



## Briefing Note: Advice and talking points to support your meeting with Quality Tertiary Institutes (QTI)

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	8 December 2021	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1276844
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<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

This paper provides you with background information and talking points to support your meeting with Quality Tertiary Institutions (QTI), a peak body for twelve Private Training Establishments (PTEs).

### Summary

- You are meeting with QTI representatives Tommy Honey (Executive Director), Brijesh Sethi (Chairperson), and 21 representatives of QTI's twelve member associations, via Zoom, at 10–10:30 am on 9 December 2021.
- QTI have requested a strategic discussion with you on:
  - the role of PTEs in the tertiary education sector, including sharing QTI's commitment to quality;
  - funding of the PTE sector, including the Unified Funding System (UFS) and the impacts of COVID-19 on funding; and
  - your view of international education.
- Based on recent agency engagements with QTI, we anticipate discussion will centre on the impacts of COVID-19 on the PTE and international sectors, including on funding and the availability of financial supports for PTEs. You may also want to update QTI about the progress of the UFS and recent border and international education changes.
- Officials from the Ministry of Education, Tertiary Education Commission (TEC), New Zealand Qualifications Authority (NZQA), and Education New Zealand (ENZ) will also be present to support the meeting.

## Proactive release

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The Ministry of Education recommends you:

- a. **agree** that this briefing note is proactively released following your meeting with QTI and with redactions in line with the provisions of the Official Information Act 1982.

**Agree / Disagree**



Kieran Forde  
**Acting Manager**  
Access and Participation Policy  
Te Puna Kaupapahere  
08/12/2021

Hon Chris Hipkins  
**Minister of Education**

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## The role of PTEs in the tertiary education sector

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1. QTI is one of four recognised peak bodies that represent the views and interests of PTEs across New Zealand. QTI has twelve member associations that offer foundation, certificate, degree, and postgraduate qualifications.<sup>1</sup>
2. PTEs play an important role in the education pipeline, including as providers of vocational education and training (VET) and international education. PTEs have many strengths that are vital to the success of learners and the system shifts the Government seeks to achieve through the Tertiary Education Strategy and the Reform of Vocational Education (RoVE). PTEs will have a key role implementing priorities around quality teaching and leadership, and ensuring barrier-free access for learners. The strong relationships and experience that PTEs have working closely with industry and learners will be key to creating a more joined up and effective VET system.
3. QTI would like to share its commitment to quality with you. We expect this will include updating you on the quality standards that QTI expects of its members; QTI's recent input into government policy and consultation processes; and QTI's publically-stated focus on improving the educational environment and outcomes for learners.

## Funding of the PTE sector, including the Unified Funding System and the impacts of COVID-19 on funding

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### The Unified Funding System (UFS)

4. Work on the UFS is progressing. It is our intention to make announcements on the new funding system and new funding rates by the end of April 2022, for implementation in 2023. The PTEs will want to understand the impact of these changes on their businesses and plan accordingly. Given the design of the UFS is still subject to Cabinet decisions, there are no further updates that we can provide the sector at this time.

### The impacts of COVID-19 on QTI PTEs

5. QTI PTEs have been impacted by COVID-19 in different ways:
  - a) While some QTI members report stable (and in some cases increased) domestic learner numbers, some members (particularly those with delivery in Auckland) advise that they expect significant domestic under-delivery. QTI members have a history of under-delivery across Student Achievement Component (SAC) and Youth Guarantee Funds, including both pre-pandemic and during 2020 when impacted by COVID-19 restrictions. **Annex 2** provides more detail regarding funding and delivery of QTI PTEs.
  - b) Other QTI members have been impacted by the loss of international learners due to COVID-19 border restrictions. QTI has indicated that working to help members mitigate the impacts of COVID-19 on PTEs, and especially on PTEs with international learners, is a high priority for it.

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<sup>1</sup> QTI's member associations are: Future Skills Academy, ICL Education Group, Land Based Training, Laidlaw College, Media Design School, New Zealand Management Academies, New Zealand School of Education, Pacific International Hotel Management School, IPU NZ, the International Travel College of New Zealand, Whitecliffe College of Arts and Design, and Yoobee School of Design.

