



Education Report: Delegation to implement initiative to provide targeted assistance to Private Training Establishments of strategic importance

To:	Hon Chris Hipkins, Minister of Education		
Date:	7 August 2020	Priority:	High
Security Level:	In Confidence	METIS No:	1236796
Drafter:	Monique Harvison Nicole Rennie	Phone:	044637678 044637740
Key contact and number:	Suzanne Townsend Shelley Robertson	Phone:	044395433 044637530
Messaging seen by Communications team:	No	Round robin:	No

Purpose of report

This report seeks your agreement on a mechanism to implement one of the International Education Strategic Recovery Plan initiatives recently agreed to as part of the COVID-19 response. This initiative provides funding to support Private Training Establishments of strategic importance.

Recommended actions

The Ministry of Education recommends you:

- a. **note** that Cabinet agreed on 6 July 2020 to \$9.9 million being appropriated to provide targeted support to Private Training Establishments in New Zealand's tertiary education sector, to facilitate the recovery of international education [CAB-20-MIN-0328.22 refers]
- b. **note** that Cabinet also agreed on 6 July to \$0.1 million being appropriated to the Administration of and Support for the Tertiary Education and Careers Systems Appropriation to support the Tertiary Education Commission (TEC) to implement this initiative
- c. **agree** up to \$9.9 million be delegated to be used by the Tertiary Education Commission to provide support for Private Training Establishments of strategic importance
- d. **agree** to the eligibility and assessment criteria, as laid out in paragraphs 8 and 12 respectively

Agree / Disagree

Agree / Disagree

- e. **sign** the attached letter of delegation (attached as Annex 1), under section 409(j) of the Education and Training Act 2020, delegating responsibility to the TEC to administer funding to provide support for Private Training Establishments of strategic importance
- f. **agree** that this paper will be proactively released.

☒ Agree / ☐ Disagree



Belinda Himiona
**Group Manager, International
Graduate Achievement, Vocations and Careers**

07/08/2020



Hon Chris Hipkins
Minister of Education

13/08/2020

____/____/____

Background

1. The international education sector has been hard hit by COVID-19, and international student numbers and tuition fee revenue have dropped significantly. Preliminary modelling by education agencies suggests that revenue loss in 2020 alone will be around \$600 million. Private Training Establishments (PTEs), especially English language schools, have been particularly impacted. Some have already closed, and others are under considerable financial pressure.
2. On 6 July 2020, Cabinet agreed to a range of initiatives to support the recovery of the international education sector. The first component, a “transition and economic stimulus” phase, includes funding to provide targeted assistance for PTEs (\$9.9 million) [CAB-20-MIN-0328.22 refers].

Providing support to PTEs of strategic importance

This proposal will support PTEs which will help with the recovery of the international education sector

3. The PTE sector is an important part of New Zealand’s international education footprint. This targeted assistance is intended to ensure that there is a strategic footprint available to support the sector’s recovery.
4. The approach we recommend to allocate the \$9.9 million appropriated by Cabinet is similar to support for the recovery of the tourism sector. As it is not possible to support all affected PTEs, we recommend that the funding focuses on supporting the stability of providers of regional significance or who contribute to skill development needs, so that these providers can in turn support their regions as the sector begins to recover.

Engagement with the sector and education agencies

5. We tested draft eligibility and assessment criteria for this funding with PTE peak body representatives (see Annex 2 for a list of the representatives) from Thursday 30 July to Wednesday 5 August. The engagement period was limited to a week as many providers are under significant financial pressure, and we want to ensure support is available as soon as possible. Feedback was received via phone call, email, and video conferences with peak body representatives.
6. Feedback from peak body representatives and the wider sector focused on:
 - a. their significant disappointment at the total amount of funding available;
 - b. the use of NZQA’s External Evaluations and Reviews (EERs) as a criterion of eligibility;
 - c. other criteria, such as economic contribution to New Zealand and market diversification, that could be considered to ensure that the sector has a strong foundation on which to rebuild;
 - d. the percentage of international students a PTE must have had in 2019 (measured in equivalent full-time student units (EFTS));
7. Discussion with education agencies focused on the feedback from the peak body representatives and the sector.

Eligibility criteria

8. Taking into account the feedback from the sector, we recommend the below eligibility criteria. To apply for the funding, we recommend that PTEs must:

