



Education Report: Updated funding determinations for 2022

To:	Hon Chris Hipkins, Minister of Education		
Date:	23 September 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1271418
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Messaging seen by Communications team:	No	Round robin:	No

Purpose of report

This report seeks your agreement to issue three funding determinations under section 419 of the Education and Training Act 2020.

Recommended actions

The Ministry of Education recommends you:

- a. **agree** to remove the enrolment cap on large animal science within Student Achievement Component funding at level 3 and above

Agree / Disagree

- b. **agree** that the below funding determinations take effect from 1 January 2022:

Student Achievement Component (SAC) levels 1 and 2	Agree / Disagree
Student Achievement Component (SAC) levels 3 and above	Agree / Disagree
Performance-based Research Fund (PBRF)	Agree / Disagree

- c. **sign** the attached three letters to the Chair of the Tertiary Education Commission
d. **agree** to proactively release this education report.

Agree / Disagree



James Campbell
Senior Manager, Tertiary Education
Te Ara Kaimanawa



Hon Chris Hipkins
Minister of Education

23/09/2021

1 / 10 / 2021

Background

1. Funding mechanisms are reissued from time to time to reflect changes in government policy, or if they are time limited and would otherwise expire. This report contains three funding mechanisms that need to be confirmed for policy decisions to take effect from 2022.
2. For these changes to come into effect on 1 January 2022, the attached funding determinations need to be signed before the end of September, due to the legislated stand down period required by section 423 of the Education and Training Act 2020.

Changes to the funding determinations

Tuition subsidy rate increases

3. As part of Budget 2021, Cabinet agreed to increase per-student tuition and training subsidies by 1.2 percent [CAB-21-MIN-0116.29 refers]. This is reflected in the Student Achievement Component (SAC) 1-2 and SAC3+ funding determinations.
4. Effective from 2022, there was also an additional increase to the 'I' rate for secondary initial teaching education in SAC3+ which was agreed to in Budget 19 [CAB-19-MIN-0174.40 refers]. This means that rates for I1 and I2 increase by \$468, and I3 and I4 increase by \$581, in addition to the 1.2 percent increase already applied.
5. You also recently agreed to increase the SAC3+ funding rate for Veterinary Science by 10 percent from 2022 [METIS 1258877 refers]. This means that the rate will increase from \$29,560 for 2022 to \$32,516 (an increase of \$2,956). We have increased the funding rates accordingly in the SAC3+ funding determination.
6. Recently you agreed to increase funding rates for te reo Māori in SAC 1-2 from \$7,850 to \$8,373 from 1 January 2022 [METIS 1264377 refers]. We have increased the funding rates accordingly in the SAC1-2 funding determination.

Fee regulation

7. In August, you agreed to set the Annual Maximum Fee Movement for 2022 at 1.7 percent and to clarify the definition of compulsory course costs [METIS 1266727 refers]. These changes have been included within the SAC3+ funding determination.

Changes to the Performance-Based Research Fund

8. Earlier this year Cabinet agreed changes to the Performance-Based Research Fund (PBRF) [CAB-21-MIN-0175 refers], following a review of the fund by an independent panel and further targeted engagement by the Ministry. These changes are reflected in the proposed changes to the PBRF Funding Determination.
9. The proposed changes to the funding determination, in combination with your letter to the Tertiary Education Commission (TEC), also reflect Cabinet's decision to direct the TEC to design and implement reworded definition of research, changes to Evidence Portfolios, revision of the Extraordinary Circumstances qualifying criteria, and a simplification of the new and emerging qualifying criteria.

Removing the enrolment cap on large animal science

10. We propose removing the large animal science cap of 70 equivalent full-time student (EFTS) at degree-level or above, as it is redundant due to previous funding rate changes.

11. Prior to 2016, large animal science provision was funded at a higher rate than other agriculture-related provision to recognise the higher delivery costs. In 2015, large animal science was \$6,463 higher per EFTS than degree-level agriculture.
12. In 2016 degree-level and above agriculture funding rates were increased to the same level as large animal science, to recognise higher delivery costs in general for this provision. General agriculture provision has no cap on funded enrolments. In 2020, around 1,700 EFTS in agriculture at degree-level and above were funded.
13. Large animal science EFTS have been around 50-60 EFTS over 2015-2020. If additional large animal science provision was delivered above the current cap of 70 EFTS, it could be reported as agriculture and receive the same funding rate, making the cap redundant. The funded provision for large animal science has been delivered by Lincoln University through its agricultural science qualifications.

Proposal to give additional discretion to the TEC

14. You are currently considering a draft Cabinet paper on giving discretionary funding to the TEC [METIS 1269792 refers]. If agreed, the proposal would be implemented by varying the SAC3+ funding determination.
15. We are recommending you sign a revised SAC3+ funding determination now, to finalise the funding rates and fee settings for 2022. This is necessary for the new determination to come into effect on 1 January 2023.
16. If you decide to seek Cabinet approval for the discretionary proposal, this could be implemented via a further variation to the funding determination before the end of 2021, which could then come into effect three months after being approved.
17. Subject to your decisions on whether to proceed with the draft Cabinet paper, we will communicate to the sector that you are still considering the discretionary funding proposal.

Next Steps

18. We have enclosed three funding determinations for your approval, with accompanying letters to the Chair of the TEC Jenn Bestwick, advising her of each determination of the design of the funding mechanisms (Appendices 1-3).
19. We recommend you sign the three letters attached in the Appendices and send them with their respective funding determinations to the TEC.
20. The TEC will publish the funding determinations on its website to communicate these to the sector. The TEC will also update its 2022 funding letters to tertiary providers that are expected to be sent from November onwards.
21. The delegation to fund Fees Free Tertiary Education and Training will be provided to you in October.

Appendices

1. Student Achievement Component (SAC) levels 1 and 2
2. Student Achievement Component (SAC) levels 3 and above
3. Performance-based Research Fund (PBRF)

Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



Jenn Bestwick
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Jenn

Determination of Design of Funding Mechanism: Student Achievement Component Levels 1 and 2

I am writing to advise you of a determination of the design of a funding mechanism, under section 419 of the Education and Training Act 2020 (the Act), for the Student Achievement Component Levels 1 and 2.

The new determination is set out in the appendix to this letter. The determination covers the funding of Student Achievement Component Levels 1 and 2 provision delivered from 1 January 2022. The new determination includes a 1.2 percent increase to all funding rates specified in the determination.

Under section 422 of the Act, it is the Tertiary Education Commission's (TEC) responsibility to develop the details needed to implement my determinations for the design of funding mechanisms.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'CH', representing Chris Hipkins.

Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVELS 1 AND 2 ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

PRELIMINARY PROVISIONS

Statutory authority

1. This funding determination is made under section 419 of the Education and Training Act 2020 (the Act), and specifies the design of the funding mechanism for:
 - a. Student Achievement Component (SAC) provision at levels 1 and 2 on the New Zealand Qualifications Framework (NZQF); and
 - b. special supplementary grant (SSG) funding for special education.

Purpose

2. SAC funding contributes to the provision of teaching and learning services for enrolled students at tertiary education organisations (TEOs).
3. The SAC comprises the following two funds:
 - a. provision at levels 1 and 2 on the NZQF; and
 - b. provision at levels 3 and above on the NZQF.
4. The objectives of foundation-level tertiary education (levels 1 and 2 on the NZQF) are to:
 - a. provide people who do not already have essential foundation skills with access to a low cost way to gain those skills;
 - b. provide progression to higher level study and skilled employment;
 - c. build the literacy and numeracy skills of eligible students;
 - d. enable students to learn English or Te Reo Māori; and
 - e. encourage TEOs that are best able to meet the needs of foundation education students.
5. SSG funding is to fund additional tutor support for special education in TEOs.
6. In this funding mechanism, all references to SAC funding exclude SSG funding, unless specified otherwise.

On-plan funding

7. The Tertiary Education Commission (TEC) must pay funding allocated under this funding mechanism in accordance with section 425 of the Act.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period

8. This funding mechanism applies to the funding of eligible programmes and training schemes that are delivered from 1 January 2022 to 31 December 2022.
9. The TEC may exercise any of its administrative functions outside those dates as required to give effect to this funding mechanism.

Available funding

10. The total amount of Government funding that can be spent under this funding mechanism will be set through the Government's annual budget processes.

TEC administrative responsibilities in the case of under-funding

11. If a TEO receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must pay the amount of the under-funding as soon as reasonably practicable.

Specific parameters

Funding formula and rates

12. The TEC must calculate SAC funding paid under this funding mechanism based on a metric comprising:
 - a. the number of valid domestic tertiary student enrolments, measured in equivalent full-time students (EFTS); and
 - b. the qualification or training scheme in which eligible students are enrolled.

