



Education Report: Delegation for funding Fees Free and Targeted Training and Apprenticeship Fund in 2021

To:	Hon Chris Hipkins, Minister of Education		
Date:	11 December 2020	Priority:	High
Security Level:	In Confidence	METIS No:	1246811
Drafter:	9(2)(a)	DDI:	9(2)(a)
Key Contact:	Shelley Robertson	DDI:	04 463 7530 9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report seeks your agreement to issue a letter of delegation for Fees Free tertiary education and training in 2021. The letter of delegation describes how the Tertiary Education Commission must administer Fees Free payments, for Fees Free Tertiary Education and Training and the Targeted Training and Apprenticeship Fund (TTAF).

Recommended Actions

The Ministry of Education recommends you:

- note** that the delegation reflects the additional target areas from 2021 for the Targeted Training and Apprenticeship Fund, proposed to the Employment, Education and Training Ministers Group
- note** that other setting changes have been made, in-line with the policy intent, and are outlined in this report
- sign** the attached letter of delegation to the Chair of the Tertiary Education Commission, subject to Employment, Education and Training Ministers agreeing to the proposed target areas for 2021, on 16 December 2020
- proactively release** this education report, with any information that may need to be withheld redacted in line with the provisions of the Official Information Act 1982.

Release / Not release



Katrina Sutich
Group Manager
Tertiary Education



Hon Chris Hipkins
Minister of Education

11/12/2020

17/12/2020

Background

1. The Fees Free tertiary education and training delegation for 2021 reflects the settings you agreed to in June 2020 for the Targeted Training and Apprenticeship Fund (TTAF) and Fees Free [METIS 1230261, METIS 1228253, METIS 1229724 refer].
2. In June 2020, Cabinet delegated you authority to change policy settings for funding tertiary education organisations (TEOs) to implement the TTAF, but changes to target areas for 2021 were to be considered by the Employment, Education and Training (EET) Ministers Group [SWC-20-MIN-0055 and confirmed in CAB-20-MIN-0247].
3. Proposed target areas for 2021 were provided to you for your agreement [METIS 1244960 refers]. Advice on proposed additional target areas was provided to the EET Ministers Group for their consideration on 16 December 2020.
4. In September 2020, you agreed to some minor changes to Fees Free tertiary education and training settings from 2021, which have already been implemented in determining learner eligibility for 2021 [METIS 1239349 refers].

Changes to the settings in the delegation for 2021

Fees Free Tertiary Education and Training

5. In September 2020, you agreed to changes to Fees Free settings from 2021:
 - only school leavers from the current year and two preceding calendar years can access Fees Free Tertiary Education and Training without being subject to eligibility criteria for prior tertiary study
 - Refugee English Fund study will be specified as a programme that does not consume Fees Free entitlement or count towards prior tertiary study in assessing eligibility for Fees Free Tertiary Education and Training.
6. These changes were reflected in the Fees Free eligible settings for 2021 that the Tertiary Education Commission (TEC) has already communicated and is using to assess fees-free learner eligibility for those intending to study in eligible programmes in 2021.
7. The attached delegation makes one further setting change to Fees Free relating to the TEC's discretion to make retrospective payments for fees-free eligible learners (paragraphs 27 and 28 in the delegation). These provisions relate to fees-free eligible learners, who were not determined to be eligible and did not receive fees-free payments, in the calendar year of their enrolment.
8. The TEC is responsible for determining a learner's fees free eligibility, and TEOs are required to work with the TEC to identify eligible learners. Sometimes learners, especially older learners engaging with tertiary study, may not realise they could benefit from Fees Free and seek to have that determined by the TEC. While most will be identified and benefit from Fees Free within the calendar year, some may not.
9. The previous wording on providing retrospective payments, refereed to making payments in situations where eligible learners did not benefit from Fees Free payments, the year they started study or training, when it was through no fault of the learner. This could be interpreted as the learner having to indicate they were not advised correctly about accessing Fees Free as the reason they did not benefit from Fees Free. The policy intent for Fees Free is for the learner to not face barriers to receiving their Fees Free entitlement.