- a. be a private training establishment as defined in section 10(1) of the Education and Training Act 2020;
 - b. hold a Category 1 or Category 2 External Evaluation and Review (EER) rating from the New Zealand Qualifications Authority (NZQA) as at 1 July 2020;
 - c. have experienced at least a 40% decline in revenue from 1 March to 31 December 2020 (actual and projected, with the latter auditable) compared with the same period in 2019. The decline in actual revenue must be related to COVID-19; and
 - d. had at least 50% of its enrolments in 2019, measured in equivalent full time students (EFTS), be international students.
9. Including PTEs who hold a Category 1 or a Category 2 EER is consistent with NZQA's view that the Government should have full confidence in any provider with a Category 1 or 2 EER. While there was recognition from some parts of the sector that Category 1 providers have some additional merits, there was strong support from both the sector peak bodies and education agencies for Category 2 providers to be included.
 10. Some sector representatives suggested using alternative measures of quality, such as programme monitoring or Education Performance Indicators (EPI) data. While this information may be used to assess applications, education agencies agreed that EER was a suitable measure for initial eligibility, as it limits applications to those PTEs whom NZQA has full confidence in.
 11. Criteria (c) and (d) are intended to ensure that this funding targets those providers who are most affected. Providers with larger revenue drops and a higher proportion of international EFTS are more likely to be facing significant down-sizing, hibernation, or even closure, as they have a smaller domestic footprint to rely on. While some providers with a lower proportion of international EFTS are facing significant difficulties, these criteria help to ensure that the funding is targeted to those most vulnerable.
 12. 81 out of 172 PTEs enrolling international students are Category 1 or 2 and had at least 50% international student EFTS enrolments in 2019. We do not know how many will have had at least a 40% drop in revenue, however over 50 of these PTEs have accessed the Wage Subsidy Scheme, and we believe more PTEs will face a significant revenue drop as no new international students enrol for semester two.

Assessment criteria

13. We recommend the following assessment criteria:
 - a. **regional significance** – the PTE is the only provider of its type in the region, and/or attracts international students to the region, and/or is a significant employer in the region.
 - b. **skills development** – the PTE supports the development of expertise which contributes to New Zealand in any of the following ways:
 - i. **industry priority** – by providing education in skills which have been identified by the TEC as contributing to an industry priority
 - ii. **sector contribution** – by providing pathways for students which support other organisations, providers, and/or business in New Zealand, and supporting the wider international education sector through recruiting from a variety of international markets
 - iii. **learner pathways** – the provider has a strong track record of supporting learners (international and domestic) into employment and/or tertiary education at higher levels.
14. This assessment criteria will help to identify those PTEs which are most crucial to New Zealand, and our international education market.

15. We recommend that the TEC also have the discretion to use other criteria in addition to those outlined above, such as PTE's financial status and whether a PTE has accessed other Government support, as long as the criteria are aligned with the purpose of the funding.
16. We expect the TEC put a weighting on the above criteria, and other criteria they deem necessary.
17. There was some concern from the sector about the TEC as the sole assessor of applications, as some providers do not have an established relationship with them. The assessment process will include other education agencies (NZQA, Education New Zealand and the Ministry) to ensure that all available knowledge of the international sector is shared and applications can be fairly assessed.

Risks

18. We expect this funding to be oversubscribed, as there are a large number of providers under considerable financial pressure. We have worked with sector peak bodies and other education agencies on a set of criteria that will help to identify those providers which are both strategically important and in financial hardship.
19. However, we expect that some PTEs who do not receive the funding they apply for will be forced to close. We have already been working to manage the expectations of the sector by making it clear that not every PTE that meets the eligibility criteria will receive funding.
20. It is also possible that some PTEs who do receive funding are still forced to close. To minimise the risk of this funding being completely lost, the TEC will include funding conditions to give them security for repayment of the funding in the event that the PTE voluntarily closes or becomes insolvent. However, it is likely that if a PTE becomes insolvent, funding may not be able to be recovered. Student fees should be protected by the Student Fee Protection Rules.
21. Sector peak body representatives expressed dissatisfaction with the amount of funding for this initiative, and how other funding to help the international education sector was allocated (for example, \$10 million for innovation may come too late for some PTEs). Depending on the progress of other initiatives, we may recommend reconsidering the allocation of some of this funding later this year, to consider whether it could be used in a more effective manner.

The TEC will administer the funding through a letter of delegated authority

22. To implement this initiative we have drafted the attached letter of delegation to the TEC, to administer the funding to support PTEs of strategic importance.
23. We propose that the funding be allocated through negotiations between the TEC and the PTEs, rather than through a formula-based allocation. A negotiated approach allows for each PTE's circumstances and needs to be taken into account. For example, some providers may need a relatively small amount of funding to hibernate their operations until borders reopen, while others may require a bit more to effectively pivot their provision. There will be no minimum or maximum amount of funding one PTE can access.
24. The letter directs the TEC to publish information about the PTEs that have received funding, including a public list that identifies each PTE funded and the amount received. We have also included conditions to minimise the risk of funding being used inappropriately.

Funding source

25. This initiative will be funded using the \$9.9 million appropriated to the Private Training Establishments of Strategic Importance appropriation in Vote Tertiary Education in the 2020/21 financial year. The TEC has been allocated \$0.1 million to implement this initiative.

Next steps

26. We recommend that you sign the proposed letter of delegation attached as Annex 1, to enable the TEC to administer the funding. It should then be sent to the Chair of the TEC.
27. The TEC expects to open an application process for PTEs of strategic importance on 26 August. They will then evaluate applications for two weeks, so that funding can be paid out as soon as possible. The TEC will report back to you on the outcome of the application process.
28. There has been a high degree of interest in how this funding will be allocated, from the sector and from the media. We will work with your office and the TEC on appropriate communication material.
29. We recommend proactively releasing this report once the letter of delegation is sent to the TEC.