Valid domestic enrolments

13. For the purpose of calculating SAC funding paid under this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a student who is:
 - a. a domestic tertiary student¹; and
 - b. either
 - i. aged 16 years and over; or
 - ii. aged under 16 years and meets the criteria determined by the TEC; and
 - c. studying in New Zealand, unless the student meets criteria established by the TEC.

¹ For the definition of domestic tertiary student, refer to section 10(1) of the Act.

14. The TEC must establish criteria for determining under which circumstances a student can be considered to be a valid domestic enrolment, where they are aged under 16 years.
15. The TEC must establish the requirements that TEOs must comply with to verify each student's identity and to confirm that a student is a valid domestic enrolment.

Inducements

16. Even if a student meets the criteria specified in paragraph 13, the enrolment is not a valid domestic enrolment for the purposes of this funding mechanism if it has been secured by way of an inducement.
17. An inducement may include a financial incentive or on-going personal possession of physical items where they induce a student to enrol.
18. The TEC must establish criteria for determining what constitutes an inducement.

The metric

Measurement of enrolments

19. The TEC must measure valid domestic enrolments in units of EFTS. One (1.0) 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.
20. The EFTS value of a qualification represents the TEC's assessment of the normal minimum time for a successful full-time student to complete the qualification. In addition, the credit value assigned to the qualification by either the New Zealand Qualifications Authority (NZQA) or the New Zealand Vice-Chancellors Committee must be a part of the EFTS metric.
21. The TEC must consider qualifications that the TEO has disaggregated into component courses. The TEC must assign each course an EFTS factor that represents the proportion of the whole qualification that the course constitutes.

Funding rates

22. The TEC must apply the funding categories and per-EFTS funding rates for TEOs to deliver provision to the student, as set out in Appendix 1, Table 1.

TEO eligibility

23. The TEC may only fund a TEO under this funding mechanism if the TEO is one of the following:
 - a. Te Pūkenga - The New Zealand Institute of Skills and Technology (Te Pūkenga)²;
 - b. a wānanga;

² This reference to Te Pūkenga includes any Te Pūkenga subsidiary as defined in section 10(1) of the Act.

- c. a university; or
- d. a private training establishment (PTE).

TEO quality assurance

24. To be eligible for funding under this funding mechanism, a TEO must be quality assured as follows:
- a. if the funding is for delivery by Te Pūkenga or one or more of the subsidiaries of Te Pūkenga, Te Pūkenga or the relevant subsidiaries of Te Pūkenga are quality assured by the New Zealand Qualifications Authority (NZQA);
 - b. if the TEO is a wānanga or a PTE, the TEO is quality assured by NZQA; or
 - c. if the TEO is a university, the TEO is quality assured by the New Zealand Vice-Chancellors' Committee.

Eligibility of students

25. The TEC must ensure that the funding that is allocated to a TEO under this funding mechanism is only used for valid domestic tertiary student enrolments, as defined by paragraphs 13 and 16.
26. The TEC must take into account a TEO's enrolment practices for students with prior qualifications, as set out in paragraph 27.

Students with prior qualifications

27. The TEC must establish processes to prevent a TEO from receiving SAC funding under this funding mechanism in relation to a student enrolled in a programme or training scheme if:
- a. that student has already achieved a qualification at Level 2 or higher on the NZQF; and
 - b. 10% of the students for which the TEO receives SAC funding paid under this funding mechanism in the calendar year had, at the time of their enrolment, already achieved a qualification at Level 2 or higher on the NZQF.
28. The TEC must measure the limit on enrolments with a prior qualification:
- a. by excluding enrolments in qualifications in English for Speakers of Other Languages (ESOL) or Te Reo Māori;
 - b. by excluding qualifications achieved five years or more prior to the current enrolment; and
 - c. according to any other methodology set by the TEC.
29. The TEC may recover funding if a TEO exceeds the prior qualification limit.

Programmes and qualifications

Eligible programmes and training schemes

30. The TEC must ensure that funding allocated under this funding mechanism is only used for provision that:
- a. meets the objectives of foundation-level tertiary education (as set out in paragraph 4);
 - b. is one of the following:
 - i. part of a programme that:
 - A. leads to the award of a qualification (of 40 credits or more) at level 1 or 2 on the NZQF; and
 - B. has been quality assured by either NZQA or the New Zealand Vice-Chancellors' Committee (where appropriate); or
 - ii. part of a training scheme that:
 - A. leads to an award with a credit value at least 20 credits; and
 - B. has been quality assured by NZQA; or
 - iii. part of a programme that leads to the award of the National Certificate of Educational Achievement (NCEA) at level 2 that is aligned with one or more of the Vocational Pathways;
 - c. includes embedded literacy and numeracy provision (except for qualifications in ESOL or Te Reo Māori);
 - d. includes an assessment process, under which students are assessed using the Literacy and Numeracy for Adults Assessment Tool (except for qualifications taught predominantly in Te Reo Māori);
 - e. involves synchronous learning (delivered in real time to the student);
 - f. may be delivered extramurally, with prior approval from the TEC; and
 - g. is provided by tutors who are appropriately qualified³.

Ineligible programmes and training schemes

31. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for programmes of study or training schemes where the TEC considers on reasonable grounds that a majority of the programme of study or training scheme relates to health and safety or regulatory compliance.

³ The appropriateness of qualified tutors relates to the foundation education qualification being delivered, including specialist areas, such as ESOL, Te Reo Māori and supported learning, as well as capability around the delivery of embedded literacy and numeracy (see paragraph 30(c)).

Special supplementary grant for special education

32. The TEC may provide funding for additional tutor support for special education in TEOs that have previously delivered provision to students requiring increased assistance.
33. The TEC must establish an allocation process for the provision of SSG funding.

PART TWO: FUNDING CONDITIONS

34. The TEC must impose the following conditions on the relevant funding provided to each TEO under this funding mechanism.

TEOs

35. The TEC must attach to funding, a condition that a TEO that receives SAC funding under this funding mechanism must, for the length of the funding period, continue to meet all the eligibility criteria specified in paragraphs 23 and 24 of this funding mechanism.
36. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must:
 - a. not subcontract any of the funded activities without the prior written consent of the TEC;
 - b. comply with any conditions imposed by the TEC on a consent to subcontract;
 - c. ensure that a subcontracted party does not further subcontract any functions; and
 - d. remain accountable for the use of the funding.

Students and enrolments

37. The TEC must attach to funding, a condition that a TEO that receives SAC funding under this funding mechanism must ensure that each eligible student meets and continues to meet the criteria specified in paragraph 25 of this funding mechanism.
38. The TEC must attach to funding, a condition that a TEO that receives SAC funding under this funding mechanism must not:
 - a. restrict enrolment in eligible qualifications and training schemes funded under this funding mechanism on the basis of private advantage (for example, enrolment being restricted to the TEO's employees only); or
 - b. secure or seek to secure a valid domestic enrolment through offering of an inducement.
39. The TEC must attach to funding a condition that a TEO that receives SAC funding under this funding mechanism must limit enrolments with prior qualifications, as specified in paragraphs 27 and 28.

40. The TEC must attach to funding, a condition that a TEO that receives SAC funding under this funding mechanism must verify a student's identity, and confirm that a student is a valid domestic enrolment, in accordance with the requirements developed by the TEC.

Reporting withdrawals to Ministry of Social Development

41. The TEC must attach to funding, a condition that a TEO that receives SAC funding under this mechanism must report the withdrawal of students to the Ministry of Social Development within five working days of each withdrawal. This is to enable student loans and student allowances to be cancelled as soon as possible.

Programmes and qualifications

42. The TEC must attach to funding, a condition that a TEO that receives SAC funding under this funding mechanism must ensure that a programme or training scheme in which an eligible student is enrolled meets and continues to meet the criteria specified in paragraph 30 of this funding mechanism.
43. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism, for provision as set out in paragraph 30, must have in place an effective assessment process for identifying a student's initial literacy and numeracy needs, and measure their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool.⁴
44. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must ensure that a majority of the programme or training scheme in which an eligible student is enrolled does not relate to health and safety or regulatory compliance learning.

Fees and associated course costs

45. The TEC must attach to funding, a condition that a TEO that receives funding under this funding mechanism must not charge a fee to a student enrolled in a programme, training scheme or qualification that is funded under this funding mechanism.
46. For the purposes of the condition in paragraph 45, the term "fee" includes the following items: tuition fees, compulsory course costs, examination fees, costs of materials, costs of field trips, costs associated with the compulsory purchase of equipment or books through a TEO, and other charges associated with a course that is part of a qualification.
47. For the purposes of the condition in paragraph 45, the term "fee" does not include compulsory student services fees or fees for student identification cards.

