Research Income**.

Quality Evaluation:

This is a periodic assessment of the research performance of eligible TEO staff, undertaken by expert peer review panels. This component makes up **55%** of the fund.

The funding allocation is based on the award of funded Quality Categories and subject area weighting of Evidence Portfolios submitted by TEOs. It is calculated relative to:

- a) The funded Quality Category assigned to Evidence Portfolios (EPs) – e.g. A, B, C or C (NE);
- b) The full-time equivalency status of the participating TEO's PBRF-eligible staff member as recorded in the PBRF Staff Data File; and
- c) The weighting for the subject area to which EPs have been assigned.

Research Degree Completions (RDC):

This is a measurement of the annual number of PBRF-eligible postgraduate research-based degrees completed at participating TEOs. This component makes up **25%** of the fund.

The funding allocation is based on a three-year rolling average of a TEO's research-based postgraduate degree completions, weighted by research volume, relative costs of the subject areas, and weightings for ethnicity and completions in Te Reo.

External Research Income (ERI):

This is the annual amount of income participating TEOs receive for research from external sources. This component makes up **20%** of the fund.

The funding allocation is based on a three-year rolling average of a TEO's proportion of total ERI earned and weighted by funding source.

Te Pūkenga

Te Pūkenga's allocation percentage is based on the consolidation on the relevant year data for each of the three funding components for the Institute of Technology and Polytechnic (ITP) it replaces.

Later transfer of delivery:

An indicative funding allocation may be made to a TEO that later transfers delivery to a transitional or other TEO. In that case, we will engage with the new TEO to transfer and adjust the allocation.

We will adjust the indicative allocation of the provider receiving the largest portion of Research Degree Completion Funding if the 2023 final rounded calculations create an over allocation against the 2023 funding of the PBRF. A small difference will be accepted where funding is under allocated due to rounded calculations.