Annexes

Annex 1 – Delegation to provide targeted assistance to Private Training Establishments in financial difficulty due to COVID-19

Annex 2 – Engagement with sector peak body representatives

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

Dear Jenn

Delegation to provide targeted assistance to Private Training Establishments of strategic importance in financial difficulty due to COVID-19

I am writing to advise you of my delegation of responsibility to the Tertiary Education Commission (TEC) to administer targeted funding to assist Private Training Establishments (PTEs) in financial difficulty due to COVID-19. This funding was appropriated as part of the International Education Strategic Recovery Plan.

The purpose of this funding is to provide financial assistance to PTEs experiencing financial difficulties due to the impact of COVID-19. I recognise that COVID-19 has had a large effect on many in the international education sector, and that this funding will only provide relief to some. I am focused on ensuring the stability of providers that contribute to regional significance or skill development needs, so that these providers can in turn support their regions when international students return.

PTEs must meet the below eligibility criteria in order to apply for funding. I do not expect that every eligible PTE will receive funding.

To be eligible to apply for this funding, PTEs must:

1. be a private training establishment as defined in section 10(1) of the Education and Training Act 2020;
2. hold a Category 1 or Category 2 External Evaluation and Review (EER) rating from the New Zealand Qualifications Authority (NZQA) as at 1 July 2020;
3. have experienced at least a 40% decline in revenue from 1 March to 31 December 2020 (actual and projected, with the latter auditable) compared with the same period in 2019. The decline in actual revenue must be related to COVID-19; and
4. had at least 50% of its enrolments in 2019, measured in equivalent full time students (EFTS), be international students.

Any PTE which meets the eligibility criteria and wishes to apply for funding must provide an application to the TEC. I expect the TEC to develop an appropriate application process. The TEC may ask for any information it deems necessary to assess the need of each PTE.

The TEC will assess applications based on the following criteria:

- a. **regional significance** –the PTE is the only provider of its type in the region, and/or attracts international students to the region, and/or is a significant employer in the region.
- b. **skills development** – the PTE supports the development of expertise which contributes to New Zealand in any of the following ways:
 - i. **industry priority** – by providing education in skills which have been identified by the TEC as contributing to an industry priority
 - ii. **sector contribution** – by providing pathways for students which support other organisations, providers, and/or business in New Zealand, and supporting the wider international education sector through recruiting from a variety of international markets
 - iii. **learner pathways** – the provider has a strong track record of supporting learners (international and domestic) into employment and/or tertiary education at higher levels.

The TEC can determine additional criteria to assess applications from eligible PTEs, as long as the additional criteria is aligned with the purpose and focus of the fund, and, that the additional criteria is published in the funding application form.

The TEC may consult with other education agencies when assessing applications.

The TEC must develop and publish funding conditions that limit how PTEs can use the funding.

The TEC must consider PTEs' views when determining the amount of funding to be allocated within the overall amount available. The amount of funding to be allocated and paid must be no more than the amount most likely to enable the continued operation of the PTE, at a minimum viable level (this may include hibernation).

This delegation will utilise funding appropriated within the Support for Private Training Establishments of Strategic Importance appropriation in Vote Tertiary Education. Up to \$9.9 million can be used in 2020/21.

I delegate to the Tertiary Education Commission (under section 409(j) of the Education and Training Act 2020)) authority to pay funding:

- to PTEs who meet the eligibility criteria above;
- whose applications best meet the assessment criteria above;
- of up to \$9.9 million in 2020/21 financial year.

I expect the TEC to:

- develop and publish funding conditions that include a condition or conditions that funding may be recovered from a provider if the provider does not comply with the funding conditions imposed by the TEC, or closes during the 2020/2021 financial year;
- develop and publish funding conditions that include a condition or conditions that require PTEs, if possible, to give the TEC security for repayment of the funding in the event that the PTE becomes insolvent, or chooses to close;

- develop and publish funding conditions that include a condition or conditions that require PTEs to give the TEC any information that it requests, including information regarding PTEs' financial status;
- report to me regularly on the funding allocated, including number and types of PTEs supported by this fund; and
- publish information on the PTEs that have received funding, including a public list that identifies each PTE funded and the amount of funding received.

This delegation applies from the date of this letter until 30 June 2021.

The TEC may exercise any of its administrative functions as required to give effect to this delegation outside of those dates.

Yours sincerely

Hon Chris Hipkins
Minister of Education

Annex 2 – Engagement with sector peak bodies

The Ministry of Education hosted a video conference meeting to discuss draft criteria with sector peak bodies on Monday 3 August. Attendees were:

Independent Tertiary Education New Zealand:

- Craig Musson, Chair
- Clare Bradley, Deputy Chair
- Kim Crosland, Chief Executive
- Paul Chalmers, Board Member

Quality Tertiary Institutions

- Brijesh Sethi, Chair

English New Zealand

- Darren Conway, Chairman
- Kim Renner, Executive Director

In addition, further feedback was received by phone and email from peak bodies and directly from some member organisations.