



## Education Report: Updated Ministerial funding determinations to implement fees-free tertiary education for 2018

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	21 December 2017	<b>Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1098940
<b>Drafter:</b>	Rebecca Weir	s 9(2)(a) OIA	
<b>Key contact and number:</b>	Julie Keenan Policy Director		
<b>Messaging seen by Communications team:</b>	No	<b>Round robin:</b>	No

### Purpose of report

This paper seeks your agreement to two new supplementary determinations, replacing those issued on 8 December 2017. These reflect that eligibility for fees-free tertiary education excludes "returning adults" who had been enrolled in school in 2017 or 2018, but that returning adults can be concurrently enrolled in school and utilise their fees-free tertiary study.

### Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to the attached supplementary funding determination for Student Achievement Component – provision at Level 3 and above on the New Zealand Qualifications Framework to take effect from 1 January 2018

**Agree / Disagree**

- b. **agree** to the attached supplementary funding determination for the Industry Training Fund to take effect from 1 January 2018

**Agree / Disagree**

- c. **sign** the attached letter to the Chair of the Tertiary Education Commission, advising him of these supplementary funding determinations

**Agree / Disagree**

- d. **agree** to forward a copy of this report and attachments to Hon Tracey Martin, Associate Minister of Education, for her information.

**Agree / Disagree**

  
Julie Keenan  
Policy Director  
Graduate Achievement, Vocations and Careers

Hon Chris Hipkins  
Minister of Education

21/12/2017

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## Background

- 1 You recently agreed to two supplementary funding determinations, SAC Level 3+ and Industry Training Fund, to include funding conditions which give effect to the manifesto commitment for fees-free tertiary education in 2018 [METIS 1095634].
- 2 On 20 December, we discussed with you that some people who enrolled in school as returning adults are being identified as eligible for fees-free, despite having prior tertiary study and qualifications [METIS 1097742 refers].
- 3 You agreed to exclude people in this category from eligibility for fees-free, given this is inconsistent with the policy intent.

## Change to funding determinations

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- 4 We have prepared new supplementary funding determinations for SAC Level 3+ and the Industry Training Fund. These new supplementary determinations *replace* the two supplementary funding determinations you issued on 8 December 2017.
- 5 The changes to the supplementary funding determination for SAC Level 3+ amend paragraph 73C and adds an additional paragraph 73H, to:
  - Exclude people who have enrolled in schools as returning adults from automatic eligibility for fees-free study as school leavers
  - Allow people enrolled in schools as returning adults to utilise their fees-free tertiary study entitlement concurrently with their school enrolment.
- 6 This same change is reflected in paragraphs 47C and 47H of the supplementary funding determination for the Industry Training Fund.
- 7 The remainder of the supplementary funding determinations are unchanged from the ones you issued on 8 December 2017.
- 8 No consequential changes are required to the letter of delegation you sent to the Tertiary Education Commission (TEC) on 8 December as a result of these new supplementary funding determinations.

## Next Steps

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- 9 We recommend that you agree to the two supplementary determinations, and sign the letter to the Chair of the TEC informing him of these new supplementary funding determinations.
- 10 We recommend that you forward a copy of this report and the supplementary funding determinations to Hon Tracey Martin, Associate Minister of Education, for her information.

## Annexes

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- Annex 1: Letter to the Chair of the TEC to issue the two supplementary funding determinations
- Annex 2: Supplementary funding determination Student Achievement Component – provision at Level 3 and above on the New Zealand Qualifications Framework
- Annex 3: Supplementary funding determination for the Industry Training Fund

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

Dear Nigel

**Supplementary Determination of Design of Funding Mechanism: Student Achievement Component – provision at Level 3 and above on the New Zealand Qualifications Framework**

**Supplementary Determination of Design of Funding Mechanism: Industry Training Fund**

I write to advise you of two new supplementary funding determinations I have made under section 159L of the Education Act 1989, to come into effect from 1 January 2018:

- Student Achievement Component – provision at Level 3 and above on the New Zealand Qualifications Framework and
- the Industry Training Fund. The supplementary determinations are set out in the appendix to this letter.