⁴ Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

48. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
- a. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular course or qualification⁵; and
 - b. in relation to the provision of essential equipment, including computers, diving hardware, and chainsaws, must not require the costs to be met through the “course-related costs” component of the Student Loan Scheme, as a condition of enrolment for students.

TEO responsibilities

49. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must meet minimum performance standards specified by the TEC.

No other funding

50. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism (including SSG) must:
- a. not (without the TEC’s prior written consent) seek or obtain funding from any Crown source other than the TEC to fund provision 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.

Responsible use of funding

51. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism (including SSG) must use the funding:
- a. lawfully, responsibly, and for the purposes for which it is provided; and
 - b. in a manner consistent with the appropriate use of public funds.

Recovery of over-funding

52. The TEC must attach to funding, a condition that if a TEO receives funding under this funding mechanism (including SSG) that is greater than it should have been, or that it was not entitled to receive, the TEO 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 TEO.

⁵ The phrase “equipment, infrastructure and hardware” refers to those items that can be used by successive intakes of students. It does not include personal items which are provided for individual student use and which the TEO does not retain for the next intake of students.

53. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment or set-off the debt against all or any funding.
54. For the purposes of this condition, a TEO will have received funding that was "greater than it should have been" if the total dollar value of the SAC provision funded under this funding mechanism that is delivered by a TEO within a funding year is less than 99% of the total dollar value for the SAC provision paid to the TEO under this funding mechanism.
55. In that situation, the percentage of funding that is repayable is equal to the difference between the bottom of the tolerance band (99%) and the percentage value of the provision that was delivered.

Repayment of funding following revocation of funding approval

56. The TEC must attach to funding a condition that if, in accordance with clause 16, Schedule 18 of the Act, the TEC suspends, revokes or withdraws some or all of a TEO's funding paid under this funding mechanism (including SSG) before that funding provided has been used or contractually committed towards the purposes for which that funding was provided, then the TEO must treat the unexpended or uncommitted portion of the funding as a debt due to the Crown and:
 - 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 TEO.

Disclosure of data from Statistics New Zealand's Integrated Data Infrastructure

57. The TEC must attach to funding a condition that a TEO consents, for the purposes of section 37A(a) of the Statistics Act 1975, to Statistics New Zealand disclosing information to the Ministry of Education and the TEC from its Integrated Data Infrastructure that identifies, or may identify, the TEO.
58. The TEC must inform TEOs that the Statistics Act 1975 does not constrain the ongoing use or sharing of the TEO-level data once it is disclosed.

APPENDIX 1: CALCULATION OF SAC LEVEL 1-2 FUNDING

Table 1: SAC Level 1-2 classification of qualifications and training schemes for funding

SAC Level 1-2 classification of qualifications and training schemes	Funding rate/EFTS (GST Excl)
Te Reo Māori	\$8,373
English for Speakers of Other Languages	\$8,373
Supported Learning	\$13,607
Trades	\$13,607
Services	\$9,421
General Foundation Education	\$8,896

Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



Jenn Bestwick
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Jenn

Determination of Design of Funding Mechanism: Student Achievement Component – Provision at Level 3 and above on the New Zealand Qualification Framework

I am writing to advise you of a determination of the design of a funding mechanism, under section 419 of the Education and Training Act 2020 (the Act), the Student Achievement Component – Provision at Level 3 and above.

The new determination is set out in the appendix to this letter. The determination covers the funding of provision delivered from 1 January 2022. The new determination includes:

- a 1.2 percent increase to all funding rates specified in the determination except for veterinary science, which has a 10 percent increase to the funding rate;
- an increase in the year 1 intake for veterinary science to 125 EFTS;
- an increase to the funding rates for teaching of \$468 to I1 and I2 funding categories and \$581 to I3 and I4 funding categories;
- updated fee regulation settings, clarifying what is included in compulsory course costs.

I am interested in how the Tertiary Education Commission (TEC) has managed the investment process for 2022, recognising the current uncertainty of where growth will occur in 2022 whilst delivering a level of funding certainty for tertiary education organisations. I would expect the TEC to report back to me during the year on how this is being managed especially noting the increased funding available in 2022.

Under section 422 of the Act, it is the TEC's responsibility to develop the details needed to implement my determinations of the design of funding mechanisms.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'CH', representing Chris Hipkins.

Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVEL 3 AND ABOVE ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

PRELIMINARY PROVISIONS

Statutory authority

1. This funding determination is made under section 419 of the Education and Training Act 2020 (the Act), and specifies the design of the funding mechanism for Student Achievement Component (SAC) provision at level 3 and above on the New Zealand Qualifications Framework (NZQF).

Purpose

2. SAC funding contributes towards the provision of teaching and learning services for enrolled students at tertiary education organisations (TEOs).
3. The SAC comprises the following two funds:
 - a. provision at levels 1 and 2 on the NZQF¹; and
 - b. provision at level 3 and above on the NZQF.

On-plan funding

4. The Tertiary Education Commission (TEC) must pay funding allocated under this funding mechanism in accordance with section 425 of the Act.

¹ For the requirements regarding the funding of provision relating to qualifications at levels 1 and 2 on the NZQF, refer to: “*Determination of design of funding mechanism: Student Achievement Component – provision at levels 1 and 2 on the New Zealand Qualifications Framework*”.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

5. This funding mechanism is to fund provision from 1 January 2022.
6. The TEC may exercise any of its administrative functions before 1 January 2022 as required to give effect to this funding mechanism.

Available funding

7. The total amount of Government funding that can be spent under this funding mechanism will be set through the Government's annual budget processes.

Flexible funding

8. The TEC must establish criteria, based on minimum thresholds for organisational and educational performance, for determining under which circumstances a TEO qualifies for the additional funding described in paragraph 11 (a "qualifying TEO").
9. However, a TEO is not a qualifying TEO unless the minimum number of equivalent full-time students (EFTS) that it is approved by TEC to deliver is 20 EFTS.
10. The TEC must allocate additional funding, over and above that approved through investment plans, to qualifying TEOs in the following circumstances:
 - a. if the TEO is a:
 - i. a tertiary education institution (TEI); or
 - ii. a rural education activities programme (REAP) provider,
the value of provision actually delivered by the TEO, as measured in dollars, is greater than the value of its approved funding allocation; or
 - b. if the TEO is a private training establishment (PTE), the value of provision actually delivered by the PTE, as measured in dollars, that is specified in the qualifying TEO's funding approval (being the value of provision measured in dollars for which TEC allocates funding and the value of provision measured in dollars for which TEC does not allocate funding) is exceeded.
11. If a qualifying TEO meets the criteria specified in paragraph 10, the TEC must pay the TEO up to the following limits, either:
 - a. 2% of the qualifying TEO's approved funding allocation; or
 - b. 10 EFTS,whichever is greater.

12. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 11, provided the TEC has assessed whether the funding available is sufficient for the TEC to provide funding above these limits.

TEC administrative responsibility in the case of under-funding

13. If a TEO receives funding under this funding mechanism that is less than it should have been, or than what it was entitled to receive, the TEC must treat the amount of the under-funding as a credit and pay the amount of the under-funding as soon as reasonably practicable.

Funding formula and rate(s)

14. The TEC allocates SAC funding under this funding mechanism for the relevant programmes and activities at levels 3 and above on the NZQF that are specified in a TEO's proposed investment plan or equivalent arrangement.
15. For the purposes of calculating the value of a TEO's approved SAC funding, the TEC must use a metric comprising:
- a. the number of valid domestic student enrolments, measured in EFTS; and
 - b. the qualifications, and their component courses, in which students are enrolled, and the assigned course classifications, funding categories, and funding rates of those qualifications and component courses.

Valid domestic enrolments

16. For the purpose of this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a student who is:
- a. a domestic tertiary student as defined in section 10(1) of the Act; or
 - b. an Australian citizen or Australian permanent resident currently residing in New Zealand; and
 - c. either:
 - i. aged 16 years and over; or
 - ii. aged under 16 years and meets the criteria determined by the TEC; and
 - c. studying in New Zealand, unless the student meets the criteria in paragraph 19; and
 - d. has paid or committed to pay their fees (if fees apply).
17. The TEC must establish criteria for determining under which circumstances a student can be considered to be a valid domestic enrolment, where the student:
- a. is aged under 16 years; or
 - b. has not paid their fees (if fees apply).

18. The TEC must establish the requirements that TEOs must comply with to verify each student's identity, and confirm that a student is a valid domestic enrolment.

