

**Tertiary Education
Commission**

Te Amorangi Mātauranga Matua



Exceptions under the AMFM policy

**Application guidelines
and assessment information**

Published by the Tertiary Education Commission
Te Amorangi Mātauranga Matua
National Office
44 The Terrace
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Wellington, New Zealand

September 2022

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1 Introduction

In exceptional circumstances, tertiary education organisations (TEOs) can apply for exceptions from the annual maximum fee increase permitted under the [Annual Maximum Fee Movement \(AMFM\) policy](#). The policy applies to non-degree, undergraduate and postgraduate courses.

The maximum allowable fee increase for 2023 is 2.75%. A TEO may apply for an exception to this limit to allow course fees to increase by up to an additional 2.75% above the 2.75% permitted.

2 Applying for an exception

A TEO wishing to seek an AMFM exception should prepare a case providing the information outlined below. For tertiary education institutions (TEIs), the application must be authorised and signed by a delegated authority of the TEI Council. For private training establishments (PTEs), the application must be authorised and signed by the PTE Chief Executive or Board Chair.

These guidelines describe the specific requirements that you must follow. They also indicate the information that you will need to provide to us. The guidelines are not an exhaustive list. You are responsible for providing enough suitable evidence to allow us to make an appropriate decision. A set of [templates](#) is provided to ensure the appropriate information is provided. These must be used when applying for an exception. Applications not prepared in accordance with these guidelines may be ineligible for full assessment.

You should provide any other relevant information to support your case. You must provide evidence that increasing fees will not negatively impact on student access, as this would compromise achievement of the Tertiary Education Strategy (TES). You must also address any potential negative effects of increasing fees by up to an additional 2.75% in addition to the 2.75% already permitted.

We will investigate the relevant range of alternative provision to determine whether arguments addressing the special criterion are reasonable.

Each TEO needs to ensure that it provides all the information needed. We will not seek further information beyond any necessary clarification.

3 Demonstrating the case for exception

To qualify for an exception, you must demonstrate to us that you have exceptional circumstances requiring an exception. Your application must meet **all** the following criteria to gain an exception:

1. The TEO is unable to support the course(s) or micro-credential while remaining viable.
2. For a course that is part of a programme leading to a qualification at levels 3-8 on the New Zealand Qualifications Framework (NZQF), the completion rate for the qualification met or exceeded the median performance benchmark for that level in the previous year.
3. The TEO can demonstrate that the course is in some way unique or special, for example, that there are no local alternatives to the course.
4. Not allowing an exception will prevent the TEO from making a significant contribution to the achievement of one or more the Government's priorities, as set out in the current Tertiary Education Strategy.

We may consider information not in your application and may seek to verify anything contained in your application. We will also consider submissions from the relevant student bodies in relation to the assessment criteria.

4 Student body engagement

You must also advise any relevant student body of your application so they have an opportunity to provide a submission to us about your application, and confirm that you have advised them.

- › Each TEI must, as a minimum, advise the relevant student body or bodies' representative on its Council that it is considering an application, with sufficient notice for feedback when the Council discusses the application. The TEI must also provide a copy of its application to the student body or its Council representative when submitting its application.
- › A PTE must provide us documentation that it has advised the relevant student body or bodies, **OR** confirm that there is no student body with which it could consult.
- › Student bodies should send their submissions direct to the TEC, by email to customerservice@tec.govt.nz, with subject line "[TEO name] - 2023 AMFM exception application".

5 Submitting an application and notification of outcome

Email your application (or student body feedback) to customerservice@tec.govt.nz, with the subject line "EDUMIS – Name – 2023 AMFM exception application" no later than **5:00pm on Tuesday 30 November 2022**.

Submissions from student bodies should be received within seven days of the submission of your application, and no later than **5:00pm Tuesday 7 December 2022**.

We will acknowledge receipt of applications via email within five business days. You will be notified about the outcome of your application by email.

