



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

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07 DEC 2015

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

Dear John

Determination of Design of Funding Mechanism: Māori and Pasifika Trades Training (2016)

I am writing to advise you of a determination of the design of a funding mechanism, under section 159L of the Education Act 1989 (the Act), for Māori and Pasifika Trades Training (MPTT). The new determination is set out in the appendix to this letter. The determination commences on 1 January 2016 and continues in effect until otherwise notified. The new funding mechanism reflects Cabinet's recent decisions to amend aspects of MPTT, and incorporates other minor policy changes.

The funding mechanism enables SAC-funded vocational training, and brokerage services, to be provided fees-free by organisations that are part of consortia delivering MPTT. These organisations should support the economic development aspirations of Māori and Pasifika communities, and be responsive to employers. Brokerage funding will be paid to the organisations in the consortia responsible for delivering or sub-contracting brokerage services for Māori and Pasifika trainees. These organisations may not necessarily be tertiary education providers.

For the first time, the mechanism also enables the TEC to fund organisations undertaking 'consortium activities', such as project co-ordination, which were previously commissioned through the Ministry of Business, Innovation and Employment. These organisations strengthen the role of communities and employers in recruiting and supporting learners and guiding the nature of the training provided.

For high performance, it is important for all consortium members to play a strong role and have an interest in the result. I expect the TEC to maintain appropriate reporting and accountability arrangements for all organisations funded under the mechanism. The administrative requirements on consortium organisations, in particular, need to be reasonable, to avoid detracting from their effectiveness and enthusiasm.

The new funding determination requires consortia to agree aspirational targets for female participation, to prompt consortia to ensure that women feel as welcome and supported in MPTT as men, and to challenge stereotypes of the fields in which women can be successful. Women have traditionally been under-represented in most skilled trades, and in the primary industries. Such occupational segregation contributes to the gender pay gap and obstructs a well-functioning labour market.⁶

⁶ See Women at Work: 1991 – 2013, Statistics New Zealand, 2015.

Ways to increase women's participation and helping meet employers' skill needs have been demonstrated in the Christchurch rebuild.⁷

Brokerage funding now has two parts: \$700 based on overall learner numbers, and \$300 as an incentive payment linked to the entry of individual learners to workplace-based training approved by the TEC, since this is a measurable indicator of a sustainable employment outcome. Approval must be linked to the likelihood of the approved programme leading to sustainable employment. This incentive is not dependent on aggregate outcomes, but provides a reward every time a learner first achieves the desired outcome. I anticipate widening the range of outcomes that result in payment, in future iterations of this funding mechanism.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and other details of how to implement the appended funding mechanism. 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.

Tools grant delegation

The funding is supplemented by tool grants for participants who enter New Zealand Apprenticeships and other TEC-approved trades training leading to sustainable employment. TEC approval should be based on evidence of the desired outcomes.

I have previously delegated to the Tertiary Education Commission the authority to pay tool grants and this remains in place. I expect the TEC to develop appropriate reporting on the payment of tools grants.

With effect from 1 January 2016, I amend the delegated authority to require that the tools grant is payable when an MPTT participant enters:

- a New Zealand Apprenticeship; or
- an equivalent level 4 apprenticeship programme, such as a managed apprenticeship, that the TEC has approved; or
- industry training at level 3 or level 4 that the TEC has approved.

I have removed the 90-day stand-down period for tools grant payment.

MPTT participants should only be eligible for one MPTT tools grant payment, and there should be a time limit on claims to avoid any unfunded future liability. Any who received a tools grant under the Apprenticeships Reboot should not be eligible.

Yours sincerely



Steven Joyce
Minister for Tertiary Education, Skills and Employment

⁷ See [Getting it done: Utilising women's skills in the workforce](#), Ministry for Women, 2015.

