

Hon Penny Simmonds

Minister for the Environment
Minister for Vocational Education
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Dr Alan Bollard
Chair
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Dear Alan

Determination of Design of Funding Mechanism: Delivery at Levels 1 and 2 on the New Zealand Qualifications and Credentials 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), for delivery at Levels 1 and 2 on the New Zealand Qualifications and Credentials Framework (NZQCF).

The new determination is set out in the appendix to this letter. The determination covers the funding of provision on the NZQCF at Levels 1 and 2 delivered from 1 January 2026.

Under section 422 of the Act, it is the responsibility of the Tertiary Education Commission (TEC) 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 read 'P. Simmonds'.

Hon Penny Simmonds
Minister for Vocational Education

DETERMINATION OF DESIGN OF FUNDING MECHANISM: DELIVERY AT LEVELS 1 AND 2 ON THE NEW ZEALAND QUALIFICATIONS AND CREDENTIALS 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. delivery at qualification Levels 1 and 2 on the New Zealand Qualifications and Credentials Framework (NZQCF) (DQ1-2); and
 - b. special supplementary grant (SSG) funding for inclusive education.¹

Purpose

2. This funding contributes to the provision of teaching and learning services for enrolled learners at tertiary education organisations (TEOs).
3. The objectives of foundation-level tertiary education (Levels 1 and 2 on the NZQCF) 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 learners; and
 - d. enable learners to learn English or te reo Māori.
4. SSG funding is to fund additional educator support for inclusive education in TEOs.
5. In this funding mechanism, all references to funding exclude SSG funding, unless otherwise specified.

On-plan funding

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

¹ For the purposes of this determination, 'inclusive education' has the same meaning as 'special education' in section 10(1) of the Education and Training Act 2020.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period

7. This funding mechanism applies to the funding of eligible programmes and micro-credentials that are delivered from 1 January 2026.
8. The TEC may exercise any of its administrative functions before 1 January 2026 as required to give effect to this funding mechanism.

Available funding

9. The 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

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

Specific parameters

Valid domestic enrolments

11. For the purpose of calculating funding paid under this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a learner who is:
 - a. a domestic student as defined in section 10(1) of the Act; 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:
 - i. the learner meets criteria for exceptional circumstances established by the TEC; or
 - ii. the learner is studying in a Realm country (namely, Tokelau, the Cook Islands, or Niue) in 2026 and is enrolled in a programme that was funded under this funding mechanism in 2025 or earlier.

12. The TEC must establish criteria for determining under which circumstances a learner can be considered to be a valid domestic enrolment, where they are aged under 16 years.
13. The TEC must establish the requirements that TEOs must comply with to verify that a learner is a valid domestic enrolment.

Inducements

14. Even if a learner meets the criteria specified in paragraph 11, 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.
15. An inducement may include a financial incentive or ongoing personal possession of physical items where they induce a learner to enrol.
16. The TEC must establish criteria for determining what constitutes an inducement.

The metric

Funding formula and rates

17. The TEC allocates funding under this mechanism for the relevant programmes, micro-credentials and activities that are specified in a TEO's proposed investment plan.
18. For the purposes of calculating the value of a TEO's approved funding under this funding mechanism, the TEC must use a metric comprising:
 - a. the number of valid domestic student enrolments, measured in equivalent full-time students (EFTS); and
 - b. the programmes or micro-credentials, and their component courses, in which eligible learners are enrolled, and the assigned delivery classifications, funding categories, and funding rates of those programmes or micro-credentials and component courses.

Measurement of enrolments

19. The TEC must measure valid domestic enrolments in units of EFTS. One (1.0) EFTS unit is defined as 120 credits of full-time study over a single academic or calendar year.
20. The EFTS value of a programme or micro-credential represents the TEC's assessment of the normal minimum time for a successful full-time learner to complete the qualification or micro-credential. In addition, the credit value assigned to the qualification or micro-credential by either the New Zealand Qualifications Authority (NZQA) or the New Zealand Vice-Chancellors Committee (Universities NZ) must be a part of the EFTS metric.

