



## Office of Hon Steven Joyce

Minister for Economic Development  
Minister for Regulatory Reform  
Minister of Science and Innovation  
Minister for Tertiary Education, Skills and Employment

Minister Responsible for Novopay  
Associate Minister of Finance

6 NOV 2016

John Spencer  
Chair  
Tertiary Education Commission  
PO Box 27-048  
Wellington 6141

Dear John

### **Determination of Design of Funding Mechanism: Literacy and Numeracy provision**

I am writing to advise you of the new determination of design of funding mechanism that I have made under section 159L of the Education Act 1989 for the Intensive Literacy and Numeracy Fund; the Workplace Literacy and Numeracy Fund; and the Adult Literacy Educator Fund.

The new mechanism is set out in the appendix to this letter. The determination covers the period from 1 January 2017.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determinations of the designs of funding mechanisms. I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to this determination.

Yours sincerely



Steven Joyce  
Minister for Tertiary Education, Skills and Employment

## **FUNDING MECHANISM: LITERACY AND NUMERACY PROVISION**

### **Part One: Purpose of Funding Mechanism, Funding Period and General Funding Conditions**

#### ***Statutory authority***

1. This funding mechanism for literacy and numeracy provision is made under section 159L of the Education Act 1989 (the Act).

#### ***Purpose of the funding mechanism***

2. The purposes of funding literacy and numeracy provision under the funding mechanism are to:
  - a. raise adults' literacy and numeracy skills; and
  - b. increase opportunities for adults to engage in literacy and numeracy learning, particularly for those in low-skilled employment; and
  - c. improve the quality and relevance of provision, including the ability to identify learner need and learning gain.

#### ***Funds and available funding***

3. This funding mechanism covers the following funds:
  - a. Intensive Literacy and Numeracy Fund (ILN Fund); and
  - b. Workplace Literacy and Numeracy Fund (WLN Fund); and
  - c. Adult Literacy Educator Fund (ALE Fund).
4. The total amount of Government funding that can be allocated under this funding mechanism will be set through the Government's annual budget processes.

#### ***Funding period***

5. This funding mechanism is to fund literacy and numeracy provision delivered from 1 January 2017.
6. The Tertiary Education Commission (TEC) may exercise any of its administrative functions as required to give effect to this funding mechanism before that date.

#### ***Funding to be paid under section 159YA of the Act***

7. Subject to paragraph 9, the TEC must pay funding for literacy and numeracy provision under section 159YA of the Act (relating to funding organisations via plans).
8. The TEC must attach the conditions specified in this funding mechanism to funding paid under section 159YA.

#### ***Funding to be paid under section 159ZC of the Act***

9. The TEC must pay funding allocated for the WLN Fund to tertiary education organisations (TEOs) that are employers as described in paragraph 32(f) of this

funding mechanism under section 159ZC of the Act (relating to funding organisations other than via plans).

10. The TEC must attach the conditions specified in this funding mechanism to funding paid under section 159ZC.
11. The TEC may impose any conditions on funding paid under this funding mechanism under section 159ZC of the Act that it considers necessary to ensure that funding will achieve the purpose for which it has been allocated.

### ***General funding conditions***

#### *Other Crown sources*

12. 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 of study or training that 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 subparagraph (a).

#### *Lawful use of funding*

13. 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*

14. 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 to TEC; and
  - b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.

## **PART TWO: FUNDS, FUNDING RATES AND FUND-SPECIFIC CONDITIONS**

### **A. THE INTENSIVE LITERACY AND NUMERACY FUND**

#### ***Purpose***

15. The purpose of the ILN Fund is to fund TEOs for the intensive provision of high quality literacy and numeracy learning opportunities within an appropriately structured environment.

#### ***Definition of TEO for the purposes of the ILN Fund***

16. For the purposes of the ILN Fund, a "TEO" is one of the following:

- a. an institute of technology or polytechnic (ITP);
- b. a private training establishment (PTE);
- c. a wānanga;
- d. a university; or
- e. a state or state-integrated school.

#### ***Funding rates***

17. The TEC must allocate \$25 of funding from the ILN Fund to TEOs per hour of literacy, numeracy, or literacy and numeracy, tuition.
18. The total hours of literacy, numeracy, or literacy and numeracy tuition delivered per learner by a TEO is expected to be between 80 and 300 hours.
19. The literacy, numeracy, or literacy and numeracy, tuition must be delivered at the intensity of 5 to 20 hours per week.
20. The TEC must monitor provision funded under the ILN Fund to ensure that it is delivered in accordance with paragraphs 18 and 19. TEO performance in respect of this must be used by the TEC to inform future allocations through this fund.