DETERMINATION OF DESIGN OF FUNDING MECHANISM: MĀORI AND PASIFIKA TRADES TRAINING

PRELIMINARY PROVISIONS

Statutory Authority

1. This funding determination, which is made under section 159L of the Education Act 1989 (the Act), specifies the design of the funding mechanism for the expansion of Māori and Pasifika Trades Training (MPTT).
2. This funding mechanism enables the Tertiary Education Commission (TEC) to fund eligible Tertiary Education Organisations (TEOs) and other organisations for the purposes agreed by Cabinet in March 2013 and amended by Cabinet in November 2015. These purposes are to support a dedicated trades training initiative for Māori and Pasifika learners aged between 16 years and 40 years of age for the delivery of pre-employment trades training at New Zealand Qualifications Framework (NZQF) Levels 1-4 intended to support entry to a range of proven pathways into trade careers [SOC (13) 27 and SOC-15-MIN-0033 refer].

Purpose

3. MPTT provides fees-free tertiary places and other support for Māori and Pasifika learners to undertake pre-employment trades training aligned with entry into proven pathways into trade careers. These include New Zealand Apprenticeships, other successful industry training programmes at Level 3 and above on the New Zealand Qualifications Framework, managed apprenticeships, further provider-based vocational training at Level 4 and above, and sustainable trades or trades-related employment providing opportunities for career development and progression.
4. Funding paid under this funding mechanism is for:
 - a. fees top-ups to make Student Achievement Component (SAC)-funded programmes of pre-trades training fees-free to MPTT learners; and
 - b. brokerage services to:
 - i. match learner talents and aspirations with employer skill requirements and career pathways;
 - ii. tailor pre-employment trades educational provision to the needs and aspirations of MPTT learners, communities and potential employers;
 - iii. facilitate relationships between MPTT learners, providers, industry training organisations and potential employers
 - iv. transition learners into sustainable employment; and
 - c. consortium activities, being project management, co-ordination, and evaluation services, as well as employability skills training and fees for obtaining licenses, such as driver licences, that complement the SAC-funded programmes and that learners are likely to need to gain entry-level employment in their chosen trade.

5. The Government contribution towards the costs of teaching and learning services is funded through the SAC. An organisation delivering trades training under the MPTT initiative must meet the teaching and learning costs through its existing agreed SAC allocations funded as part of its investment plan. If an organisation does not receive SAC funding, it must have an agreement with an organisation that has a SAC allocation that is approved by the TEC.
6. This funding is supplemented by a grant of \$1,000 to each learner to subsidise the cost of tools relevant to the learner's employment.¹

Off-plan funding

7. The TEC must pay MPTT funding under section 159ZC of the Act.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

8. This funding mechanism covers funded activities delivered from 1 January 2016.
9. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside of these dates.

Consortium

10. For the purposes of MPTT, a consortium should consist of at least one tertiary education organisation, employer representation, and a Māori and/or Pasifika entity.
11. A consortium is tasked with the aim of increasing access to vocational training for Māori and Pasifika learners and improving pre-employment trades training (including robust work preparation) to align more closely to the needs of employers and of Māori and Pasifika communities.
12. The TEC must agree, with each consortium, an aspirational target level of female participation in MPTT, and a timeframe for achieving the target, that:
 - a. reflects the opportunity for the consortium to increase female participation in trades that offer sustainable employment and in which females have traditionally been under-represented; and
 - b. represents a significant but achievable increase on previous female participation in the MPTT consortium, and in similar consortia.

Available funding

13. The total amount of government funding that can be allocated under this funding mechanism will be set through the Government's annual Budget processes.

¹The TEC is to pay the tools grant under a separate delegation to any member of an approved consortium who receives it on behalf of the learner. The tools grant is designed to incentivise progression into employment and effective workplace-based training at NZQF Level 3 or above.

Funding for fees top-ups

14. The TEC must calculate funding for fees top-ups for enrolments in SAC-funded programmes of study or training in units of equivalent full-time students (EFTS). One EFTS unit is defined as the student workload that would normally be carried out by a student enrolled full-time in a single academic or calendar year.
15. The TEC must allocate funding for fee top-ups at a rate of \$4,000 per EFTS.