These new supplementary funding determinations replace those I sent to you on 8 December 2017. The only changes to both documents relate to the assessment of eligibility for fees-free tertiary education for people who have been enrolled in a school in 2017 or 2018 as “returning adult” students. The documents now clarify that a person who enrolls in school as a “returning adult” is not automatically eligible for fees-free tertiary education regardless of their prior study. The documents also allow “returning adult” students to use any fees free entitlement while concurrently enrolled in a school.

Under section 159O of the Act, it is the Commission’s responsibility to develop the operational policy and practices needed to implement my determinations of the design of funding mechanisms. I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to this determination.

Yours sincerely

Chris Hipkins  
Minister of Education

## **SUPPLEMENTARY DETERMINATION OF DESIGN OF FUNDING MECHANISM FOR:**

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

#### ***Background***

1. The Determination of Design of Funding Mechanism: "Student Achievement Component (SAC) – Provision at Level 3 and above on the New Zealand Qualifications Framework" (the principal determination) was issued in November 2016.

#### ***Effective date***

2. This Supplementary Determination of the Design of Funding Mechanism: Student Achievement Component (SAC) – Provision at Level 3 and above on the New Zealand Qualifications Framework (the supplementary funding determination) amends the principal determination with effect from 1 January 2018, and replaces the previous supplementary determination issued on 8 December 2017.

#### ***Part Two: Funding Conditions***

##### ***Fees and Associated Course costs***

3. Insert new paragraphs after paragraph 73 of the principal funding determination as follows:

##### ***"Fees-Free Tertiary Education***

- 73A. *The TEC must attach to funding a condition that the fees (as defined by paragraph 73G) payable to a TEO for the 2018 academic year must be charged by the TEO to the TEC for payment on behalf of the student, if the TEC has advised the TEO that the student is eligible for fees-free tertiary education provision.*
- 73B. *The TEC must determine which students are eligible for the TEC to make fee payments to the TEO on behalf of the student, and advise each relevant TEO.*
- 73C. *A student eligible for fees-free tertiary education provision:*
- a) *is one of the following:*
    - i. *a New Zealand citizen; or*
    - ii. *an Australian citizen or permanent resident, and has lived in New Zealand for at least three years; or*
    - iii. *a New Zealand resident, and has lived in New Zealand for at least three years; or*



- iv. a New Zealand resident, and be a refugee or protected person, or be a sponsored family member of a refugee or protected person; and
- b) is not concurrently enrolled in a school at the start date of the course or programme (except for those enrolled in school as a returning adult student, see paragraph 73H); and
- c) has either:
- i. been enrolled in a school at any time during 2017 or 2018 (all 2017 or 2018 school leavers who meet criteria a and b above will be eligible for fees-free tertiary education regardless of any prior tertiary study undertaken), except that a returning adult student (see paragraph 73H) must meet the criteria in paragraph (c)(ii) to be eligible for fees-free tertiary education); or
  - ii. prior to 1 January 2018, not undertaken more than half a year of equivalent full-time tertiary education (0.5 EFTS or 60 credits<sup>1</sup>) at Level 3 or above on the NZQF, including tertiary education at an equivalent level undertaken in any other country, but excluding any tertiary education undertaken while enrolled in a school, except for returning adult students (see paragraph 73H).
- 73D. The TEC may use discretion to determine that a student who does not meet all of the criteria in paragraph 73C is eligible for fees-free tertiary education provision after considering the student's exceptional personal circumstances.
- 73E. The TEC must attach a condition of funding that:
- a) each TEO that is required to charge any fees to the TEC for payment on behalf of a student, in accordance with this funding mechanism, must not charge the student for any portion of the same fee; and
  - b) in 2018, each TEO must work collaboratively with the TEC to give effect to the fees-free tertiary education initiative within the SAC Level 3 and above. In particular, the TEO must provide information as required by the TEC, to enable the TEC to understand the EFTS consumption of eligible students, and in relation to fees.
- 73F. The payment made by the TEC on behalf of the student for fees is up to a maximum of \$12,000 (inclusive of GST) per student. Any fees in excess of the maximum amount paid by the TEC on behalf of the student may be charged by the TEO to the student, and the student, if eligible, may seek a student loan for this portion of the fees not paid on their behalf by the TEC.
- 73G. For the purposes of paragraphs 73A-73F, "fees" are defined as:
- a) compulsory tuition fees and other compulsory fees, as outlined in paragraph 91; or
  - b) compulsory student services fees.