#### ***TEO eligibility***

21. The TEC must only fund a TEO from the ILN Fund if the TEO:
  - a. is one of the organisations described in paragraph 16; and
  - b. has in place an effective assessment process for identifying each learner's initial literacy and numeracy needs, and measure their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool<sup>1</sup>; and
  - c. is able to offer an eligible programme of intensive literacy and numeracy provision as set out in paragraph 23; and
  - d. has adequate processes for reporting improvements of a learner's literacy and numeracy skills; and
  - e. is quality assured by:
    - i. the New Zealand Qualifications Authority (NZQA), if the TEO is an ITP, PTE, or wānanga; or

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<sup>1</sup> Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

- ii. the New Zealand Vice-Chancellors' Committee (Universities NZ), if the TEO is a university; or
- iii. the Education Review Office, if the TEO is a state or state-integrated school.

22. The TEC must attach to funding a condition that a TEO that receives funding from the ILN Fund must ensure that it meets and continues to meet the eligibility criteria specified in paragraph 21.

***Programme eligibility***

23. The TEC must only fund a TEO from the ILN Fund for a programme of study or training that:

- a. provides literacy, numeracy, or literacy and numeracy, study or training that is specific, rather than embedded within the programme; and
- b. contributes to the Government's priority for literacy and numeracy skill development, as set out in the Tertiary Education Strategy 2014-2019; and
- c. provides high quality literacy, numeracy, or literacy and numeracy, study or training, that represents value for money; and
- d. enables each learner to use literacy, numeracy, or literacy and numeracy skills to meaningfully engage in New Zealand society; and
- e. is effective in improving each learner's literacy, numeracy, or literacy and numeracy, skills; and
- f. has measurable literacy, numeracy, or literacy and numeracy, outcomes; and
- g. is flexible and able to be tailored to meet the needs of an individual adult learner; and
- h. is provided by a tutor who holds an appropriate qualification as determined by the TEC.

24. The TEC must attach to funding a condition that a TEO that receives funding from the ILN Fund must ensure that a programme of study or training in which a learner is enrolled meets and continues to meet the eligibility criteria specified in paragraph 23.

***Learner eligibility***

25. To be eligible for funding from the ILN Fund, a TEO must use the funding in respect of a learner who:

- a. is a "domestic student" as defined under section 159 of the Education Act 1989; and
- b. has low skill levels in literacy, numeracy, or literacy and numeracy, as determined by the TEC.

26. The TEC must attach to funding a condition that a TEO that receives funding from the ILN Fund must:

- a. ensure that each learner who is enrolled in a programme of study or training meets and continues to meet the eligibility criteria specified in paragraph 25; and
- b. verify the identity of each learner enrolled in a programme of study or training to confirm the learner's eligibility, in accordance with the requirements developed by the TEC.

### ***Fees***

27. The TEC must attach to funding a condition that a TEO that receives funding from the ILN Fund must not charge a fee to a learner who is participating in a programme of study or training for which the TEO receives funding from the ILN Fund.

### ***Enrolment***

28. The TEC must attach to funding a condition that an institution<sup>2</sup> that receives funding from the ILN Fund must keep accurate and up-to-date records of enrolments in accordance with the requirements developed by the TEC.

## **B. THE WORKPLACE LITERACY AND NUMERACY FUND**

### ***Purpose***

29. The purposes of the WLN Fund are to:
- a. increase the literacy and numeracy skills of employees; and
  - b. contribute to workplace productivity through the provision and evaluation of literacy and numeracy learning in a workplace context.
30. The purposes can be achieved by:
- a. providing programmes of workplace literacy and numeracy training to employees; and
  - b. supporting workplaces to establish workplace literacy and numeracy provision.
31. The WLN Fund has two funding strands: the Tertiary Education Organisation-led strand and the Employer-led strand.

### ***Definition of TEO for the purposes of the WLN Fund***

32. For the purposes of the WLN Fund, a "TEO" is one of the following:
- a. an ITP;
  - b. a PTE;
  - c. a wānanga;
  - d. a university;
  - e. a state or state-integrated school; or
  - f. an employer that:
    - i. is an organisation as defined by section 159B of the Act; and
    - ii. is a body corporate; and
    - iii. delivers literacy, numeracy, or literacy and numeracy, provision to a minimum of 20 of its employees; or
    - iv. delivers literacy, numeracy, or literacy and numeracy, provision to a minimum of 20 employees as part of a consortium arrangement with other employers.

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<sup>2</sup> As defined in section 159 of the Education Act 1989.