Funding for Brokerage

16. The TEC must allocate brokerage funding at a rate of \$1,000 per learner.
17. The TEC must reserve 30% of brokerage funding for the payment of a performance incentive that is:
 - a. payable on the basis of sufficient evidence of individual learners achieving successful outcomes from a programme supported by MPTT within 18 months of the learner ceasing to be enrolled in the programme; and
 - b. calculated as an amount payable in respect of each learner that meets the criteria in paragraph 18 for determining a successful outcome; and
 - c. payable only once in respect of the same individual learner.
18. The outcomes that result in the payment of the performance incentive are:
 - a. entry into an apprenticeship training agreement, as defined in the Industry Training and Apprenticeships Act 1992; or
 - b. entry to training contract, as defined in the Industry Training and Apprenticeships Act 1992, relating to industry training at Level 3 or higher in a programme identified by the TEC as being likely to lead to sustainable employment
 - c. entry into a managed apprenticeship, as defined in this funding determination, identified by the TEC as being likely to lead to sustainable employment.
19. For the purposes of this funding determination, a managed apprenticeship is a SAC funded programme that is:
 - a. intended to lead to a qualification at Level 4 of 120 credits or more; and
 - b. arranged by an institute of technology or polytechnic, a wānanga, or a private training establishment (PTE) (that is, the provider arranges the delivery and assessment of training and in some cases provides pastoral care); and
 - c. dependent on a formal training relationship between the provider, a learner and an employer of the learner.

Funding for consortium activities

20. The TEC must allocate funding for consortium activities such as:
 - a. governance and project management;
 - b. coordinating the contributions of consortium members and other services to the development of learner capabilities;

- c. employability skills training and licensing (eg driver licensing) that complements the SAC-funded programmes.
21. For the purposes of this funding mechanism, the total amount of funding available for consortium activities is determined by Cabinet or Joint Ministers.
 22. The amount allocated to each consortium should reflect learner numbers, the stage of development of the consortium, and the potential for economies of scale (including economies achieved by consortia working together), and it may also reflect the learners targeted by the consortium and the performance of the consortium.

Organisation eligibility

23. The TEC may only allocate MPTT funding for fees top-ups or brokerage to:
 - a. a TEO that:
 - i. is part of a consortium approved by the TEC; and
 - ii. is one of the following:
 - A. a wānanga;
 - B. an ITP;
 - C. a PTE; or
 - D. a university; and
 - iii. is quality assured by:
 - A. the New Zealand Qualifications Authority (NZQA), if the TEO is a wānanga, ITP, or PTE;
 - B. the New Zealand Vice-Chancellors' Committee (trading as Universities New Zealand), if the TEO is a university; and
 - iv. has been allocated SAC funding from the TEC; or
 - b. an organisation that:
 - i. is part of a consortium approved by the TEC; and
 - ii. is one of the following:
 - A. an industry training organisation that is quality assured by the NZQA; or
 - B. a person or body² that provides tertiary education-related services and is identified in accordance with section 159B(2) of the Act; and, in the case of fees top-ups funding,
 - iii. has a contract for SAC-funded provision with at least one TEO that meets the criteria of subparagraph (a); or
 - c. a consortium, or a lead member of a consortium that:

² This may include an employer, or a Māori or Pasifika community organisation.

- i. is approved by the TEC; and
 - ii. is a legal entity; and
 - iii. is identified in accordance with section 159B(2) of the Act; and, in the case of fee top-ups funding,
 - iv. has a contract for SAC-funded provision with at least one TEO that meets the criteria of subparagraph (a).
24. For the purposes of this funding determination, all eligible recipients of funding are referred to as "organisations".
25. As the consortium arrangement is intended to provide flexibility in allocating MPTT funding, the TEC may:
- a. fund an organisation for both fees top-ups and brokerage on a consortium's behalf; or
 - b. fund multiple organisations within a consortium for both fees top-ups and brokerage; or
 - c. fund multiple organisations within a consortium for either fees top-ups or brokerage; or
 - d. subject to paragraph 36, fund a consortium for both fees top-ups and brokerage, allowing the consortium to subcontract with its own members, or other TEOs, for SAC-funded provision and brokerage.
26. The TEC may only allocate MPTT funding for consortium activities to an organisation that is the lead member of a consortium, provided that the lead member is:
- a. approved by the TEC; and
 - b. a legal entity; and
 - c. either
 - i. a TEO that is eligible for MPTT funding for fees top-ups or brokerage or
 - ii. a person or body that provides tertiary education-related services and is identified in accordance with section 159B(2) of the Act.