6 Review of decisions

You, or the relevant student body, may seek a review of our decision if you believe:

- › there has been a *substantial misapplication* of the criteria to the information *as supplied* in your application (note: no new information may be introduced), or
- › the process requirements of established Administrative Law as currently applied in New Zealand have not been appropriately followed.

7 Exception application guidelines and templates

Please ensure that information is provided as detailed below and using the templates provided. You may add further lines if you need to provide more information. The "Key decision points" in the application assessment template will be used as the primary basis for assessment. All applications need to have clear, specific and quantifiable details addressing the key decision points relevant to the basis of the application.

Please ensure that spreadsheet templates are completed and sent in electronic form (saved as .xls or .xlsx) to the customerservice@tec.govt.nz.

Financial information must be GST exclusive, in accordance with generally accepted accounting practice.

8 Criterion One: Financial viability of the course

The TEO is unable to support the course(s) while remaining financially viable

Costings need to include TEO-level information in all cases. For applications below TEO level, costing must also be undertaken at the level at which the application for exception is made **AND** all levels above.

This means applications at:

- › individual course or qualification level should list the costings for:
 - the courses / qualifications

- the department or division that the course / qualification is in, and
- the TEO as a whole
- › department or division level should list the costings for:
 - the department or division, and
 - the TEO as a whole
- › TEO-level should list costing for:
 - the TEO as a whole.

TEOs should provide information on the following, at the relevant level(s), in the worksheets, “2021 comparative data”, “2022 comparative data”, and “2023 Exception year” (forecasts where applicable):

- › the number of students, the income and the fees charged for the course(s)
- › other student-based income
- › research income
- › other government income
- › non-education related income
- › the costs attributable to the course(s), along with any explanations for the apportionment / costing, under the headings:
 - *remuneration paid to owners / directors*: include all remuneration, including directors’ fees and salaries, including that paid for academic services (if any). Note: any academic remuneration paid to owners should be deducted from the total for “academic remuneration”
 - *academic remuneration*: the direct cost of all staff (full time, part time and contract staff) who undertake academic roles within the course(s)
 - *technical remuneration*: the direct cost of all staff (full time, part time and contract staff) who provide technical or similar support to students enrolled in the course(s) and / or the academic staff teaching that course(s)
 - *operating expenses*: the direct operating expenses (e.g. consumables, travel, equipment, maintenance, library and other course and research expenses) which are incurred to support students enrolled or staff teaching the course(s)
 - *depreciated, amortised and lease expenses*: the depreciation, amortisation and lease expenses relating to equipment, facilities and space used by (or allocated to) the course(s)
 - *occupancy expenses*: the non-depreciation / lease expenses that relate to building space used (or allocated to) the course(s)
 - *indirect costs attributable to course(s)* (e.g. such as central administrations charges as costs relating to the TEO as a whole) and explanation of the rationale for the apportionment of these costs
 - *unusual or non-recurring costs* (not accounted for in the above categories): how these projections for 2022 will be affected by granting of the exception.

TEOs should provide information by department concerning the following:

- › the number of equivalent full-time learners (EFTL)
- › average fees
- › the range of qualifications offered
- › all funding received from government
- › evidence to support the case that the ability to cross-subsidise does not exist because of the extent of the total surplus from all sources.

Complete the information, financial figures and forecasts for your organisation as a whole using the worksheet “Annual accounts data”. This requires two years of actual data, a current year forecast and forecasts for the next two years.

You will need to advise what percentage increases are planned for all other courses at your organisation. If less than 2.75% please advise why. Please complete the template "Other Fee Increases".

Your application must address the financial impact of both:

- › running the course(s) without the additional 2.75% fees; and
- › not running the course(s) at all (on the basis of what would be done instead if the course(s) was / were not run).

Assessment of Criterion 1

Income from all sources will be used in assessing this criterion. This information will be expected to align with your TEO's published annual accounts.

Course-specific information provides an indication of the contribution the income generated by the course(s) makes toward organisational costs.