10. We have changed the settings to be more enabling and in-line with the policy intent of Fees Free supporting access to tertiary education and training. This minor change will not reduce the incentive for learners to determine their Fees Free eligibility earlier. Learners are already incentivised to determine their Fees Free eligibility before they start studying, as the tertiary education organisations (TEOs) will seek fee payments from them.

Targeted Training and Apprenticeship Fund

Target areas

11. The main change to the settings from 2021 relates to the target areas. We have sought EET Ministers Group agreement to the following target areas for TTAF from 1 January 2021:
- a. Primary industries, including agriculture, horticulture and viticulture, fisheries (including aquaculture) and forestry;
 - b. Conservation, including freshwater management, biodiversity and biosecurity training needs that support the Jobs for Nature initiative *[Added from 2021]*;
 - c. Construction, including building, plumbing, and civil engineering;
 - d. Community support, including youth work, mental health and addiction support, care for older people, support for people with disabilities (including teacher aide and learning to teach New Zealand Sign Language to others), community health (including enrolled nursing and cleaning), and interpreting *[expanded scope from 2021]*;
 - e. Manufacturing and mechanical engineering and technology;
 - f. Electrical engineering;
 - g. Information technology¹, including cybersecurity, technical support and web development *[Added from 2021]*; and
 - h. Road transport (vehicle operations).
12. The attached delegation reflects these proposed target areas, including the additional areas of conservation and information technology for 2021. As this is subject to EET Ministers' agreement, if the Ministers agree to a target list that is different from above, the attached delegation will be updated to reflect those decisions.
13. When these target areas are confirmed, the TEC will then communicate to TEOs and to learners an initial qualification list that reflects these additional target areas. The TEOs can also submit other qualifications and programmes for consideration by the TEC as an eligible programme.

Proposed coverage within TTAF for programmes that are eligible from 1 January 2021

14. For programmes in the additional target areas that are eligible programmes from 1 January 2021, there will need to be some flexibility around when provision is covered through the TTAF. This is similar to when the TTAF was introduced on 1 July 2020. However, the start of the calendar year, is also the start of a new academic year for provider-based provision, and only a small number of programmes at sub-degree level within the additional areas of coverage will have courses that start in 2020 and continue

¹ As this area relates to people training towards information technology (IT) roles and professional skills, these do not include qualifications to build personal computing or digital literacy skills as a user of technology, or general business administration skills.

into 2021. The TEC will have discretion to include courses that start shortly before 1 January 2021, or include other courses that start prior to 1 January 2021, in exceptional cases, in line with the policy intent of the TTAF and taking into account the amount of a course that is delivered after 1 January 2021.

15. For industry training, any training delivered in additional eligible programmes can be covered from 1 January 2021.

Clarity for operational rules around end dates

16. The delegation also specifies the operational rules around end dates for coverage. While this is two years away, on 31 December 2022, TEOs will be enrolling learners in 2021, who may have programmes that go beyond those dates and this helps clarify the end of eligibility for courses within those programmes.
17. Coverage for industry training will end on 31 December 2022. Coverage for provider-based tertiary education will be related to the start and end dates of the courses that start before 31 December 2022 and end after 31 December 2022. It also specifies that courses that start just before the 31 December 2022, will not necessarily be covered. This should discourage any TEO from shifting course start dates prior to 31 December 2022 for the purposes of gaining funding from the TTAF into 2023.