Eligibility of learners

27. The TEC must ensure that an organisation only receives MPTT funding for fees top-ups and/or brokerage for eligible learners.
28. To be an eligible learner, a learner must be:
- a. one of the following:

- i. a domestic student; or
 - ii. an Australian citizen or Australian permanent resident currently residing in New Zealand; and
- b. Māori³ or Pasifika^{4,5} and
 - c. aged between 16 and 40 years of age at the start date of the first course in the programme of study or training; and
 - d. enrolled in a SAC-funded programme of study or training that leads to the award of a qualification at levels 1 to 4 on the NZQF.

Eligible programmes and qualifications for fees top-ups

29. The TEC must ensure that an organisation only receives MPTT funding for fees top-ups for eligible learners enrolled in a programme of study or training that:
- a. is SAC-funded; and
 - b. leads to the award of a qualification at levels 1 to 4 on the NZQF; and
 - c. forms a pathway to entry to:
 - i. a New Zealand Apprenticeship; or
 - ii. industry training at Level 3 or higher, or to a managed apprenticeship, in a programme identified by the TEC as being likely to lead to sustainable employment.

Ineligible programmes and qualifications for fees top-ups

30. The TEC must ensure that an organisation does not use MPTT fees top-ups funding to fund a New Zealand Apprenticeship, a traineeship, or a managed apprenticeship.

Eligibility for brokerage

31. The TEC must ensure that an organisation only receives MPTT funding for brokerage for eligible learners for whom the organisation provides brokerage services in relation to the learner, as indicated by the purposes of brokerage set out in this funding determination.

³ For administrative purposes this refers to those with evidence of Māori ancestry, whakapapa, or persons that made an oath, affirmation or declaration that they are Māori made before a person recognised and authorised to administer such oaths, attestations, or declarations. [e.g. a Kaumātua affiliated to a recognised Māori hapu, iwi, or legal entity, a Justice of the Peace, or other persons empowered to administer oaths and declarations under the Oaths and Declarations Act 1957.]

⁴ For administrative purposes this includes those who have evidence of ancestry from the independent and sovereign nations of the South Pacific and meet the conditions of paragraph 29(a-d) and for whom priority must be given. This includes The Republic of Fiji, The Kingdom of Tonga, Manu Samoa, the Cook Islands, Solomon Islands, Vanuatu, Tuvalu, Nauru, Niue and Kiribati. It also includes the atolls of Tokelau for which New Zealand is administratively and constitutionally responsible.

⁵ Additionally, on the basis of a request by a consortia, TEC may grant admission to learners descended from persons from French Polynesia, Wallis and Futuna Islands, New Caledonia, Papua New Guinea and American Samoa provided they also meet the conditions of paragraph 29(a-d) and there is spare capacity but only after prior consideration of admission by Māori and Pasifika learners as identified in notes 3 and 4.

PART TWO: FUNDING CONDITIONS

General Conditions

32. The TEC, in funding an organisation eligible for funding under this funding mechanism under section 159ZC of the Act, may impose any conditions on funding that it considers necessary, including, without limitation, conditions for ensuring that funding will achieve the purpose for which it has been allocated.

Conditions that the TEC must or may attach to funding

33. The TEC must or, in the case of paragraph 44, may impose the following specific conditions on funding provided to each relevant organisation under this funding mechanism.