## **Funding and the impacts of COVID-19 on the PTE sector more generally**

6. We previously provided you with an update on the state of the PTE sector during COVID-19 [METIS 1254082 refers]. A summary of key points follows:
- a) The PTE sector is generally more agile than other sectors, and PTEs are able to move into new programmes and expand or reduce programmes quickly as demand changes.
  - b) During COVID-19 lockdowns last year, many PTEs immediately reduced their part-time, short-term staff, significantly reducing their expenditure in 2020. Nevertheless, the sector reported \$80 million less revenue from international students for 2020 (based on preliminary Export Education Levy data).
  - c) COVID-19's impact on individual PTEs varies depending on factors such as the number of international learners, geographic location, and the nature and level of fixed costs. Unfunded PTEs are more reliant on international learners, so COVID-19 border restrictions have reduced their revenue.
  - d) Funded PTEs (particularly those who cater largely to domestic learners) showed little change in their forecasted financial viability in 2020. Some PTEs delivering priority programmes have seen increasing demand from domestic learners (and have received a corresponding funding increase from the TEC), and a large number have also benefited from Government initiatives to address the impacts of COVID-19 [METIS 1274226 refers].<sup>2</sup>
7. Officials have been advised that four significant PTEs have closed, or are closing, due to the impacts of COVID-19. Six PTEs have entered hibernation and approximately twelve PTEs have been merged or consolidated. There have also been some significant restructures of large-scale PTEs, such as Aspire2.

### **PTE peak bodies, including QTI, have expressed concern about the funding supports available to PTEs impacted by COVID-19**

8. QTI has repeatedly raised concerns about the impacts of COVID-19 and the funding available to PTEs in PTE peak bodies' quarterly meetings with education agency officials and in letters sent to you on 11 February and 30 September 2021 with fellow PTE peak body, Independent Tertiary Education New Zealand (ITENZ).
9. During your meeting with QTI and ITENZ on 5 August 2021, and in a letter that you sent them on 5 November, you reiterated that there will be no additional financial support for education providers for 2021/22, and that you were not considering other changes to recovery policies. You advised PTEs to work with TEC on opportunities to move their 2021 expected delivery into 2022 to respond to shifting demand due to COVID-19 restrictions.
10. 9(2)(g)(i) [REDACTED]

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<sup>2</sup> Government has provided a range of initiatives to support PTEs during COVID-19, including the \$10 million [PTE Targeted Assistance Fund](#); the \$1.5 million [PTE ESOL Provision Fund](#); the ability to "hibernate," which enabled PTEs to suspend delivery of accredited programmes and approved training schemes for up to 18 months, without affecting their registration; the ability to apply for support through the [small business cash flow loan scheme \(SBCS\)](#); and the [COVID-19 Wage Subsidy](#).

11. 9(2)(g)(i), 9(2)(ba)(i)

### **Government has acknowledged these concerns**

12. We have acknowledged QTI's (and ITENZ's) concerns. TEC has emphasised the importance of tertiary education organisations (TEOs) keeping their Relationship Manager/Advisor fully informed about their individual circumstances. By doing this, TEC can factor TEO-specific knowledge into future funding decisions on a case-by-case basis. TEC has also advised that it expects to see individual TEOs considering what these uncertain events mean for their longer-term operating models, and what adjustments they may need to make.

### **International education updates**

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#### **Suspension of the Export Education Levy**

13. Cabinet agreed to suspend the Export Education Levy (EEL) for the 2022 calendar year, based on sector feedback [CBC-21-MIN-0109]. EEL was suspended for 2020 and 2021 to recognise the significant financial hardship that COVID-19 was causing the international education sector. The 2022 suspension recognises this hardship remains ongoing. It will provide additional relief for TEOs with international students, including QTI members.
14. Agencies will work with the international education sector to introduce appropriate settings for 2023. In the meantime, services funded by EEL will be met by other revenue streams and matching service provision to sector and student needs.