21. The TEC must consider qualifications and micro-credentials 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 or micro-credential 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 learner, 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:²
- a. Te Pūkenga—New Zealand Institute of Skills and Technology; (including as the case requires, its subsidiaries that provide education or training or both)
 - b. a wānanga;
 - c. a university; or
 - d. a private training establishment that is registered by NZQA (registered PTE).

Eligibility of learners

24. The TEC must ensure that the funding that is allocated to a TEO under this funding mechanism for programmes and micro-credentials is only used for valid domestic enrolments, as defined by paragraph 11 or as determined by the TEC under paragraph 12.

Learners with prior qualifications

25. The TEC must establish processes to prevent a TEO from receiving funding under this funding mechanism in relation to a learner enrolled in a programme or micro-credential if:

² If the Education and Training (Vocational Education and Training System) Amendment Bill is enacted before 1 January 2026, paragraph 23 will instead read as follows:

The TEC may only fund a TEO under this funding mechanism if the TEO is one of the following:

- a. a polytechnic;
- b. the New Zealand Institute of Skills and Technology;
- c. a wānanga;
- d. a university; or
- e. a private training establishment that is registered by NZQA (registered PTE).

- a. that learner has already achieved a qualification at Level 2 or higher on the NZQCF; and
 - b. 10% of the learners for which the TEO receives 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 NZQCF.
26. The TEC must measure the limit on enrolments with a prior qualification:
- a. by excluding enrolments in qualifications in English Language 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.
27. The TEC may recover funding if a TEO exceeds the prior qualification limit.

Eligible programmes and micro-credentials

General matter

28. 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 3);
 - b. is one of the following:
 - i. part of a programme that leads to the award of a qualification (of 40 credits or more) at Level 1 or 2 on the NZQCF; or
 - ii. part of a micro-credential that leads to a micro-credential award with a credit value of at least 20 credits at Level 1 or 2 on the NZQCF; 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 programmes in English Language or te reo Māori);
 - d. includes an effective assessment process for determining the literacy and numeracy needs of eligible funded learners and provides support to ensure

- that those learners progress in line with the guidelines provided by TEC;
- e. involves synchronous learning (delivered in real time to the learner);
 - f. may be delivered extramurally , with prior written approval from the TEC;
and
 - g. is taught by appropriately qualified educators.
29. The TEC may restrict the funding of micro-credentials by developing criteria for their eligibility under this mechanism.

Ineligible programmes and micro-credentials

30. The TEC must ensure that funding paid to a TEO under this funding mechanism is not used for a programme or micro-credential where the TEC considers on reasonable grounds that a majority of the programme of study or micro-credential relates to health and safety or regulatory compliance learning that would displace the responsibility of employers to provide training necessary to mitigate health and safety risks or meet their regulatory compliance obligations.

Special supplementary grant (SSG) for inclusive education

31. The TEC may provide SSG funding for additional educator support for inclusive education in TEOs that have previously delivered provision to learners requiring increased assistance.
32. The TEC must establish an allocation process for the provision of SSG funding.

PART TWO: FUNDING CONDITIONS

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

TEOs

34. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must, for the length of the funding period, continue to meet all the eligibility criteria specified in paragraph 23 of this funding mechanism.

Subcontracting

35. 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 approval of the TEC and, where the TEO is quality assured by NZQA, without the prior written approval of NZQA;

- b. comply with any conditions imposed by the TEC with written approval to subcontract;
- c. ensure that a subcontracted party does not further subcontract any functions; and
- d. remain accountable for the use of the funding.