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<sup>1</sup> This includes tertiary education undertaken through the industry training fund in terms of credits achieved at Level 3 or above on the NZQF.

73H. For the eligibility criteria in paragraph 73C, "returning adult student" means a person over the age of 19 years who has enrolled at a school after at least one year since they left school. For the avoidance of doubt:

- a) returning adult students do not automatically qualify for fees free tertiary education as school leavers under paragraph 73C(c)(i); and
- b) returning adult students can be concurrently enrolled in school and tertiary study and be eligible for fees-free tertiary education; and
- c) tertiary study undertaken while enrolled as a returning adult student must be taken into account as prior tertiary study for the purposes of paragraph 73C(c)(ii) above."

#### **High Cost provision**

4. Replace paragraph 68 of the principal determination as follows:

68. "A TEO that is allocated EFTS for aviation provision that includes an in-flight training component (pilot training) must supply StudyLink with the correct student enrolment information, through the Verification of Study system, that ensures that:

- a. annual student loan fee borrowing for any pilot training student does not exceed:
  - i. \$35,000 per EFTS, if not eligible for fees-free tertiary education, as set out in paragraphs 73C and 73D; or
  - ii. \$35,000 per EFTS, less up to the maximum payment of \$12,000 paid by the TEC on behalf of the student for fees (as set out in paragraphs 73A-73G).
- b. where a pilot training student is studying part-time, annual student loan fee borrowing does not exceed the proportion of \$35,000 that is represented by the proportion of an EFTS course load that is being undertaken by the student, less any fees payment made by the TEC on behalf of the student (as set out in paragraphs 73A-73G). For example, if a student is studying 0.4 EFTS in the year, the student loan borrowing limit will be \$14,000. For those eligible for the fees-free tertiary education payment under paragraphs 73A-73G, the student loan borrowing limit for 0.4 EFTS in the year would be \$14,000, less up to the maximum payment of \$12,000 paid by the TEC on behalf of the student for fees."



## SUPPLEMENTARY DETERMINATION OF DESIGN OF FUNDING MECHANISM FOR: INDUSTRY TRAINING FUND

### **Background**

1. The Determination of Design of Funding Mechanism: "Industry Training Fund" (the principal determination) was issued in September 2017.

### **Effective date**

2. This Supplementary Determination of the Design of Funding Mechanism: Industry Training Fund (the supplementary funding determination) amends the principal determination with effect from 1 January 2018, and replaces the previous supplementary determination issued on 8 December 2017.
3. Insert new paragraphs after paragraph 47 of the principal funding determination as follows:

### **"Fees-free tertiary education**

- 47A. *Industry trainees that meet eligibility requirements for the fees-free tertiary education (as set out in paragraphs 47C and 47D), and their employers, are not required to pay fees (as defined in paragraph 47G), and instead fees are charged by TEOs to the TEC for payment on the trainee's behalf, relating to the training time period set out in paragraph 47F.*
- 47B. *The eligibility, fees, time periods, and payment arrangements set out in paragraphs 47C-47H will apply to the Industry Training Fund in 2018.*