Eligibility for students studying outside of New Zealand

19. A student studying outside of New Zealand is a valid domestic enrolment only if:
- a. the student is:
 - i. a domestic tertiary student as defined by section 10(1) of the Act, including regulations made under section 10(2) of the Act;
 - ii. enrolled in a course(s) leading to the award of a recognised qualification offered by a New Zealand TEO; and
 - b. if they are studying at an overseas campus or delivery site (irrespective of whether they are enrolled at the TEO's New Zealand campus or overseas campus), the student meets the following criteria:
 - i. enrolled at a New Zealand TEO in a programme leading to the award of a qualification at level 7 or above on the NZQF;
 - ii. the study outside New Zealand is full-time and face-to-face (i.e. not an extramural enrolment) in an approved country identified on the Education New Zealand website; and
 - iii. is undertaking part (but not all) of the programme outside New Zealand.

Inducements

20. Even if a student meets the criteria specified in paragraph 16, the enrolment is not a valid domestic enrolment for the purposes of this funding mechanism if it has been secured by way of an inducement.
21. An inducement may include a financial incentive or ongoing personal possession of physical items where they induce a student to enrol.
22. The TEC must establish criteria for determining what constitutes an inducement.

The metric

Measurement of enrolments

23. The TEC must measure valid domestic enrolments in units of EFTS. One (1.0) 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.
24. The TEC will determine the EFTS value of each qualification and the course EFTS factor of its components based on published criteria. These criteria should reflect the principle that the TEC, in setting EFTS values, will take into account both the inputs and the outputs of the learning process.

25. The TEC must validate the TEO's assignment of EFTS value of each qualification and the course EFTS factor of its components.

Course classification: "1-39 Classification Prescription"

26. A TEO must assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription", of Appendix 1. The content of the course (rather than its name) must determine the assignment.
27. The TEC must validate each TEO's assignment of its courses to the appropriate course classification.

Funding categories

28. The TEC must assign each course classification to a funding category in accordance with Tables 2 and 3 of Appendix 1. Each category must have:
- a. an alphabetic code, which applies to groups of courses according to their course classifications, in accordance with Table 2 "Funding categories: alphabetic code" of Appendix 1; and
 - b. a numeric code that reflects the level of study, in accordance with Table 3 "Funding categories: numeric code" of Appendix 1.
29. The TEO must select the correct funding category for each of its courses using the Funding Categories listed in Tables 2 and 3 of Appendix 1.
30. The TEC must validate the TEO's assignment of course classification to a funding category in accordance with Tables 2 and 3 of Appendix 1.
31. In relation to course classification #22.1, "Vocational Training for Industry", the TEC must categorise courses according to their subject content.

Funding rates

32. The TEC must apply the per-EFTS funding rates for TEOs, as set out in Table 4, "Funding rates" of Appendix 1.

TEO eligibility

33. The TEC may only fund a TEO under this funding mechanism if the TEO is one of the following:
- a. a TEI, namely:

- i. a university;
- ii. Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga)²;
- iii. a wānanga; or
- b. a PTE; or
- c. a REAP provider.

TEO quality assurance

34. To be eligible for funding under this funding mechanism, a TEO must be quality assured as follows:
- a. if the funding is for delivery by Te Pūkenga or one or more of the subsidiaries of Te Pūkenga, Te Pūkenga or the relevant subsidiaries of Te Pūkenga are quality assured by the New Zealand Qualifications Authority (NZQA),
 - b. if the TEO is a wānanga, a PTE, or REAP provider, the TEO is quality assured by the NZQA; or
 - c. if the TEO is a university, the TEO is quality assured by the New Zealand Vice-Chancellors' Committee.

Eligibility of students

35. The TEC must ensure that the SAC funding paid to a TEO under this funding mechanism is only used for programmes of study or training for valid domestic student enrolments, as defined in paragraphs 16 to 19.

Eligible programmes and qualifications

General matters

36. The TEC must ensure that the SAC funding paid to a TEO under this funding mechanism, is only used for a course that:
- a. is part of a programme that:
 - i. leads to the award of a qualification at level 3 to 10 on the NZQF; and
 - ii. has been quality assured by either NZQA or the New Zealand Vice-Chancellors' Committee (where appropriate); or
 - b. is part of a training scheme that:
 - i. leads to an award that is not a qualification listed on the NZQF; and
 - ii. has been quality assured.

² Te Pūkenga also refers to any Te Pūkenga subsidiary.

37. The TEC must publish criteria for determining whether a training scheme has been quality assured.
38. The TEC must restrict the availability of training schemes, including certificates of personal interest and certificates of proficiency, by developing criteria limiting the eligibility of related courses or programmes for SAC funding at level 3 and above on the NZQF.

Specific matters

Health-related professional qualifications

39. The TEC may allow SAC funding paid to a TEO under this funding mechanism to be used for courses that are part of a programme leading to the award of a post-entry health-related professional qualification that:
 - a. is of an academic or research nature; and
 - b. has a clinical component of 30% or less within the total qualification.
40. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for courses that are part of a programme leading to the award of a post-entry health-related professional qualification that has:
 - a. a clinical component of more than 30% within the total qualification; and
 - b. either:
 - i. a requirement for clinical education and training; or
 - ii. an emphasis on specialist clinical professional skills.

Health and safety and regulatory compliance learning

41. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for a programme of study or training where the TEC considers on reasonable grounds that a majority of the programme of study or training relates to health and safety or regulatory compliance learning.

Cap on high-cost provision

42. The TEC must ensure that SAC funding paid under this funding mechanism is not used for specified high-cost provision across all sub-sectors above the following EFTS caps:
 - a. aviation (qualifications that includes an in-flight training component): 450 EFTS;
 - b. dentistry (intermediate) year 1 intake: 60 EFTS;
 - c. medical undergraduate year 1 intake: 539 EFTS;
 - d. veterinary science year 1 intake: 125 EFTS.

43. The TEC must ensure that 10 EFTS of the dentistry (intermediate) year 1 intake are used for students of rural origin, as defined by the TEC.
44. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism does not exceed a maximum EFTS value of 4 EFTS for doctoral study.

PART TWO: FUNDING CONDITIONS

45. The TEC must impose the following specific conditions on funding provided to each TEO under this funding mechanism.

Tertiary education organisations

46. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must meet, and for the length of the funding period continue to meet, all of the eligibility criteria specified in paragraphs 33 and 34 of this funding mechanism.
47. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
 - a. not subcontract any of the funded activities without the prior written consent of the TEC;
 - b. comply with any conditions imposed by the TEC on a consent to subcontract;
 - c. ensure that a subcontracted party does not further subcontract any functions; and
 - d. remain accountable for the use of the funding.

Students and enrolments

48. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each eligible student meets and continues to meet the criteria specified in paragraph 35 of this funding mechanism.
49. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must not:
 - a. restrict enrolment in programmes and training schemes funded under this funding mechanism on the basis of private advantage (for example, enrolment being restricted to the TEO's employees only); or
 - b. secure or seek to secure a valid domestic enrolment through offering of an inducement, as specified in paragraphs 20 to 22.
50. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must verify a student's identity, and confirm and obtain evidence that a student is a valid domestic enrolment in accordance with the requirements developed by the TEC.

Reporting withdrawals to Ministry of Social Development

51. The TEC must attach to funding a condition that a TEO that receives funding under this mechanism must report the withdrawal of students to the Ministry of Social Development within five working days of each withdrawal. This is to enable student loans and student allowances to be cancelled as soon as possible.

Courses, programmes and qualifications

52. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a course in which an eligible student is enrolled meets and continues to meet the criteria specified in paragraph 36 of this funding mechanism.
53. The TEC must attach to funding a condition that a TEO must not use funding paid under this funding mechanism to fund a programme of study or training where a majority of the programme of study or training relates to health and safety or regulatory compliance.
54. The TEC must attach to funding a condition that a TEO must comply with any restriction set by the TEC on the availability of training schemes, including certificates of personal interest and certificates of proficiency.

High-cost provision

55. If the TEC allocates funding to a TEO for high-cost provision, the TEC must attach the following condition or conditions to funding:

All high-cost provision

56. A TEO must not use funding provided under this funding mechanism to fund high-cost provision, as specified in paragraph 42, above the volume of EFTS for that provision at the TEO that the TEC has agreed to fund.

Aviation

57. A TEO that is allocated EFTS for aviation provision that includes an in-flight training component (pilot training) must supply the Ministry of Social Development 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. if the student is not eligible for Fees Free Tertiary Education, \$35,000 per EFTS, as set out in paragraphs 6 and 65 and in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education that is issued under section 409(1)(j) of the Act; or
 - ii. if the student is eligible for Fees Free Tertiary Education, \$35,000 per EFTS, less the amount payable to a TEO by the TEC on behalf of the student for fees in accordance with criteria set out in paragraphs 64 and 65 and in any delegation to the TEC in force

relating to the funding of Fees Free Tertiary Education that is issued under section 409(1)(j) of the Act; and

- 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 64 and 65 and in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education). For example, if a student is studying 0.4 EFTS units in the year, the student loan borrowing limit will be \$14,000. For those eligible for the Fees Free Tertiary Education payment, the student loan borrowing limit for 0.4 EFTS units in the year would be \$14,000, less the amount payable to a TEO by TEC on behalf of the student for fees.