Learners and enrolments

- 36. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each eligible learner meets and continues to meet the criteria specified in paragraph 24 of this funding mechanism, and is not used for any learner who meets the criteria specified in paragraph 25 of this funding mechanism.
- 37. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must not:
 - a. restrict enrolment in eligible programmes and micro-credentials 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 the offering of an inducement.
- 38. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must limit enrolments with prior qualifications, as specified in paragraphs 25 and 26.
- 39. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must, in accordance with the requirement specified by the TEC, verify the identity of each learner enrolled in an eligible programme or micro-credential, and confirm that each learner is a valid domestic enrolment for the purposes of this funding mechanism.
- 40. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must provide eligible learners, prior to or during the enrolment process, with a privacy statement that meets criteria set by the TEC about the collection and use of their personal information, and that advises learners that their personal information may be disclosed to the TEC, NZQA, the Ministry of Education, the Ministry of Social Development and Inland Revenue, as appropriate.

Reporting withdrawals to Ministry of Social Development

- 41. The TEC must attach to funding a condition that a TEO that receives funding under this mechanism must report the withdrawal of learners 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.

Refunding fees for Withdrawals

42. General refund provisions under section 357 of the Act relating to domestic students enrolled in a registered PTE apply.
43. For TEIs, the TEC must attach to funding a condition that, if student services fees are to be refunded to a student on the basis that the student withdrew on or before the withdrawal date, the TEI must, as soon as reasonably practicable, pay the refund:
 - a. to the Ministry of Social Development, if the student paid the fees using the Student Loan Scheme; or
 - b. directly to the learner.

Programmes and micro-credentials

44. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a programme or micro-credential in which an eligible learner is enrolled meets and continues to meet the criteria specified in paragraph 28 of this funding mechanism.
45. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a majority of each programme of study or micro-credential in which an eligible learner is enrolled does not relate to health and safety or regulatory compliance learning that would displace the responsibility of employers to provide training necessary to mitigate health and safety or regulatory compliance risks, as described in paragraph 30.

Fees and associated course costs

46. 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 learner enrolled in a programme or micro-credential that is funded under this funding mechanism.
47. For the purposes of the condition in paragraph 46, 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 programme.
48. For the purposes of the condition in paragraph 46, the term “fee” does not include student services fees or fees for student identification cards.

49. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
- a. must pay for the essential equipment, infrastructure and hardware required to deliver a particular micro-credential or programme³; 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

50. 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 from an eligible programme or micro-credential a course EFTS factor; and
 - b. accurately assign each of its courses to a delivery classification and related code, as specified by the TEC; and
 - c. meet minimum performance standards specified by the TEC.

No other funding

51. 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 approval) 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

52. 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.

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.

Recovery of funding

53. 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.
54. 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.
55. 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.
56. 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

57. The TEC must attach to funding a condition that if, in accordance with clause 16 of 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 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 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.

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

58. The TEC must attach to funding a condition that a TEO consents, for the purposes of section 39(2)(a) of the Data and Statistics Act 2022, 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.
59. The TEC must inform TEOs that the Data and Statistics Act 2022 does not constrain the ongoing use or sharing of the TEO-level data once it is disclosed.

PART THREE: FEE REGULATION SETTINGS

60. The conditions in Part Three of this funding mechanism apply to student services fees charged to domestic students who are funded through this funding mechanism. All TEOs that charge student service fees to domestic learners who are funded through this funding mechanism must comply with the requirements set out in paragraphs 63 to 70.
61. 'Student service fees' means fees for the provision of student services that are provided by the organisation or by another person or body on behalf of the organisation.
62. The objective of the requirements on TEOs that charge fees for the provision of student services is to ensure:
 - a. accountability to students in the use of fees for student services;
 - b. involvement of students in decisions in the charging and use of fees for student services; and
 - c. fair arrangements for students in different tertiary education settings (for example, work-based students or students in fees-free foundation education programmes).

