



Education Report: Updated letter of delegation for Fees Free to implement Targeted Training and Apprenticeship Fund

To:	Hon Chris Hipkins, Minister of Education		
Date:	24 June 2020	Priority:	High
Security Level:	In Confidence	METIS No:	1230925
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report seeks your agreement to issue an updated letter of delegation for Fees Free tertiary education and training in 2020. The letter of delegation describes how the Tertiary Education Commission must administer Fees Free payments, and will enable the implementation of the Targeted Training and Apprenticeship Fund (TTAF) from 1 July 2020. The Tertiary Education Commission will not be able to enter into funding agreements or make any payments for fees-free learners covered by TTAF until the letter of delegation is signed.

Recommended Actions

The Ministry of Education recommends you:

- note** that Cabinet agreed you could make necessary amendments to the policy settings for funding tertiary education organisations to implement the policy framework for Targeted Training and Apprenticeship Fund [CAB-20-MIN-0247 refers]
- note** that the Tertiary Education Commission will make payments to implement the Targeted Training and Apprenticeship Fund through Fees Free payments as outlined in the letter of delegation to fund Fees Free Tertiary Education in 2020
- sign** the attached letter of delegation to the Chair of the Tertiary Education Commission
- 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



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Hon Chris Hipkins
Minister of Education

Background

1. In Budget 2020 the COVID-19 Response and Recovery Fund provided \$320 million for a new Targeted Training and Apprenticeship fund (TTAF), which is part of a wider \$1.6 billion Trades and Apprenticeships Training package.
2. The TTAF will make a range of targeted vocational education and training programmes fees-free for all learners from 1 July 2020 until 31 December 2022. The Tertiary Education Commission (TEC) will require tertiary education organisations (TEOs) to not charge fees to learners enrolled in eligible programmes covered by TTAF from 1 July 2020, or refund fees where these have already been paid. The TEC will meet fee payments on behalf of students and trainees through fees-free payments, using the policy framework for Fees Free tertiary education and training in 2020.

Delegation to implement Targeted Training and Apprenticeship Fund

3. The delegation specifies the key settings for TTAF that determine how the TEC will administer it and make payments to TEOs (from paragraph 44 of the attached delegation). The settings include learner eligibility and programme eligibility, such as the targeted area list. It also details where the TEC has discretion to exclude otherwise eligible programmes. The updated delegation also outlines that TTAF, Māori and Pasifika Trades Training, and Youth Guarantee fees-free will, from 1 July 2020, no longer consume 'first year' Fees Free entitlements for fees-free eligible learners.
4. The settings within the Fees Free tertiary education and training delegation for TTAF reflect the settings you have already confirmed [METIS 1230261, METIS 1228253, METIS 1229724 refer], and the targeted area list that Cabinet agreed to for TTAF from 1 July 2020, [SWC-20-MIN-0055 and confirmed in CAB-20-MIN-0247]. Cabinet also delegated you authority to change policy settings for funding TEOs to implement the TTAF.

Implementation of Targeted Training and Apprenticeship Fund

Proposed coverage within TTAF for programmes that start prior to 1 July 2020

5. Implementing changes to tertiary education settings and funding within the calendar year creates complexity.
6. A key policy setting of the TTAF is that it covers eligible provision from 1 July 2020 until 31 December 2022. While coverage starts from 1 July 2020, as this is a mid-year start date it creates complexity in terms of coverage, especially for provider-based provision.
7. For all eligible programmes within provider-based provision, it is clear that all programmes and courses that start after 1 July 2020 will be covered, until 31 December 2022. However, if the eligible programme started earlier in 2020, or in 2019, and continues past 1 July 2020, the policy intent is to cover provision after 1 July 2020. There is a range of ways to give effect to this, which fit with existing tertiary funding and reporting systems (paragraphs 62-66 of the attached delegation outline the settings for this process).
8. For tertiary education providers, courses are the 'components' of learning that learners enrol in and that the tertiary education organisation is funded for. These courses make up a programme or qualification, and are submitted to the TEC by the tertiary education provider. A sub-degree qualification of 120 credits in the targeted areas for TTAF on average has around eight courses for the qualification. However, some tertiary

education providers have, and report to the TEC, programme or qualifications made up of more, or far fewer courses.

9. Eligible programmes that started *before 1 July 2020* will have fees covered by TTAF for:
- any courses within the programme that start on or after 1 July 2020
 - any courses within the programme that start 'shortly before' 1 July 2020, and continue past 1 July 2020 (The TEC indicate they will interpret this as being at least from 1 June 2020, and may consider slightly prior to June 2020 as well)
 - any courses within the programme that started before 1 July 2020 (but not covered by the TEC's discretion above in b), and run past 1 July 2020 can be included if this aligns with the criteria in paragraph 65 of the updated delegation, provided below.