Dentistry (intermediate) year 1 intake

- 58. A TEO that is allocated EFTS for the dentistry (intermediate) year 1 intake for students of rural origin must only use the funding in respect of students who are of rural origin.

Fees and associated course costs

- 59. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
 - a. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular course or qualification³; and
 - b. in relation to the provision of essential equipment, including computers, diving hardware, and chainsaws, must not:
 - i. include the costs in any fees, compulsory course costs, or compulsory student services fees, charged to students; or
 - ii. require the costs to be met through the “course-related costs” component of the Student Loan Scheme, as a condition of enrolment for students; and
 - c. must not meet the costs of overseas travel for students through the use of funding obtained under this funding mechanism or via the Student Loan Scheme, unless the overseas travel is academically essential.
- 60. For the purposes of paragraph 59(c) of this funding mechanism, the TEC must develop guidelines determining when overseas travel is academically essential.
- 61. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must comply with the Fee Regulation Settings, as specified in Part Three of this funding mechanism.

³ The phrase “equipment, infrastructure and hardware” refers to those items that can be used by successive intakes of students. It does not include personal items which are provided for individual student use and which the TEO does not retain for the next intake of students.

62. Any limits on fees for further years will be determined by way of a variation to the funding mechanism.

Fees Free Tertiary Education

63. The TEC must attach to funding a condition that a TEO must not charge an eligible student an amount in respect of fees (as defined by any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education and issued under section 409(1)(j) of the Act) otherwise payable by the student if the TEC has advised the TEO that the TEC will:
- a. if the TEO is not a PTE, pay that amount to the TEO in respect of fees on behalf of the student; or
 - b. if the TEO is a PTE, compensate the PTE for that amount in respect of fees forgone as a result of the condition required to be imposed under this paragraph.
64. For the purposes of the condition that the TEC must impose under paragraph 63, the TEC must determine each amount payable to a TEO by the TEC in accordance with criteria set out in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education and issued under section 409(1)(j) of the Act.
65. Each TEO must work collaboratively with the TEC to give effect to the Fees Free Tertiary Education initiative. 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.
66. Any fees in excess of the amount payable by the TEC under paragraphs 63 and 64 may be charged by the TEO to the student.

TEO responsibilities

67. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
- a. accurately assign each of its courses a course EFTS factor; and
 - b. accurately assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription" of Appendix 1 of this funding mechanism; and
 - c. accurately assign each of its courses a funding category listed in Table 2 and Table 3 of Appendix 1 of this funding mechanism; and
 - d. meet minimum performance standards specified by the TEC.

No other funding

68. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:

- a. not (without the TEC's prior written consent) seek or obtain 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.

Responsible use of funding

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

Recovery of over-funding

70. The TEC must attach to funding a condition that if a TEO receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the TEO 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 TEO.
71. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment or set-off the debt against all or any funding.
72. For the purposes of this condition, a TEO will have received funding that was "greater than it should have been" if the total dollar value of the provision funded under this funding mechanism that is delivered by a TEO within a funding year is less than 99% of the total dollar value for the provision paid to the TEO under this funding mechanism.
73. In that situation, the percentage of funding that is repayable is equal to the difference between the bottom of the tolerance band (99%) and the percentage value of the provision that was delivered.

Repayment of funding following revocation of funding approval

74. The TEC must attach to funding a condition that if, in accordance with clause 16, Schedule 18 of the Act, the TEC suspends or revokes some or all of a TEO's funding paid under this funding mechanism before that funding has been used or contractually committed towards the purposes for which that funding was provided, then the TEO must treat the unexpended or uncommitted portion of the funding as a debt due to the Crown and is:
- a. 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 TEO.

Disclosure of data from Statistics New Zealand's Integrated Data Infrastructure

75. The TEC must attach to funding a condition that a TEO consents, for the purposes of section 37A(a) of the Statistics Act 1975, to Statistics New Zealand disclosing information to the Ministry of Education and the TEC from its Integrated Data Infrastructure that identifies, or may identify, the TEO.
76. The TEC must inform TEOs that the Statistics Act 1975 does not constrain the ongoing use or sharing of the TEO-level data once it is disclosed.

Specific conditions that the TEC must attach to funding for TEIs funded under this funding mechanism

Benchmarking

77. The TEC must attach to funding a condition that a TEI must participate as appropriate in benchmarking, including:
 - a. providing the vendor with financial and performance information as requested, in a timely manner; and
 - b. engaging with the vendor over follow-up questions and related quality assurance processes, in a timely manner; and
 - c. contributing to the cost of the agreement between the TEC and the vendor, at a rate determined by the TEC.

PART THREE: FEE REGULATION SETTINGS

78. The conditions in this section of the funding mechanism apply to fees charged by TEOs for level 3 and above funded courses, training schemes or micro-credentials that are funded under this funding mechanism.
79. The fees charged by a TEO are subject to these conditions if the TEO is the sole source of the item to which the fee relates.

Definitions

80. In Part Three of this funding mechanism, unless the context otherwise requires:
- a. **Course** means part of a programme of study that leads to the award of a qualification on the NZQF, including a certificate, diploma, degree, or postgraduate qualification. For the avoidance of doubt, this includes a course that is part of a qualification where the student is not enrolled in the qualification (for example, where a student is only enrolled in the course or where the student is undertaking the course as part of a training scheme or micro-credential); and
 - b. **Training scheme** means study or training that leads to an award but does not, of itself, lead to a qualification listed on the NZQF, but excludes micro-credentials; and
 - c. **Micro-credentials** are distinct from training schemes for the purposes of this section. Micro-credentials certify achievement of a coherent set of skills and knowledge and that have evidence of need by industry, employers, iwi and/or the community; and
 - d. **Fees** means:
 - i. tuition fees;
 - ii. compulsory course costs that are charged to all students enrolled in a course, which includes (but are not limited to) the following: any compulsory costs associated with enrolment, examinations (including reporting of credits to the NZQA), field trips, and any compulsory purchase of equipment or books through the TEO; and
 - iii. excludes any administrative fees or charges (other than tuition fees of compulsory course costs) for additional services that are payable as a result of the specific circumstances of a student, which includes (but are not limited to) the following: reassessment or remarking of examination results, examination relocation fees, fees associated with recognition of prior learning or fees associated with an application for selected entry programmes.

The Annual Maximum Fee Movement

81. The Annual Maximum Fee Movement (AMFM) sets the maximum percentage that TEOs may increase their domestic tuition fees by each year for all level 3 and above funded courses or training schemes funded under this funding mechanism.
82. The AMFM for 2022 is set at 1.7 percent. This permits a 1.7 percent increase on the fees (GST exclusive) charged in 2021 to domestic students for level 3 and above courses or training schemes funded under this funding mechanism.

Substitute courses

83. The AMFM applies to any new courses or training schemes established by a TEO in substitution for an existing course or training scheme dealing with the same or similar subject matter, at a same or similar level on the NZQF, which are funded under this funding mechanism.

Exceptions to the Annual Maximum Fee Movement

84. A TEO may apply to the TEC for an exception from the AMFM on the basis of exceptional circumstances. Any exception granted will not exceed an additional 1.7 percent increase over and above the permitted 1.7 percent increase.
85. In considering exceptional circumstances, the TEC must only have regard to the following criteria:
 - a. the TEO is unable to support the course(s) or training scheme while remaining financially viable; and
 - b. where the course is part of a qualification at levels 3 to 8 on the NZQF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQF group in the previous year; and
 - c. the TEO can demonstrate that the course or training scheme is in some way unique or special, for example, that there are no available local alternatives; and
 - d. not allowing an exception will prevent the TEO from making a significant contribution to the achievement of one or more of the Government's priorities, as set out in the current Tertiary Education Strategy.
86. The TEC must only grant an exception if it is satisfied that the TEO meets all of these criteria.

Low or Zero Fee Courses or Training Schemes

87. If the fees for a course or training scheme funded through SAC level 3 and above were less than \$511.11 (GST inclusive) (or \$444.44 GST exclusive) per equivalent full-time student (EFTS) in 2021 than for 2022, the TEO may increase the fee for the course or training scheme:
 - a. to up to \$511.11 (GST inclusive) (or \$444.44 GST exclusive) per EFTS; or

- b. by 1.7 percent;
- whichever is the greater.