#### **ENZ's Future Focus Programme**

15. In 2020, ENZ agreed to invest \$1.2 million in the six international education sub-sectors. The Future Focus Programme provided support of \$200,000 per sub-sector to help foster innovation within each sub-sector, to take account of the implications of the COVID-19 pandemic and to expedite change in achieving the objectives of the New Zealand International Education Strategy. QTI was allocated \$100,000 of the available funding.
16. In November 2021, the QTI board agreed to use this funding to progress a pilot project to develop a process for providers to develop and deliver 'hybrid' modes of learning delivery. The outcome of the pilot project will be a set of guidelines to enable providers across the sector to move swiftly and effectively into this mode.

#### **Border updates**

17. Since December last year, three international learner cohorts have been approved for entry to New Zealand. This permitted the entry of 250 PhD learners<sup>3</sup> and 1,000 degree-level learners.<sup>4</sup> A third cohort was publically announced on 22 October, including 400 pilot trainees, 300 degree-level and above learners, and 300 sub-degree learners.

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<sup>3</sup> 212 of these PhD students are in the country, although some students have entered and left New Zealand as they have completed their studies. 5 visa applications are still being processed.

<sup>4</sup> 804 of these students have been granted visas so far and 35 visa applications are currently under assessment. 616 of these students are currently in the country and 8 students have entered and left New Zealand as they have completed their studies.

Providers, including QTI members, will be able to nominate learners in December, with the first learners hopefully arriving in New Zealand by March 2022.

18. In November this year, the Government announced the next steps for Reconnecting New Zealand, including that from 30 April 2022, the border will open to fully vaccinated foreign nationals, which may include international learners. QTI may ask you for further information about what these border changes will mean for international education.

#### Ongoing work

19. You previously updated QTI and ITENZ on the draft policy statement on value for international education. The policy statement has been revised following sector consultation. It is currently going through departmental consultation and will go to peak bodies, including QTI, for final feedback shortly.

20. 9(2)(f)(iv)

#### Annexes

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**Annex 1:** Talking points

**Annex 2:** Domestic funding and delivery information about QTI members



## Annex 1: Talking Points

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### General

- Thank you for meeting with me today.
- I understand the last two years have been difficult for the PTE sector. I want to acknowledge the disruption that PTEs, and especially those with international students, have faced while our borders have remained closed.
- Thank you for your ongoing support for students, and for working with my officials on the reset and recovery of the sector. The way the sector has been able to adapt and innovate has been commendable. I am confident that we will be able to rebuild a strong, resilient, and high-quality education sector together.
- PTEs have an important role to play in the education pipeline. Your strong relationships and experience working closely with learners and industry will be key to creating a more joined up and effective vocational education and training (VET) system. You also have a key role implementing the Government's priorities for quality teaching and learning, and barrier free access for all learners.
- As you'll know, the 2020 funding guarantee for providers who under-delivered due to COVID-19 saw a significant investment to support the PTE sector. There is however no such funding guarantee for education providers in place for 2021.
- While I understand that this may be disappointing for you, I encourage you and your members to keep TEC informed about the issues you are facing, so this intel can be fed into funding conversations going forwards.
- I am keen for government and PTEs to keep working together to enable and support innovation and sector recovery from COVID-19.
- I would like to hear from you about QTI's progress developing guidelines as part of ENZ's Future Focus Programme, to support your members to develop and deliver hybrid modes of learning delivery.

### Unified Funding System update

- The Ministry and the TEC have been engaging with sector representatives on the detailed design phase of the UFS. This engagement has informed our advice on the design of the UFS, including the modelling of potential funding rates.
- Information on UFS funding rates will be available in mid-2022. Ahead of this, officials will provide clarity for the sector on the approach for transitioning into the new system, with the aim of supporting a smooth and managed shift to new funding rates, while minimising disruption to the network of provision.
- PTEs will continue to be integral to the network of vocational education and training (VET), with PTEs continuing to have a close relationship with employers and industries. Employers will be able to decide which providers they wish to engage with.