65. For eligible programmes that start before 1 July 2020 and continue past 1 July 2020, and are not covered by TEC's discretion to include courses that started shortly before 1 July 2020, the TEC will outline to TEOs the settings of how course fees will be covered by the TTAF. This will be in line with the following criteria:

- ensuring this is in line with the policy intent to cover fees for all eligible programmes from 1 July 2020;*
 - should include courses where a significant component of the course is delivered after 1 July 2020 (for example, for a course that ended on 7 July 2020, this would not be significant); and*
 - to reduce the administrative burden to TEOs and the TEC in processing fee refunds.*
10. The majority of full-year programmes that start prior to April 2020 and run until late 2020 (such as November), have courses within the programme that start in July, or shortly before July (within the period that the TEC have discretion to start including courses within TTAF). These eligible programmes would then be covered by TTAF from that course onward. However, there are some programmes that run across the year that do not have a course start date after 1 April 2020.
11. The delegation provides the TEC with discretion to cover provision for the small group of programmes that do not have courses with start dates around the period that coverage starts (1 July 2020). This gives discretion for the TEC to make fee payments through TTAF for these eligible programmes, where a significant portion of the course is delivered after 1 July 2020. However, it also enables eligible programmes that have courses that continue after 1 July 2020 to not be covered, if they finish a few days after 1 July 2020, or have very low fees to refund, for example \$50.
12. The TEC is still assessing data and working through its administrative criteria for applying these settings, such as defining 'significant' for portion of course delivered after 1 July 2020. The TEC are also engaging with TEOs to take into account the administrative burden of these fee refund processes. The Ministry is providing feedback into the operational settings in terms of alignment with the criteria in the delegation. The TEC will provide to you, for your information, the finalised specific administration rules for these exceptional cases, and the impact on coverage of eligible programmes through TTAF.
13. For industry training, the training within eligible programmes from 1 July 2020 until 31 December 2022 will be covered. Coverage from a clear date is feasible within industry training. Due to the complex and unregulated fee structures the TEC will work with

Transitional Industry Training Organisations (TITOs) to determine appropriate fees to apportion and allocate against each month's delivery volumes.

Complexity and issues in meeting fee payments for fees already paid

14. Payments made through TTAF for programmes and qualifications that start on or after 1 July 2020, where learners are yet to pay fees, are relatively simple; their fees will be covered by TTAF from the start, and no fees will be charged by TEOs. However, there will be courses, study and training eligible for TTAF from 1 July 2020 where fees have already been paid before the programme starts, or have been paid for a programme that has started before 1 July 2020.
15. The need to refund fees creates administrative complexity for both the TEC and TEOs. As TEOs charge the fees it will require TEOs to process fee refunds. The implementation of TTAF in 2020 will require the TEC and TEOs to establish processes for fee refunds for students and trainees. Fee refunds will take some time to process and finalise.
16. Fee refunds will also involve refund payments from TEOs that deliver provider-based tertiary education to the Ministry of Social Development for learner's fees that had been met through the Student Loan Scheme. For TITOs, there will also be complexity around fee refunds to both trainees and employers, where employers have paid fees.
17. There is potential for students, trainees and TEOs to dispute the parts of study covered through TTAF from 1 July 2020, especially when the programme started earlier in the year. The TEC will establish and clearly communicate fee refund rules and processes to minimise this risk.

Determination of an eligible programme

18. The TEC will publish lists of eligible programmes for TTAF from the current programmes and qualifications TEOs offer to students or trainees. We expect that TEOs, students and stakeholder groups will raise issues about coverage of programmes within TTAF based on:
 - a. the inclusion of a specific qualification, or area of study they deem as within the programme eligibility settings for TTAF, including being in one of the target areas; or
 - b. programmes that are in industry or skill areas not included in the targeted area list, but they consider to also be an important skill need that would help the economic recovery.
19. The TEC will have a process for TEOs to apply to have a qualifications or programmes considered for inclusion on the TEC's list of eligible programmes.
20. Requests for wider expansion of the target area list from TEOs, industry, student groups and other stakeholders can be considered within the process for refining the targeted area list for 2021. Further policy work related to target areas for 2021 can draw on feedback received, as well as targeted engagements with specific industries or stakeholder groups.
21. The advice on targeted areas for 2021 to the Employment, Education and Training Ministers Group will draw on updated labour market information. This will include how industries' workforce needs are being impacted by the economic downturn, and what skills will be needed to support New Zealand's recovery. This process will involve stakeholder groups, including the expertise of Workforce Development Councils and Regional Skills Leadership Groups, when established.
22. The focus of TTAF is unlikely to change significantly. Drawing on updated labour market information and involving industry groups can support the TTAF to target the right skill

needs within each target industry, and can support some specific skills needs in new industry areas.

Monitoring and reporting

23. The Ministry and the Tertiary Education Commission will include TTAF within our monitoring and reporting activities for tertiary education provision funded through Vote Tertiary Education.
24. Enrolments within TTAF programmes will be included in standard reporting to you on tertiary education system enrolments and Fees Free eligible enrolments (after each Single Data Return). Additional reporting on TTAF will also be provided on enrolments and payments made to keep you informed on the progress of this new initiative.

Operational funding to support implementation

25. The TTAF is an initiative involving a considerable level of complexity due to fee refunds, the different fee and programme structures that exist, the speed of implementation, and its interaction with other programmes such as, the existing Fees Free policy. The TEC has indicated that it expects to need additional operational funding. If this need is confirmed, with the cost estimates, we will propose a fiscally-neutral transfer, within Vote Tertiary Education, through the October Baseline Update process to meet these operational costs.

Next steps

26. We recommend signing the attached updated letter of delegation to fund Fees Free tertiary education and training. We request that this letter is sent to the TEC as soon as possible so that the TEC can start implementing TTAF arrangements from 1 July 2020.
27. Note that for 2021 there will be more implementation options due to the longer time-frame than the July 2020 start date. Officials will look at other options for implementing TTAF, including through a funding determination, separated from the framework used for 'first-year' Fees Free tertiary education and training.