Requirements when setting student services fees

63. **Opt-in arrangements for apprentices and trainees:** TEOs must not charge a compulsory fee for student services to apprentices and trainees (as defined in section 10(1) of the Act), or their employers. TEOs must give apprentices, trainees and their employers the option of paying for and accessing student services. Where apprentices and trainees opt in to receive student services and pay fees, TEOs are still required to comply with the requirements outlined in paragraphs 64 to 70.
64. **Decision-making:** TEOs must establish and demonstrate adequate arrangements for decisions to be made jointly or in consultation with the students enrolled at the TEO, or their representatives, on the following matters:
 - a. the maximum amount that students will be charged for student services;
 - b. the types of services to be delivered (within the permitted categories set out in paragraph 70 below);
 - c. the procurement of those services; and
 - d. the method for authorising expenditure on those services.
65. **Consultation requirements:** If a TEO chooses to make decisions about student services fees in consultation with students enrolled at the TEO or their

representatives, instead of undertaking a joint decision-making process, the TEO is required to ensure that:

- a. the outcome of the consultation is not predetermined;
 - b. proposals are clearly communicated and publicised;
 - c. there is sufficient time for students to consider proposals and provide feedback; and
 - d. due consideration is given to student feedback.
66. **Accounting for the use of student services fees:** TEOs must either hold all student services fees in a separate bank account or ensure that all income and expenditure associated with the provision of such services is separately accounted for in the TEO's accounting system.
67. **Reporting on student services fees:** Institutions must provide information on all student services fees through their annual report, and registered private training establishments (PTEs) must provide information on all student services fees through a written report to students. Institutions and registered PTEs must include the following information in their annual report or written report to students:
- a. a description of the services funded out of the student services fee;
 - b. a statement of the fee income and expenditure for each type of student service;
 - c. the student services fee amount charged per EFTS or academic year (or however it is calculated); and
 - d. a statement describing how the provider is complying with the accounting requirements specified above in paragraph 66.
68. **Private training establishment's written reports to students:** Registered PTEs charging student services fees must provide to the TEC a copy of the report referred to in paragraph 67 no later than 14 days after it is provided to the students. A copy of the report must be sent either by email to:ssf@tec.govt.nz or by post to: Requirements for Student Services Fees Submissions, Monitoring and Crown Ownership, The Tertiary Education Commission, PO Box 27048, Wellington 6141.
69. **Publishing information online:** TEOs charging student services fees must, as soon as reasonably practicable each year, publish the following information on their website:
- a. a description of the services funded out of the student services fee;

- b. a statement of the fee income and expenditure for each type of student service;
- c. the student services fee amount charged per EFTS or academic year (or however it is calculated);
- d. a description of the current year's student services fee decision-making process, including what decisions were consulted on, how consultation with learners occurred, a summary of student feedback, what the decisions were, and the extent to which student feedback was incorporated into those decisions; and
- e. a description of how students can be involved in student services fee decisions for the following year – i.e. how TEOs propose to consult with their students and what issues might be considered.

70. **Categories of student services:** TEOs may charge student services fees to support the delivery of the following categories of services:

- a. *Advocacy and legal advice* – Advocating on behalf of individual students and groups of students, and providing independent support to resolve problems. This includes advocacy and legal advice relating to accommodation.
- b. *Careers information, advice and guidance* – Supporting students' transition into post-study employment.
- c. *Childcare services* – Providing childcare services while caregivers are studying.
- d. *Clubs and societies* – Supporting student clubs and societies, including through the provision of administrative support and facilities for clubs and societies.
- e. *Counselling services* – Providing non-academic counselling and pastoral care, such as chaplains.
- f. *Employment information* – Providing information about employment opportunities for students while they are studying.
- g. *Financial support and advice* – Providing hardship assistance and advice to students on financial issues.
- h. *Health services* – Providing health care and related welfare services.
- i. *Media* – Supporting the production and dissemination of information by students to students, including through newspapers, radio, television and internet-based media.

- j. *Sports, recreation and cultural activities* – Providing sports, recreation and cultural activities for students.

APPENDIX 1: CALCULATION OF DQ1-2 FUNDING

Table 1: DQ1-2 classification of programmes and micro-credentials for funding

DQ1-2 classification of programmes and micro-credentials	Funding rate/EFTS (GST Excl)
English Language Teaching	\$9,537
General Foundation Education	\$10,133
Services	\$10,731
Supported Learning	\$15,498
Te Reo Māori	\$9,537
Trades	\$15,498
Delivery in a Correctional Facility	\$15,498