Fee Setting Limits for New Courses or Training Schemes

- 88. The fees for a new course or training scheme established by a TEO and funded under this funding mechanism must be no more than the 75th percentile from the range of fees charged for similar courses or training schemes. The TEC will specify how similar courses or training schemes will be determined.
- 89. These fee setting limits apply to any new courses or training schemes funded under this funding mechanism, except where the course or training scheme is in substitution for an existing course or training scheme dealing with the same or similar subject matter, at a same or similar level on the NZQF. Substitute courses or training schemes are subject to the AMFM.

Exceptions to Fee Setting Limits for New Courses or Training Schemes

- 90. A TEO may apply for an exception from the fee setting limits for new courses or training schemes on the basis of exceptional circumstances.
- 91. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
 - a. the course or training scheme would be financially unviable without a higher fee; and
 - b. where the course is part of a qualification at levels 3 to 8 on the NZQF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQF group in the previous year; and
 - c. the TEO can demonstrate that the course or training scheme is in some way unique or special, for example, there are no or very few similar courses or training schemes to compare fees with; and
 - d. the course or training scheme is aligned to Government priorities as set out in the Tertiary Education Strategy.
- 92. The TEC must only grant an exception if it is satisfied that the TEO meets all of these criteria.
- 93. The TEC has discretion to determine how much a TEO can set fees for any new courses or training schemes granted an exception.

Fee Capping Limits for Micro-credentials

- 94. The fees for a micro-credential must be no more than \$60 (GST inclusive) per credit (excluding components made up of courses that also lead to the award of a qualification and are funded under this funding mechanism).
- 95. Where a micro-credential is wholly or partly comprised of courses that also lead to the award of a qualification and are funded under this funding mechanism, the fees for these courses must be equal to or less than the maximum fee permitted

for the course under the AMFM and fee setting limits for new courses or training schemes. The fees for the components that are not part of existing courses must be no more than \$60 (GST inclusive) per credit.

Exceptions to Fee Capping Limits for Micro-credentials

96. A TEO may apply for an exception from the fee capping limits for a micro-credential (or components of a micro-credential that are not made up of existing courses) on the basis of exceptional circumstances.
97. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
 - a. the TEO can demonstrate that the fee cap makes it financially unsustainable to offer the micro-credential, in terms of the costs of delivering the micro-credential and taking into account the total income that the micro-credential would receive (including government funding and fees), and that there are no satisfactory alternatives to limit costs; and
 - b. the TEO must provide evidence that there is strong support from industry and/or employers to deliver the micro-credential and that this clearly meets industry and/or employer needs, despite the rate of the fee.
98. The TEC must only grant an exception if it is satisfied that the TEO meets both of these criteria.
99. The TEC has discretion to determine how much a TEO can set fees for any micro-credential granted an exception.

APPENDIX 1: CALCULATION OF SAC FUNDING

Table 1: Course Classification Prescription

#01	Agriculture; Horticulture
#02	Architecture; Quantity Surveying
#03	Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences
#03.1	Osteopathy; Acupuncture
#04	Business; Accountancy; Office Systems/Secretarial; Management
#05.2	General Education
#06	Computer Science
#07	Dentistry
#11	Engineering; Technology
#11.1	Priority Engineering
#11.2	Pilot Training
#12	Fine Arts; Design
#13	Health Sciences (excluding classifications #07, #15, and #17)
#13.1	Optometry
#14	Law
#15	Medicine (excluding intermediate/first year)
#16	Music and Performing Arts
#17	Health Related Professions
#17.3	Dental Therapy
#18	Science
#19.1	Teaching: Early Childhood Education
#19.2	Teaching: Primary
#20	Teaching: Secondary
#21	Trades 1
#22	Trades 2
#22.1	Vocational Training for Industry
#23	Veterinary Science
#23.3	Veterinary Science Undergraduate (Years 3, 4 & 5)
#24	Nursing
#25	Medical Imaging
#27	Midwifery (3 year)
#28	Occupational Therapy
#29	Physiotherapy
#30	Medical Radiation Therapy
#31	Pharmacy Professionals
#32	Speech Language Therapy
#33	Medical Laboratory Science
#34	Clinical Psychology
#35	Audiology
#36	Dietetics
#37	Medicine Undergraduate (Years 4, 5 & 6)
#38	Foreign-Going Nautical
#39	Specialist Large Animal Science

Table 2: Funding categories: alphabetic code

Category (alphabetic)	Relevant discipline and course classification
A	Arts [#03], Social Sciences [#03], General Education [#5.2], Vocational Training for Industry [#22.1]
B	Architecture (non-degree) [#02], Computer Science [#06], Fine Arts [#12], Design [#12], Music and Performing Arts [#16], Health Related Professions [#17], Vocational Training for Industry [#22.1], Medical Imaging [#25], Occupational Therapy [#28]
C	Architecture (degree) [#02], Engineering [#11], Technology [#11], Health Sciences [#13], Vocational Training for Industry [#22.1], Midwifery (3 year) [#27], Physiotherapy [#29], Speech Language Therapy [#32], Medical Laboratory Science [#33], Audiology [#35]
G	Dentistry (postgraduate only) [#7], Medicine (postgraduate only) [#15]
H	Agriculture (degree) [#01], Horticulture (degree) [#01] Specialist Large Animal Science [#39]
I	Teaching [#19.1, #19.2, #20]
J	Business [#04], Accountancy [#04], Law [#14], Vocational Training for Industry [#22.1]
L	Agriculture (non degree) [#01], Horticulture (non degree) [#01], Osteopathy [#03.1], Acupuncture [#03.1], Vocational Training for Industry [#22.1], Nursing [#24],
M	Pilot Training [#11.2], Optometry [#13.1], Dental Therapy [#17.3], Pharmacy [#31]
N	Priority Engineering [#11.1], Dietetics [#36]
O	Medical Radiation Therapy [#30]
P	Trades 2 [#22], Vocational Training for Industry [#22.1]
Q	Veterinary Science [#23], Veterinary Science (years 3–5) [#23.3]
R	Dentistry undergraduate (years 2-5) [#07]
S	Foreign-Going Nautical [#38]
T	Medicine undergraduate (years 2-3) [#15]
U	Medicine undergraduate (years 4–6) [#37]
V	Science [#18], Clinical Psychology [#34]

Table 3: Funding categories: numeric code

Category (numeric)	Classification by level and content of study
1	Courses designed for non-degree qualifications with no research requirement, including certificates and diplomas
2	Courses designed for undergraduate degree qualifications, including bachelors degrees, graduate certificates and diplomas
3	Courses designed for taught postgraduate qualifications, including postgraduate certificates and diplomas, bachelors degrees with honours, and taught masters papers
4	Research-based postgraduate qualifications, including masters' theses/dissertations of 1.0 EFTS or more for masters and doctoral study

Table 4: Funding rates

	1	2	3	4
A	\$6,589	\$6,589	\$8,316	\$8,795
B	\$10,080	\$10,080	\$12,814	\$13,776
C	\$12,118	\$12,118	\$15,402	\$16,575
G			\$28,092	\$28,092
H		\$21,851	\$27,558	\$28,914
I	\$10,475	\$10,475	\$13,136	\$13,615
J	\$6,589	\$6,589	\$8,316	\$8,795
L	\$11,325	\$11,325	\$14,279	\$15,240
M	\$14,423	\$16,435	\$20,636	\$21,976
N	\$13,444	\$13,444	\$16,913	\$18,203
O		\$19,505		
P	\$10,887			
Q		\$32,516	\$32,516	\$32,516
R		\$55,519		
S	\$20,051			
T		\$45,779		
U		\$45,779		
V	\$11,784	\$14,402	\$18,155	\$19,377

Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



Jenn Bestwick
Chair
Tertiary Education Commission
PO Box 27-048
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Dear Jenn

Determination of Design of Funding Mechanism: Performance-Based Research Fund

I am writing to advise you of a new Determination of the Design of Funding Mechanism: Performance-Based Research Fund, issued under section 419 of the Education and Training Act 2020 (the Act). The determination is set out in the appendix to this letter.

This determination replaces the previous determination issued in 2014 and provides direction to the Tertiary Education Commission (TEC) on the design of the Performance-Based Research Fund (PBRF), and high-level details on its operation. This letter lists the key changes in the determination and provides further direction and guidance on additional changes to the PBRF.