Financial information

You must have your financial projections and analysis reviewed and verified by an independent chartered accountant. The chartered accountant's assurance report must be submitted independently to the TEC, not with the application. It can be sent by email to customerservice@tec.govt.nz, with subject line "**Organisation Name – AMFM exception application**" as soon as possible after your submission, and no later than **5:00pm on Tuesday 30 November 2022**.

We may also consider any other financial information available to the TEC.

Scope of assurance

The independent chartered accountant must provide assurance:

- › that the financial forecasts, and financial information provided are accurate and robust
- › that the costing practices and financial forecasts in the application are consistent with internal management reporting
- › on the effect of any transfer pricing or related party transactions
- › on the financial solvency and viability of the entity seeking an exception and the courses and programmes where an exception is being sought.

Assessment of financial viability

Our assessment of financial viability for PTEs will look at two factors.

1. The TEO's solvency before and after the proposed exception, where the test is that used in the Companies Act 1993:
 - a. is the TEO able to meet its bills as they fall due? and
 - b. are the TEO's total assets greater than its total liabilities?
2. Is the TEO able to operate with a surplus currently and over the near future?

For TEIs, we will consider whether the financial projections meet our [TEI Financial Monitoring Framework](#) (FMF) measures, for example:

1. Is the surplus from all sources projected to be less than 2.75% of revenue in 2023; and
2. Is the cash-flow projected to be less than the 111% guideline in 2022?

In most cases, in determining the need for an exception, we will primarily look at the effect any exception will have on whether you can, over the long term, operate in surplus (test 2).

We will look specifically at what effect the student fee has, along with other factors, on financial viability.

We provide a template assurance report for the chartered accountant’s financial review and verification.

TEIs

The analysis includes financial performance measures such as the operating surplus ratio, liquidity ratio and contribution margin ratio. These apply at the TEI level and course / qualification level as relevant.

PTEs

The chartered accountant’s assurance report will need to confirm that the following are “at arms-length” and do not contain “transfer pricing” that unduly and materially affects the reported profitability of the applicant:

1. the level of remuneration paid to shareholders / owners; and
2. related party transactions.¹

9 Criterion Two: Completion rate meets or exceeds the sector rate

For a course that is part of a programme leading to a qualification at level 3-8 on the NZQF, the completion rate for the qualification met or exceeded the median performance benchmark for that level in the previous year

Each course in your application must have its intended qualification meet or exceed the qualification completion rate for the sector to be eligible for an exception.

Your qualification completion rate will be compared to the 2021 cohort-based qualification completion rate (all sectors) for the relevant NZQF group, in line with the table below. To accommodate impacts of Covid-19 you may use whichever figure is higher from your 2019 or 2021 qualification completion rate for the comparison. The sector qualification completion rate sums the number of completions across all TEOs and divides by the number of learners in the cohort group or level across all TEOs.

Your performance data must be provided in the financial data template.

You need to obtain your qualification completion rate for the intended qualification that your course belongs to via Ngā Kete using the ‘My Performance – SDR App’.

When you are in the app, select the ‘Intended qualification and completed qualification’ sheet. For the reporting year select ‘2019’ or ‘2021’, for the source of funding select ‘Student Achievement Component’. You can then select the qualification from the ‘Learners enrolled by intended qualification title’ chart. You may use either your 2019 or your 2021 completion rate for that qualification for the comparison – please indicate which year you have used.

NZQF group	2021 cohort-based qualification completion all of sector rate
Level 3	56.2%
Level 4-7 non-degree	59.3%
Level 7 degree and level 8	61%

Each course subject to the application must meet or exceed the benchmark to be eligible for an exception, even if the application is at a departmental or organisational level.

¹ A “related party” is as defined in the External Reporting Board: New Zealand International Accounting Standard 24 - Related Party Disclosures.