Eligible organisations

34. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups, brokerage and/or consortium activities under this funding mechanism must meet and continue to meet all of the relevant eligibility criteria for organisations under this funding mechanism.
35. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism remains as part of the same approved consortium for the length of the funding period, except as agreed by the TEC for the purpose of continuing to support enrolled learners.
36. The TEC must attach to funding a condition that if an organisation that receives MPTT funding under this funding mechanism:
- a. must not subcontract any activities funded under this funding mechanism without the prior written consent of the TEC; and
 - b. must comply with any conditions imposed by the TEC on a consent to subcontract any activities funded under this funding mechanism; and
 - c. must ensure that a party to whom activities funded under this funding mechanism are subcontracted does not further subcontract any functions; and
 - d. remains accountable for the use of any funding for activities funded under this funding mechanism that are subcontracted.

Learners

37. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups and/or brokerage under this funding mechanism must ensure that each learner meets and continues to meet the criteria of paragraph 28 of this funding mechanism.

Programmes and qualifications for fees top-ups

38. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must ensure that

a programme of study or training in which an eligible learner is enrolled meets and continues to meet the criteria of paragraph 29 of this funding mechanism.

39. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must:
- a. ensure that the funding is not used to fund a New Zealand Apprenticeship, a traineeship, or a managed apprenticeship; and
 - b. comply with the funding conditions for the relevant SAC-funded programme; and
 - c. in the case of learners for whom the organisation receives MPTT funding for fees top-ups for SAC-funded programmes at Level 3 or Level 4, use the Literacy and Numeracy for Adults Assessment Tool (or the youth option of the Tool) to identify the literacy, numeracy, or literacy and numeracy needs of each learner, and measure his or her progress, as required by the TEC.

Brokerage

40. The TEC must attach to funding a condition that an organisation that receives MPTT funding for brokerage under this funding mechanism must provide brokerage services, in relation to eligible learners, as indicated by the purposes of brokerage set out in this funding determination.

Fees and associated course costs

41. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must not charge a fee to a learner enrolled in a qualification that is funded under this funding mechanism.
42. The TEC must attach to funding a condition that an organisation that receives MPTT funding for brokerage under this funding mechanism must not charge a fee to a learner for brokerage services.

Eligible organisation's responsibilities

43. The TEC must attach to funding a condition that an organisation that receives MPTT funding under this funding mechanism must meet minimum performance standards specified by the TEC.

Consortium lead member's responsibilities

44. The TEC may attach to funding a condition that the lead member of a consortium that receives funding for consortium activities must enter into an arrangement, or arrangements, with each other member of the consortium that:
- a. enables the lead member to meet conditions of funding imposed by the TEC on the lead member; and
 - b. imposes on each member of the consortium obligations owed to the lead member that are similar to the lead member's obligations in respect of any funding received under this funding mechanism; and
 - c. imposes on each other member of the consortium obligations to provide information to and fully cooperate with the lead member and the TEC, in

order to verify the lead member's compliance with conditions of funding imposed by the TEC on the lead member.

45. The TEC must attach to funding a condition that the lead member must not, without the prior written consent of the TEC, enter into any arrangement with another organisation, or end any arrangement with any other member of that consortium, that would have the effect of changing the membership of the consortium that the lead member leads.

Funding from other sources

46. The TEC must attach to funding a condition that an organisation that receives funding under this mechanism must:
- a. not (without the TEC's prior written consent) seek or obtain any funding, from any Crown source other than the TEC, to fund a programme or training scheme 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.
47. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups for an eligible learner under this funding mechanism must not seek or claim fees payments or other fees top-up funding from any other Crown source for the same learner, without the prior approval of TEC in writing.

Responsible use of funding

48. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism must use the funding:
- a. lawfully, responsibly, and for the purposes for which the funding is provided; and
 - b. in a manner consistent with the appropriate use of public funds.

Recovery of over funding

49. The TEC must attach to funding a condition that, if the organisation receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the organisation 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 organisation.

TEC administrative responsibilities

50. The TEC must attach to funding a condition that, if the organisation receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must treat the amount of the under-funding as a credit and pay the amount as soon as is reasonably practicable.