Summary of changes

Following a review of the PBRF, beginning in mid-2019, a number of changes were agreed by Cabinet earlier this year. The changes will improve the PBRF by:

- adding a new objective to the PBRF, to support a robust and inclusive system for developing and sustaining research excellence in Aotearoa New Zealand;
- refreshing the PBRF guiding principles to better reflect the partnership between the Crown and Māori, and to promote equity, diversity and inclusiveness;
- supporting Māori researchers and research by increasing the subject area weighting for Evidence Portfolios assessed by the Māori Knowledge and Development panel from 1 to 3 and applying a funding weighting of 2.5 for Evidence Portfolios submitted by Māori staff;
- supporting Pacific researchers and research in the PBRF by increasing the subject area weighting for Evidence Portfolios assessed by the Pacific Research panel from 1 to 2.5 and applying a funding weighting of 2 for Evidence Portfolios submitted by Pacific staff;
- providing certainty for Te Pūkenga in the next Quality Evaluation (QE) round by ensuring that the proportion of QE component funding received by Te Pūkenga following the 2025 QE is at least 90% of the allocation Te Pūkenga received based on the Institutes of Technology and Polytechnics' (ITPs) scores in the 2018 QE;
- amending the External Research Income component by increasing the weighting of the Overseas Research Income category from 1.5 to 3.5, and increasing the weighting for New Zealand Non-Government Income from 2 to 4, to better reflect non-governmental sources of income;

- broadening the PBRF definition of research by rewording the definition of research and research excellence, and making changes to Evidence Portfolios. This includes changes to better recognise and reward a broader range and diversity of research, and to better recognise collaboration and engagement;
- revising the Extraordinary Circumstances qualifying criteria to promote equity and inclusion; and
- simplifying the New and Emerging qualifying criteria.

This determination includes provisions that will give effect to a number of these changes. However, some of these changes are not included in the determination, either because they are of a detailed operational nature, fall outside the scope of the determination, or are subject to further review or change by the TEC before the next QE in 2025.

As agreed by Cabinet, I am directing the TEC, in consultation with the Sector Reference Group it has established for the 2025 QE, to design and implement the four changes detailed below.

Rewording the PBRF definition of research

The TEC is to redefine the PBRF definition of research and research excellence to encompass the production of research, engagement, and impact relating to that research; and support diverse research cultures. Expanding this definition of research is intended to:

- better support a broader range and diversity of research being recognised and rewarded by the QE;
- allow for a focus on quality rather than quantity;
- better recognise collaboration and engagement, particularly with end users; and
- emphasise excellence and promote inclusion.

Definitions of research and research excellence are not included in this funding determination. Instead, I will look to TEC to publish the reworded definitions (determined as above) in an appropriate, accessible location.

Making changes to Evidence Portfolios

The TEC is to make changes to the Evidence Portfolios submitted by staff in the QE to complement the new PBRF definition of research. This will involve design and implementation work across three aspects of Evidence Portfolios, by:

- replacing the Nominated Research Output section with an Examples of Research Excellence section;
- replacing the current Other Research Output section with an Other Examples of Research Excellence section; and
- reviewing the Research Contribution component with a view to complement the new Examples of Research Excellence section.

Revising the Extraordinary Circumstances qualifying criteria

The TEC is to revise the Extraordinary Circumstances qualifying criteria to:

- introduce a merit-relative-to-opportunity element to allow assessment of research quantity in ways that promote equity and inclusion;
- ensure the process collects and evaluates information in a sensitive way, and limits the number of people with access to this information;
- review and potentially remove the minimum threshold of three years;
- allow for part-time employment to be considered more deliberately throughout assessment, including potentially in this category; and
- take account of the negative impacts of COVID-19.

Simplifying the new and emerging qualifying criteria

The TEC is to simplify the New and Emerging qualifying criteria. Any changes should also align with the proposed changes to the PBRF definition of research.

Operation and implementation

I understand that the TEC has already appointed a Sector Reference Group for the 2025 QE, and in doing so considered how best to appoint a group that demonstrates a strong commitment to Māori-Crown partnership and comprises a diverse membership. I am directing the TEC to design and implement the above changes in consultation with this Sector Reference Group.

I am also directing the TEC to discontinue the reporting of Average Quality Score metrics for the next QE.

Under section 422 of the Act, it is the TEC's responsibility to develop the operational policy and practices needed to implement the PBRF.

Yours sincerely



Chris Hipkins
Minister of Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: PERFORMANCE-BASED RESEARCH FUND

PRELIMINARY PROVISIONS

Introduction and Statutory Authority

1. This determination, which is made under section 419 of the Education and Training Act 2020 (the Act), specifies the design of the funding mechanism for the Performance-Based Research Fund (PBRF).

Purpose

2. The purpose of the PBRF is to increase the quality of research by rewarding and encouraging research excellence.
3. The primary objectives of the PBRF are to:
 - a. increase the quality of basic and applied research at Aotearoa New Zealand's degree-granting tertiary education organisations (TEOs);
 - b. support world-leading research-led teaching and learning at degree and postgraduate levels;
 - c. assist Aotearoa New Zealand's TEOs to maintain and lift their competitive rankings relative to their international peers;
 - d. provide robust public information to stakeholders about research performance within and across TEOs; and
 - e. support a robust and inclusive system for developing and sustaining research excellence in Aotearoa New Zealand.
4. In doing so, the PBRF will also:
 - a. support the development of postgraduate student researchers and new and emerging researchers;
 - b. support research activities that provide economic, social, cultural, and environmental benefits to Aotearoa New Zealand, including the advancement of mātauranga Māori; and
 - c. support technology and knowledge transfer to Aotearoa New Zealand businesses, iwi and communities.
5. The governance of the PBRF is guided by the following principles:
 - a. Partnership: the PBRF should reflect the bicultural nature of Aotearoa New Zealand and the special role and status of the Treaty of Waitangi / Te Tiriti o Waitangi;
 - b. Equity: different approaches and resources are needed to ensure that the measurement of research excellence leads to equitable outcomes;

- c. Inclusiveness: the PBRF should encourage and recognise the full diversity of epistemologies, knowledges, and methodologies to reflect Aotearoa New Zealand's people;
- d. Comprehensiveness: the PBRF should appropriately measure the quality of the full range of original investigative activity that occurs within the sector, regardless of its type, form, or place of output;
- e. Respect for academic traditions: the PBRF should operate in a manner that is consistent with academic freedom and institutional autonomy;
- f. Consistency: evaluations of quality made through the PBRF should be consistent across the different subject areas and in the calibration of quality ratings against international standards of excellence;
- g. Continuity: changes to the PBRF process should only be made where they can bring demonstrable improvements that outweigh the cost of implementing them;
- h. Differentiation: the PBRF should allow stakeholders and the government to differentiate between providers and their units on the basis of their relative quality;
- i. Credibility: the methodology, format, and processes employed in the PBRF must be credible to those being assessed;
- j. Efficiency: administrative and compliance costs should be kept to the minimum, consistent with a robust and credible process;
- k. Transparency: decisions and decision-making processes must be explained openly, except where there is a need to preserve confidentiality and privacy; and
- l. Complementarity: the PBRF should be integrated with new and existing policies, such as Investment Plans, and quality assurance systems for degrees and degree providers.

On-plan Funding

- 6. The Tertiary Education Commission (TEC) must pay funding allocated through this funding mechanism under section 425 of the Act.

PART ONE: THE FUNDING MECHANISM

General Parameters

Available Funding

- 7. The total amount of PBRF funding to be allocated will be set through the Government's annual budget processes.

Funding Components and Rates

8. The TEC must pay funding under this funding mechanism to each eligible TEO at a rate determined annually.
9. The amount of funding that the TEC may provide to a TEO will be based on the following three components:
 - a. the Quality Evaluation (QE) - a periodic peer assessment of the research contribution of individual teaching and research staff in participating TEOs;
 - b. Research Degree Completions (RDC) - a measure of the number of research-based postgraduate degrees that are completed within participating TEOs;
 - c. External Research Income (ERI) - a measure of income received by participating TEOs (and/or any wholly-owned subsidiaries) for the purposes of conducting research.
10. The TEC must divide the total amount of PBRF funding as follows:
 - a. QE- 55%;
 - b. RDC- 25%;
 - c. ERI- 20%.

TEO Eligibility

11. The TEC must only provide funding from the PBRF to TEOs that:
 - a. are based in Aotearoa New Zealand;
 - b. grant bachelor's degrees, master's degrees, or doctoral degrees;
 - c. have an investment plan; and
 - d. receive Student Achievement Component funding.
12. A TEO that seeks funding from the PBRF must participate in all three components (i.e., the QE, RDC, and ERI), even if their funding entitlement to one or more components is zero, or likely to be zero.
13. If a PBRF-eligible TEO did not participate in the latest QE, the TEO is ineligible for funding through the RDC and ERI components until the next QE.

Minimum Allocation for Te Pūkenga

14. Subject to paragraph 12, the TEC will ensure that the proportion of QE component funding received by Te Pūkenga following the 2025 QE is at least 90% of the allocation Te Pūkenga received based on the Institutes of Technology and Polytechnics' (ITPs) scores in the 2018 QE. The TEC will determine the dollar value of the allocation once it has the results of the 2025 QE.