### **Eligibility**

- 47C. *The TEC must determine which trainees are eligible for the TEC to make fee payments to the TEO on behalf of the trainee, and advise each relevant TEO. An industry trainee is eligible for fees-free tertiary education if the trainee:*
  - a) *is enrolling in a programme that commences from 1 January 2018 that:*
    - i. *is at NZQF Level 3 or above; and*
    - ii. *is approved by NZQA; and*
    - iii. *comprises at least 120 credits (which includes all New Zealand Apprenticeships); and*
  - b) *is not concurrently enrolled in a school at the start date of the programme (except for those enrolled in school as a returning adult student, see paragraph 47H); and*
  - c) *has either:*
    - i. *been enrolled in a school at any time during 2017 or 2018 (all 2017 or 2018 school leavers who meet criteria a and b above will be eligible for fees-free tertiary education*

regardless of any prior tertiary study undertaken), except that a returning adult student (see paragraph 47H) must meet the criteria in paragraph (c)(ii) to be eligible for fees-free tertiary education); or

- ii. prior to 1 January 2018, not undertaken more than half a year of equivalent full-time tertiary education (0.5 EFTS or 60 credits<sup>1</sup>) at Level 3 or above on the NZQF, including tertiary education at an equivalent level undertaken in any other country, but excluding any tertiary education undertaken while enrolled in a school, except for returning adult students (see paragraph 47H).

47D. The TEC may use discretion to determine that a trainee who does not meet all of the criteria in paragraph 47C is eligible for fees-free tertiary education after considering the trainee's exceptional personal circumstances.

47E. The TEC must establish requirements that TEOs must comply with so that the TEC can verify each industry trainee's eligibility for fees-free tertiary education.

#### *Time period to receive fees-free tertiary education payments*

47F. Eligible trainees that commence their industry training programme in the 2018 calendar year will be eligible for their fees to be paid by the TEC on their behalf for the first 24 months of the training programme.

#### *Fees*

47G. For the purposes of paragraphs 47A-47F, "fees" are defined as: fees for training and assessment, including fees paid to ITOs, paid directly to training and assessment providers, or paid as part of fees-charged by group training schemes.

#### *School enrolments*

47H. For the eligibility criteria in paragraph 47C, "returning adult student" means a person over the age of 19 years who has enrolled at a school after at least one year since they left school. For the avoidance of doubt:

- a) returning adult students do not automatically qualify for fees free tertiary education as school leavers under paragraph 47C(c)(i); and
- b) returning adult students can be concurrently enrolled in school and tertiary study and be eligible for fees-free tertiary education; and
- c) tertiary study undertaken while enrolled as a returning adult student must be taken into account as prior tertiary study for the purposes of paragraph 47C(c)(ii) above."

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<sup>1</sup> This includes tertiary education undertaken through the industry Training Fund in terms of credits achieved at Level 3 or above on the NZQF.



## **Part Two: Funding Conditions**

### **Financial contribution**

4. Replace paragraph 53 of the principal funding determination as follows:

53. *"The TEC must attach to funding a condition that a TEO that receives funding from the Industry Training Fund must ensure that all employers of industry trainees or apprentices who are enrolled with the TEO make a financial contribution towards the cost of each trainee's or apprentice's training and assessment, noting that there may be some specific circumstances where the full financial costs of training and assessment for a trainee could be met by the financial contribution from the Industry Training Fund and the fees-free tertiary education initiative."*

5. Insert new paragraph after paragraph 58 of the principal funding determination as follows:

### **Fees-free tertiary education**

58A. *"The TEC must attach to funding a condition that in 2018 TEOs must work collaboratively with the TEC to give effect to the fees-free tertiary education initiative within the Industry Training Fund, and in particular each TEO must:*

- a) advise the TEC, if the TEO offers fees-free tertiary education eligible training programmes (see paragraph 47C), of the total applicable amount charged to eligible trainees and their employers for training and assessment in the eligible training programmes;*
- b) agree to charge the TEC the actual and reasonable training and assessment fees (as determined by the TEC) for trainees eligible for fees-free tertiary education (see paragraphs 47A-47G), and must not charge trainees or their employers for these fees;*
- c) provide information as required by the TEC, to enable the TEC to determine the eligibility of trainees, and must provide information, as required by the TEC, in relation to fees; and*
- d) comply with any requirements established by the TEC to enable the TEC to understand the consumption of industry training by eligible trainees."*