Managing risks around industry training fees

18. As indicated in previous advice on the TTAF, the government does not regulate fees for provision funded through the Industry Training Fund (ITF) [METIS 1230261 refers]. This poses a risk that transitional ITOs significantly increase fees that are now being paid by the government through the TTAF.
19. In July, we advised against starting to regulate all industry training fees from 2021, given the complex fee arrangements for ITF-funded provision and that it would place unrealistic expectations on transitional industry training organisations (ITOs) during the Reform of Vocational Education transition [METIS 1229901 refers]. Instead we indicated we would continue to manage risks through TTAF from 2021, including the delegation and TEC's TTAF contracts with TEOs.

Provisions in funding delegation to manage risks of unregulated industry training fees

20. To manage this risk for 2020, we included provisions in the delegation that TEC has discretion to not pay fees for industry training programmes where it considered the fees were not reasonable. 9(2)(b)(ii)

_____. The TEC has also required transitional ITOs to obtain declarations from employers, who pay fees on behalf of learners, stating the fees being claimed are reasonable.

21. For 2021, we have included additional provisions in the delegation to manage the risks of unregulated industry training fees. This includes specifying that industry training fees should be set in line with fee schedules agreed between TEC and transitional ITOs. This reflects the expectation that fees should reflect and align with fees in place prior to the establishment of TTAF, and not increase unreasonably. The TEC will have an application process for changes to fees agreed to in the fee schedule, 9(2)(g)(i)

22. As there are no fee regulation settings for industry training, the additional fee provisions are conditions on TTAF payments only. The recourse to any fee issues would be that the programme can be excluded from being covered in TTAF and receiving TTAF payments. 9(2)(g)(i)

23. The TEC will look to work closely with transitional ITOs to support compliance with these provisions. The TEC have advised that most transitional ITOs have generally been working well with them on collection of fee schedules and alerting them to risks from fees charged by employers or providers for TTAF training.

Fee changes to Primary ITO from Dairy New Zealand

24. An example of a fee increase in 2021 due to reasons outside the transitional ITO's control, relates to the Primary ITO. In August 2020, Dairy New Zealand advised the Primary ITO that from 1 July 2020 it would discontinue its \$1.5 million per annum training payment to the Primary ITO. This timing coincided with the introduction of TTAF. Subsequently, the Primary ITO has applied to the TEC to increase its dairy training fees covered through TTAF to spread the cost from losing this payment from an industry group across its dairy training programmes.
25. Given the circumstances involved, (fee increases from the gap in funding from an industry group), the TEC agreed to changes to the relevant fees and these will be met through increases in the fees covered by the TTAF.

Future work on fees

26. In our recent post-election advice [METIS 1244783 refers], we provided some initial advice on learner and employer contributions to vocational education and training (VET). You indicated that this could be discussed in a strategy session in early 2021. We will also provide you with initial advice on designing a new fee regulation system for VET to support these discussions in early 2021.

Monitoring

27. Given some of the risks in the TTAF covering all tuition and training fees, we expect TEC to monitor the industry training fee schedules and actual fee payments, significant enrolment growth in a programme gaining TTAF payments, learner withdrawals and retention. Within Fees Free, the TEC has reporting and monitoring practices. The Ministry also has a monitoring framework with annual Fees Free reporting.
28. The Ministry and the TEC are undertaking further analysis of students with fees-free carry-over entitlement from 2018 to 2019, and which tertiary providers they were enrolled with, to ensure that carry-over entitlements are being accessed by eligible learners. Initial analysis by the Ministry on 2019 fees-free data indicated that a portion of fees-free eligible learners from 2018 were continuing to study into 2019, in fees-free eligible programmes, with residual fees-free entitlement, but were not benefiting from fees-free payments. Fees Free data for the 2020 year is yet to be received and analysed by the Ministry, to check if this issue is continuing into 2020.

Next steps

29. We request that this letter of delegation is sent to the TEC as soon as possible to enable the TEC to send funding agreements and issue communications to TEOs prior to organisations closing for the Christmas break. This would be on 16 December 2020, after EET Ministers have agreed to the target areas for 2021. We will work with your office on communications to outline the additional target areas for 2021 that will be available fee-free to learners under TTAF.