Quality Evaluation

Evidence Portfolios

15. Subject to paragraph 19(b), each TEO must ensure that eligible TEO staff (as determined by paragraph 17) provide an Evidence Portfolio that sets out information on their research performance. The evaluation of Evidence Portfolios in the QE will be the responsibility of subject-based external peer review panels, comprised of experts in their fields.
16. An Evidence Portfolio will comprise an 'Examples of Research Excellence' section and an 'Other Examples of Research Excellence' section.

Staff Eligibility

17. The TEC must ensure that each TEO only includes the Evidence Portfolio of a staff member in the QE if:
 - a. the staff member is employed by the TEO on the staff census date under a contract of salaried employment with a duration of at least one year; and
 - b. the staff member is employed at a minimum of 0.2 full-time equivalent (FTE) during the period of the contract of salaried employment; and
 - c. the staff member's employment functions included a substantive contribution to research and/or teaching degree-level programmes; and
 - d. the staff member is not based overseas.
18. The TEC must establish criteria for determining:
 - a. what is a "substantive contribution to research and/or teaching degree-level programmes" for the purposes of paragraph 17(c); and
 - b. when a staff member is considered to be "based overseas" for the purposes of paragraph 17(d).

Submitting Evidence Portfolios

19. The TEC must require that:
 - a. TEOs indicate when an Evidence Portfolio is being submitted in respect of an eligible staff member who is a new and emerging researcher; and
 - b. if a TEO considers that an Evidence Portfolio is likely to be assigned a quality category of R or R(NE), the TEO will not submit that Evidence Portfolio.
20. The TEC must establish criteria for determining when an eligible staff member can be considered to be a "new and emerging" researcher for the purposes of paragraph 19(a).

Evaluation of Evidence Portfolios

21. The TEC must use the QE process to allocate one of the following quality categories to each Evidence Portfolio:

- a. Category A;
- b. Category B;
- c. Category C;
- d. Category C(NE);
represents a quantum of research activity and quality by a new and emerging researcher at a level which is sufficient for recognition for funding purposes;
- e. Category R; or
represents a quantum of research activity and quality at a level which is insufficient for recognition for funding purposes;
- f. Category R(NE)
represents a quantum of research activity and quality by a new and emerging researcher at a level which is insufficient for recognition for funding purposes.

22. The quality categories C(NE) and R(NE) will only be available in respect of Evidence Portfolios provided for new and emerging researchers.

Funding

23. The TEC must develop a process for calculating PBRF funding on the basis of the QE, using the following criteria:

- a. the total number of eligible TEO staff whose Evidence Portfolios have been allocated a quality category of A, B, C, or C(NE);
- b. the full-time equivalent status of those staff members with Evidence Portfolios that have been allocated a quality category of A, B, C, or C(NE); and
- c. the subject areas of the Evidence Portfolios.

24. The quality categories must be reflected as numerical quality scores as follows:

Quality category	Numerical quality score
Category A	5
Category B	3
Category C	1
Category C(NE)	2
Category R or R(NE)	0

25. The subject areas must be given cost weightings as follows (excluding Evidence Portfolios considered by the panels listed in the table at paragraph 26):

Subject areas	Cost weightings
Arts, Social Sciences, Business, Accountancy, Law, Teaching	1
Science, Computing, Nursing, Music, Fine Arts	2
Engineering, Agriculture, Architecture, Audiology, Veterinary Science, Medicine, Dentistry, Specialist Large Animal Science	2.5

26. To take effect for funding allocations based on the results of the 2025 QE, the following changes to cost weightings will be applied:

Evidence Portfolios considered by the following panels	Cost weightings
Pacific Research	2.5
Māori Knowledge and Development	3

27. The TEC must allocate funding for QE based on the proportion of the total number of staff at participating TEOs whose Evidence Portfolios have been allocated a quality category of A, B, C and C(NE), weighted by the numerical quality scores, full time equivalent status of the staff members, the cost weightings for different subject areas, and the additional funding weighting for Māori and Pacific staff members.
28. Additional funding weightings for Māori and Pacific staff members will be applied as follows:
- a funding weighting of 2.5 for Evidence Portfolios submitted by Māori staff members; or
 - a funding weighting of 2 for Evidence Portfolios submitted by Pacific staff members.
29. The TEC must establish how to determine who qualifies as a Māori staff member or a Pacific staff member for this purpose.
30. If a researcher qualifies as both a Māori staff member and a Pacific staff member, the higher weighting will apply.

Research Degree Completions

Calculating RDC

31. The TEC must ensure that each TEO calculates completions of research-based postgraduate degrees in units of equivalent full-time student (EFTS).

One (1.0) EFTS unit is defined as the student workload that would normally be carried out by a student enrolled full-time in a single academic calendar year.

32. The TEC must only allocate funding for completions of research-based postgraduate degrees that have a significant, externally-assessed, wholly-research component (at least 0.75 EFTS).

Funding

33. The TEC must develop a process for calculating PBRF funding on the basis of RDCs, using the following criteria:
- a. the volume of research in each research-based postgraduate degree; and
 - b. the relative costs of the subject area of each research-based postgraduate degree, in accordance with the subject-area weightings in paragraphs 25 and 26.
 - c. if applicable:
 - i) an equity weighting of 2 added to the subject-area weighting for RDCs completed by Maori or Pacific researchers; or
 - ii) a strategic weighting of 4 added to the subject-area weighting for a RDCs in which the content is entirely written in te reo Māori.
34. The TEC must allocate funding for RDCs based on the proportion of research-based postgraduate degrees completed at participating TEOs, weighted by research volumes, relative costs of the subject areas, and any equity or strategic weightings.

External Research Income

Sources of ERI

35. External research income includes income from public and private sources for research conducted by an eligible TEO (and/or a wholly-owned subsidiary) and includes research income from competitive sources within Vote Tertiary Education (excluding PBRF).
36. The TEC must ensure that each TEO reports eligible ERI, broken down into the following sources:
- a. Aotearoa New Zealand government contestable funds;
 - b. Aotearoa New Zealand public sector contract research;
 - c. Aotearoa New Zealand non-government income; and
 - d. overseas research income.

Funding

37. The TEC must develop a process for calculating PBRF funding on the basis of

ERI, with the following weightings taking effect for ERI received from 1 January 2022, according to the following weightings by income source as follows:

Sources of external research incomes	Weightings
Aotearoa New Zealand government contestable funds and Aotearoa New Zealand public sector contract research	1
Non-Government income within Aotearoa New Zealand	4
Overseas research income	3.5

38. The ERI weighting changes will be applied first to the data for 2022 that will be reported by TEOs to the TEC in 2023. This ERI data will start to determine funding allocated from the indicative allocations for the 2024 calendar year. Any ERI data reported by TEOs for years prior to 2022 will continue to be weighted at the rates set out in the 2014 Funding Determination which are also set out in the table below:

Sources of external research incomes	Weightings
Aotearoa New Zealand government contestable funds and Aotearoa New Zealand public sector contract research	1
Non-Government income from within Aotearoa New Zealand	2
Overseas research income	1.5

39. The TEC must allocate funding for ERI based on the proportion of total ERI earned by participating TEOs, weighted by funding source.

PART TWO: FUNDING CONDITIONS

General conditions that the TEC must attach to funding

40. The TEC must impose the following specific conditions on funding provided to each TEO under this funding mechanism.

Tertiary Education Organisations

41. The TEC must attach a condition that TEOs that receive funding from the PBRF under this funding mechanism must continue to meet all the eligibility criteria specified in paragraphs 11 to 13 of this funding mechanism for the length of the funding period.
42. The TEC must attach a condition that TEOs that receive funding from the PBRF under this funding mechanism must:
- ensure that staff members included in the QE process meet the criteria specified at paragraph 17;

- b. comply with the requirements of paragraph 19;
- c. calculate RDCs in accordance with paragraph 31; and
- d. report their ERI in accordance with paragraph 36.

Responsible Use of Funding

43. The TEC must attach a condition that TEOs that receive funding under this funding mechanism must use the funding:
- a. lawfully and responsibly; and
 - b. in a manner consistent with the appropriate use of public funds.

Recovery of Over-funding

44. The TEC must attach to funding a condition that if a TEO receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the TEO 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 TEO.
45. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment or set-off the debt against all or any funding.

TEC Administrative Responsibilities

46. If a TEO receives funding under this funding mechanism that is less than it should have been, or less than 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.

Repayment of funding following revocation of funding approval

47. The TEC must attach to funding a condition that if, in accordance with clause 16, Schedule 18 of the Act, the TEC suspends, revokes, or withdraws some or all of a TEO's funding paid under this funding mechanism before that funding has been used or contractually committed towards the purposes for which that funding was provided, then the TEO must treat the unexpended or uncommitted portion of the funding as a debt due to the Crown and:
- 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 TEO.