### Export Education Levy (EEL) and border updates

- To acknowledge the financial hardship faced by the international education sector specifically, Cabinet has decided to suspend the EEL for the 2022 calendar year.

- Officials will work with you and the sector to introduce appropriate settings for 2023. In the meantime, services funded by EEL will be met by other revenue streams and matching service provision to sector and student needs.
- You will have also heard that a third cohort of 1,000 international students have been approved for entry into New Zealand. You will be able to nominate learners from December, and we hope the first learners will arrive in New Zealand by March 2022.
- Government recently announced Reconnecting New Zealand, our next steps to safely re-open the borders and develop new ways for people to travel to and from New Zealand.
- The plan to reconnect New Zealand is comprised of a 3-step plan for travellers to enter with self-isolation requirements rather than going into managed isolation and quarantine (MIQ), providing they meet prescribed health requirements.
- Fully vaccinated NZ citizens and residents, and those with border exceptions, will be able to travel to and from Australia from 16 January 2022, and to and from all but Very High-Risk countries from 13 February 2022. Step 3 involves expanding to fully vaccinated foreign nationals via a staged opening, possibly by visa category, from 30 April 2022.
- There is no timeframe yet for when people will be able to apply for a student visa for step 3. More information about when specific groups of migrants (such as international students) will be able to apply for visas to return to New Zealand will be announced in due course.

#### **Other international education updates**

- I understand you were involved in earlier consultation on the draft policy statement on value for international education. The policy statement has been revised following sector consultation and will go to peak bodies, including QTI, for final feedback soon.
- My officials have also been working with MBIE on a joint paper with options around in-study and post-study work rights for international students at sub-degree level. The paper also proposed options around the amount of funding that international learners are required to prove they have before coming to study in New Zealand.
- My officials hope to consult with the sector about this for four weeks from late January.



## Annex 2: Domestic Funding and Delivery Information about QTI members<sup>5</sup>

### Key points:

- This analysis relates to Student Component and Youth Guarantee Funding only.
- Most of the domestic learners enrolled with QTI members are based in the Auckland region.
- Overall, QTI members have a history of under-delivery across Student Achievement and Youth Guarantee Funds. This under-delivery occurred both pre-pandemic, and during 2020 when impacted by COVID-restrictions. Indications are that 2021 will again result in under-delivery.
- In 2021, the value of delivery reported to date (i.e. as at end August) has significantly increased for SAC3+ compared to previous August and April SDR reporting periods. This reflects the uptake in tertiary demand seen across the wider sector following COVID-19 restrictions.
- Two PTEs 9(2)(b)(ii) were previously on track to meet their 2021 allocations and were approved for large amounts of in-year additional funding before the current lockdown restrictions.

### Regional Analysis

The table below shows the value of delivery (\$) by learner region for QTI PTEs, for years 2018 to 2021. This table clearly demonstrates that the majority of learners are Auckland-based.

**Table 1 – QTI members value of delivery (\$) by learner region, years 2018 to 2021<sup>6</sup>**

Learner Region	December SDR				August SDR			
	2018	2019	2020	2021	2018	2019	2020	2021
Auckland Region	\$37,989,187	\$37,788,096	\$39,000,554	\$44,589,093	67%	60%	59%	60%
Bay of Plenty Region	\$1,030,232	\$947,177	\$995,039	\$963,903	2%	2%	1%	1%
Canterbury Region	\$2,690,421	\$6,082,888	\$7,415,820	\$8,590,320	5%	10%	11%	12%
Hawke's Bay Region	\$391,045	\$194,247	\$29,810	-	1%	0%	0%	-
Manawatu-Wanganui Region	\$3,391,150	\$4,686,150	\$4,871,567	\$5,023,386	6%	7%	7%	7%
Nelson Region	\$80,161	\$92,459	\$70,086	\$70,402	0%	0%	0%	0%
Northland Region	\$154,646	\$63,378	\$158,623	\$23,172	0%	0%	0%	0%
Taranaki Region	\$1,499,703	\$1,515,113	\$1,349,627	\$730,251	3%	2%	2%	1%
Waikato Region	\$4,112,021	\$4,047,979	\$3,171,276	\$3,584,571	7%	6%	5%	5%
Wellington Region	\$4,041,007	\$6,016,393	\$7,566,557	\$7,709,785	7%	10%	11%	10%
Extramural	\$989,429	\$1,071,280	\$1,756,115	\$2,945,018	2%	2%	3%	4%
<b>Total</b>	<b>\$56,369,001</b>	<b>\$62,505,158</b>	<b>\$66,385,075</b>	<b>\$74,229,902</b>				