## **Funding rates**

### Tertiary Education Organisation-led strand

33. The TEC must allocate up to \$75 of funding from the WLN Fund to TEOs (other than those TEOs described in paragraph 32(f)) per hour of literacy, numeracy, or literacy and numeracy, tuition.
34. The total hours of literacy, numeracy, or literacy and numeracy tuition delivered per learner by a TEO is expected to be between 25 and 80 hours.
35. The literacy, numeracy, or literacy and numeracy, tuition must be delivered at the intensity of 40 hours over a 10 to 40 week period.
36. The TEC must monitor provision funded under the WLN Fund to ensure that it is delivered in accordance with paragraphs 34 and 35. TEO performance in respect of this must be used by the TEC to inform future allocations through this fund.

### Employer-led strand

37. The TEC must allocate up to \$92.50 of funding from the WLN Fund to TEOs described in paragraph 32(f) per hour of literacy, numeracy, or literacy and numeracy, tuition.
38. The total hours of literacy, numeracy, or literacy and numeracy tuition delivered per learner by a TEO is expected to be between 25 and 80 hours.
39. The literacy, numeracy, or literacy and numeracy, tuition must be delivered at the intensity of 40 hours over a 10 to 40 week period.
40. The TEC must monitor provision funded under the WLN Fund to ensure that it is delivered in accordance with paragraphs 38 and 39. TEO performance in respect of this must be used by the TEC to inform future allocations through this fund.

## **TEO eligibility**

41. The TEC must only fund a TEO from the WLN Fund if the TEO:
  - a. is one of the organisations described in paragraph 32; and
  - b. has in place an effective assessment process for identifying each learner's initial literacy and numeracy needs, and measure their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool<sup>3</sup>; and
  - c. (other than an employer as described in paragraph 32(f)) is quality assured by:
    - i. NZQA, if the TEO is an ITP, PTE, or wānanga; or
    - ii. the New Zealand Vice-Chancellors' Committee (Universities NZ), if the TEO is a university; or
    - iii. the Education Review Office, if the TEO is a state or state-integrated school.

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<sup>3</sup> Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

42. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund must meet and continue to meet the eligibility criteria specified in paragraph 41.

### ***Programme eligibility***

43. The TEC must only fund a TEO from the WLN Fund for a programme of workplace training to employees if the programme:

- a. provides literacy, numeracy, or literacy and numeracy, training that is specific, rather than embedded within the programme; and
- b. contributes to the Government's priority for literacy and numeracy skill development, as set out in the Tertiary Education Strategy 2014-2019; and
- c. provides high quality literacy, numeracy, or literacy and numeracy, study or training that represents value for money; and
- d. is effective and innovative in improving each learner's workplace literacy, numeracy, or literacy and numeracy, skills, to meaningfully engage in the workplace and New Zealand society; and
- e. is able to be tailored to meet the needs of an individual learner; and
- f. has adequate processes for reporting on a learner's progress in improving literacy, numeracy, or literacy and numeracy skills; and
- g. is provided by a tutor who holds an appropriate qualification as determined by the TEC.

44. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund must ensure that a programme of study or training in which an eligible learner is enrolled meets and continues to meet the eligibility criteria specified in paragraph 43.

45. In addition to paragraph 43, the TEC must only fund a TEO that is an employer as described in paragraph 32(f), or a TEO that works with a specific employer, for a programme of workplace training if the programme:

- a. provides high quality literacy, numeracy, or literacy and numeracy study, or training, that is tailored to the needs of the workplace; and
- b. contributes to the development of sustainable employee literacy and numeracy practices within the workplace; and
- c. has targeted literacy, numeracy, or literacy and numeracy, outcomes that reflect the priorities and needs of the workplace; and
- d. has the support of the employer's senior management.

46. The TEC must attach to funding a condition that a TEO that is an employer as described in paragraph 32(f), or a TEO that works with a specific employer, must ensure that a programme of workplace training in which a learner is enrolled meets and continues to meet the eligibility criteria specified in paragraphs 43 and 45.

### ***Learner eligibility***

47. The TEC must only fund a TEO from the WLN Fund in respect of a learner who:

- a. is a "domestic student" as defined under section 159 of the Education Act 1989; and
- b. has low skill levels of literacy, numeracy, or literacy and numeracy, as determined by the TEC; and



- c. is in the paid workforce; and
- d. is not:
  - i. enrolled as a full-time student at a TEO; or
  - ii. accessing TEC-funded literacy, numeracy, or literacy and numeracy, provision at another TEO or workplace; or
  - iii. enrolled in an industry training programme at Level 3 or above on the New Zealand Qualifications Framework (NZQF); or
  - iv. enrolled in a New Zealand Apprenticeship or a Modern Apprenticeship programme<sup>4</sup>.

48. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund must:

- a. ensure that each learner who is enrolled in a programme of workplace training meets and continues to meet the eligibility criteria specified in paragraph 47; and
- b. verify the identity of each learner enrolled in a programme of workplace training to confirm the learner's eligibility, in accordance with the requirements developed by the TEC.

### **Fees**

49. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund must not charge a fee to a learner who is participating in a programme of workplace training for which the TEO receives funding from the WLN fund.

### **Subcontracting**

50. The TEC must attach to funding a condition that a TEO that is an employer as described in paragraph 32(f) and receives funding from the WLN Fund must not subcontract the provision of a programme of workplace training to another TEO unless:

- a. the TEO receives the TEC's written consent prior to subcontracting; and
- b. the TEO complies with any conditions imposed by the TEC on giving consent to subcontract; and
- c. the TEO ensures that the subcontracted party has in place an effective assessment process for identifying each learner's initial literacy and numeracy needs, and measure their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool<sup>5</sup>, as appropriate.

### **Enrolment**

51. The TEC must attach to funding a condition that an institution<sup>6</sup> that receives funding from the WLN Fund must keep accurate and up-to-date records of enrolments in accordance with the requirements developed by the TEC.

<sup>4</sup> Note that the Modern Apprenticeship programme ends 31 December 2017.

<sup>5</sup> Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

<sup>6</sup> As defined in section 159 of the Education Act 1989.

## **C. THE ADULT LITERACY EDUCATOR FUND**

### ***Purpose***

52. The purpose of the ALE Fund is to build an effective literacy and numeracy teaching workforce by increasing the capability of educators and trainers to teach literacy and numeracy skills to adults. It does this by reducing fees for programmes of study or training that lead to literacy and numeracy educator qualifications at Level 5 on the NZQF.

### ***Definition of TEO for the purposes of the ALE Fund***

53. For the purposes of the ALE Fund, a "TEO" is one of the following:

- a. an ITP;
- b. a PTE;
- c. a wānanga; or
- d. a university.

### ***Funding rates***

54. The TEC must allocate funding to a TEO on the basis of a:

- a. specified number of places in programmes of study or training leading to literacy and numeracy educator qualifications at Level 5 on the NZQF; and
- b. fixed rate of \$2,000 per learner to contribute towards the fees TEOs charge for programmes of study or training that lead to literacy and numeracy educator qualifications at Level 5 on the NZQF.

### ***TEO eligibility***

55. The TEC must only fund a TEO from the ALE Fund if the TEO:

- a. is one of the organisations described in paragraph 53; and
- b. is quality assured by:
  - i. NZQA, if the TEO is an ITP, PTE, or wānanga; or
  - ii. New Zealand Vice-Chancellors' Committee (Universities NZ), if the TEO is a university.

56. The TEC must attach to funding a condition that a TEO that receives funding from the ALE Fund must meet and continue to meet the eligibility criteria specified in paragraph 55.

### ***Programme eligibility***

57. The TEC must only fund a TEO from the ALE Fund for tuition fees top-ups for a programme of study or training if the programme leads to a literacy and numeracy educator qualification (or qualifications) at Level 5 on the NZQF.

58. For the avoidance of doubt, a TEO that receives a fees top-up from the ALE Fund for an eligible learner may charge the learner for the balance of the tuition fees.

59. The TEC must attach to funding a condition that a TEO that receives funding from the ALE Fund must ensure that a programme of study or training in which a

learner is enrolled meets and continues to meet the eligibility criteria specified in paragraph 57.

### ***Learner eligibility***

60. The TEC must only provide funding to a TEO from the ALE Fund in respect of a learner who:
- a. is a "domestic student" as defined under section 159 of the Education Act 1989; and
  - b. is 18 years of age or over; and
  - c. has the academic ability to complete the programme of study or training that leads to an appropriate qualification.
61. The TEC must attach to funding a condition that a TEO that receives funding from the ALE Fund must:
- a. ensure that each learner who is enrolled in a programme of study or training meets and continues to meet the eligibility criteria specified in paragraph 60; and
  - b. verify the identity of each learner enrolled in a programme of study or training to confirm the learner's eligibility, in accordance with the requirements developed by the TEC.

### ***Enrolment***

62. The TEC must attach to funding a condition that an institution<sup>7</sup> that receives funding from the ALE Fund must keep accurate and up-to-date records of enrolments in accordance with the requirements developed by the TEC.

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<sup>7</sup> As defined in section 159 of the Education Act 1989.