10 Criterion Three: The course is in some way unique or special

The TEO can demonstrate that the qualification, of which the course is a part of, is in some way unique or special, for example, that there are no local alternatives to the course available

This criterion may be met by uniqueness or scarcity of national provision, or scarcity of alternative regional provision. We will give particular consideration to situations where not increasing the fees would severely restrict access for a segment of the student population identified in the TES.

We will investigate the relevant range of alternative provision to determine the reasonableness of the arguments presented.

11 Criterion Four: Aligned to government priorities

Not allowing an exception will prevent the organisation 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

A TEO should provide evidence to demonstrate that applying the AMFM limit would compromise making a significant specific identifiable contribution towards the TES.

Assessment of Criterion 4

In assessing this information, we will consider the current TES priorities:

- › Ensure places of learning are safe, inclusive and free from racism, discrimination and bullying.
- › Have high aspirations for every learner/ākonga, and support these by partnering with their whānau and communities to design and deliver education that responds to their needs, and sustains their identities, languages and cultures.
- › Reduce barriers to education for all, including for Māori and Pacific learners/ākonga, disabled learners/ākonga and those with learning support needs.
- › Ensure every learner/ākonga gains sound foundation skills, including language, literacy and numeracy.
- › Meaningfully incorporate te reo Māori and tikanga Māori into the everyday life of the place of learning.
- › Develop staff to strengthen teaching, leadership and learner support capability across the education workforce.
- › Collaborate with industries and employers to ensure learners/ākonga have the skills, knowledge and pathways to succeed in work.
- › Enhance the contribution of research and mātauranga Māori in addressing local and global challenges.

You will need to address one or more of these key aspects of the TES, particularly in terms of the specific strategies and objectives identified in the TES. We will look for a strong case for exception in one or more of these aspects, along with an absence of concerns regarding the remaining aspect(s). A TEO must provide evidence that increasing fees will not negatively impact on any of these aspects. A TEO must address any foreseeable negative effects on any of these aspects.

12 Business Case

You should support your application with a simple business case, in the following terms.

Firstly, you should establish a business case based on the most sensible or likely coping strategy if an exception were not granted: the strategy which would cause the least impact on education provision and your TEO's overall operation.

- › Describe the coping strategy or strategies you would implement.
- › Describe briefly other viable coping strategies considered.
- › Explain why the chosen strategy would have less impact than the others and why it was chosen.
- › Describe how implementing the chosen strategy would, if an exception were not granted, compromise contribution toward the TES, in a way that demonstrates "exceptional circumstances" beyond the normal range of business resourcing decisions.

To demonstrate exceptional circumstances (justifying increasing fees by more than the AMFM), you must demonstrate that you are taking all reasonable measures to ensure your TEOs ongoing viability, but that there remain circumstances beyond your ability to financially mitigate without compromising quality of delivery.

Demonstrate by way of this business case how the additional income, which is the subject of the exception application, would be applied to address this. For example, if it is submitted that provision will be reduced, or a particular initiative ceased, costings should be provided that demonstrate why it is no longer sustainable and how the additional revenue would remedy or mitigate that situation.

In relation to the courses subject to this application, please also provide a comparison between your TEO and any other comparable New Zealand TEOs, of:

- › the relevant fee
- › staff to student ratios, and
- › any other relevant parameter.

Comparison with overseas TEOs will not be considered, because “exceptional circumstances” must be demonstrated within the context of the New Zealand tertiary sector. Matters of international accreditation of qualifications or the TEO are considered relevant.

13 Checklist

Please ensure your completed application includes:

- › a completed application form, containing your organisation’s contact details, details regarding the course(s) or department(s) covered by the application, confirmation that you have advised the relevant study body or bodies, and a completed declaration signed by the appropriate person.
- › discussion of how you meet all four exception criteria as outlined above
- › the financial data template
- › a brief business case outlining coping strategies should your application not be granted
- › all necessary supporting information

Please also check that your chartered accountant has forwarded the review and verification assurance report (attestation form) directly to us.