### Levels of over and under-delivery among QTI members by fund

Overall, QTI members have tended to under-deliver in recent years. Specifically:

- In 2018 QTI members under-delivered by -\$4.028 million (93.3% of the approved allocation for all associated PTEs).

<sup>5</sup> ICL Education is not included as its domestic funding level is <5 EFTS

<sup>6</sup> Please note that August 2021 SDR figures will not show the full impact of recent COVID-19 restrictions, which will likely be reflected in the December 2021 SDR. At this point, agencies will have a final picture of the number of 2021 withdrawals that have occurred following the impact of COVID-19 restrictions.

- In 2019, members under-delivered by -\$4.390 million (93.6% of the approved allocation).
- In 2020, members under-delivered by -\$14.548 million (this equates to 82.0% of the allocation).

The table below clearly demonstrates that, overall, QTI members have a history of under-delivering the approved allocation across each of the Student Achievement Component and Youth Guarantee Funds. Importantly, this under-delivery occurred both pre-pandemic, and during years impacted by COVID-restrictions.

**Table 2 – QTI members' over/under-delivery for years 2018 to 2021:  
Value of delivery compared to Final allocation, by TEC fund**

				Difference <i>Red values suggest under-delivery, green values suggest over-delivery</i>	
Reporting period	TEC fund	Value of delivery (\$ ex GST)	Approved allocation	Amount of over/under-delivery (\$)	% of over/under-delivery
<b>2018</b>	Student Achievement Component Levels 1 and 2	\$3,139,534	\$3,748,060	-\$608,526	83.8%
	Student Achievement Component Levels 3 and above	\$46,490,907	\$48,298,762	-\$1,807,855	96.3%
	Youth Guarantee	\$6,738,560	\$8,350,079	-\$1,611,519	80.7%
	<b>2018 Total</b>	<b>\$56,369,001</b>	<b>\$60,396,901</b>	<b>-\$4,027,900</b>	<b>93.3%</b>
<b>2019</b>	Student Achievement Component Levels 1 and 2	\$3,387,217	\$3,506,964	-\$119,747	96.6%
	Student Achievement Component Levels 3 and above	\$53,742,651	\$56,659,562	-\$2,916,911	94.9%
	Youth Guarantee	\$5,375,291	\$6,729,108	-\$1,353,818	79.9%
	<b>2019 Total</b>	<b>\$62,505,158</b>	<b>\$66,895,634</b>	<b>-\$4,390,476</b>	<b>93.4%</b>
<b>2020</b>	Student Achievement Component Levels 1 and 2	\$2,853,508	\$3,532,711	-\$679,203	80.8%
	Student Achievement Component Levels 3 and above	\$56,950,634	\$64,704,255	-\$7,753,621	88.0%
	Youth Guarantee	\$6,580,932	\$12,695,683	-\$6,114,750	51.8%
	<b>2020 Total</b>	<b>\$66,385,075</b>	<b>\$80,932,649</b>	<b>-\$14,547,574</b>	<b>82.0%</b>
<b>2021 (August year-to-date)</b>	Student Achievement Component Levels 1 and 2	\$1,883,876	\$3,141,041	-\$1,257,166	60.0%
	Student Achievement Component Levels 3 and above	\$66,604,102	\$70,606,986	-\$4,002,884	94.3%
	Youth Guarantee	\$5,741,924	\$10,219,246	-\$4,477,322	56.2%
	<b>2021 (August year-to-date) Total</b>	<b>\$74,229,902</b>	<b>\$83,967,274</b>	<b>-\$9,737,372</b>	<b>88.4%</b>