



Dr Alan Bollard
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Alan,

Determination of Design of Funding Mechanism: Literacy and Numeracy Provision

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 Literacy and Numeracy Provision.

The new determination is set out in the appendix to this letter. The determination covers the funding of literacy and numeracy provision 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: LITERACY AND NUMERACY PROVISION

PRELIMINARY PROVISIONS

Statutory authority

1. This funding mechanism for literacy and numeracy provision is made under section 419 of the Education and Training Act 2020 (the Act).

Purpose

2. This funding mechanism covers the following funds:
 - a. Intensive Literacy and Numeracy Fund (ILN Fund); and
 - b. Workplace Literacy and Numeracy Fund (WLN Fund).
3. The purpose of funding literacy and numeracy provision under this funding mechanism is to:
 - a. raise adults' literacy and numeracy skills;
 - 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.

On-Plan funding

4. Subject to paragraph 6, the Tertiary Education Commission (TEC) must pay funding for literacy and numeracy provision under section 425 of the Act (relating to funding organisations via Plans).

Off-Plan funding

5. The TEC must pay funding allocated for the WLN Fund to employers or REAP Aotearoa New Zealand Incorporated (REAP Aotearoa) as defined in paragraph 35(f-g) of this funding mechanism under section 428 of the Act (relating to funding other than via Plans).

PART ONE: THE FUNDING MECHANISM

GENERAL PARAMETERS

Effective period

6. This funding mechanism is to fund literacy and numeracy provision delivered from 1 January 2026.

7. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism before that date.

Available funding

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

Learner identity

9. The TEC must establish the requirements that TEOs must comply with to verify each learner's identity and eligibility for the purposes of this funding mechanism.

PART TWO: FUNDS, FUNDING RATES AND FUNDING CONDITIONS

10. The TEC must attach the following specific conditions to funding paid under this funding mechanism:

No other funding

11. 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 approval) seek or obtain funding from any Crown source other than the TEC to fund a programme 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).

Responsible use of funding

12. 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.

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 that it was entitled to receive, the TEC must pay the amount of the under-funding as soon as it is reasonably practicable.

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

15. 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.

General conditions for Off-Plan funding

16. The TEC may impose any conditions on funding paid under this funding mechanism under section 428 of the Act that it considers necessary to ensure that the funding will achieve the purpose for which it has been allocated.

Learner data disclosure

17. 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.

A. THE INTENSIVE LITERACY AND NUMERACY (ILN) FUND

Purpose

18. 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

19. For the purposes of the ILN Fund, a TEO is one of the following:¹
- a. Te Pūkenga – New Zealand Institute of Skills and Technology;
 - b. a private training establishment registered by NZQA (registered PTE);
 - c. a wānanga;
 - d. a university; or
 - e. a State, State-integrated, or Charter school.

¹ If the Education and Training (Vocational Education and Training System) Amendment Bill is enacted before 1 January 2026, paragraph 19 will instead read as follows:

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

- a. a polytechnic;
- b. the New Zealand Institute of Skills and Technology;
- c. a private training establishment registered by NZQA (registered PTE);
- d. a wānanga;
- e. a university; or
- f. a State, State-integrated, or Charter school.

Funding rates

20. The TEC must allocate \$29.81 of funding from the ILN Fund to TEOs per hour of literacy and/or numeracy tuition that is delivered to the learner.
21. The total hours of literacy and/or numeracy tuition delivered per learner by a TEO is generally expected to be between 80 and 300 hours per year, acknowledging some learners have a need for more or fewer hours.
22. The literacy and/or numeracy tuition must be delivered at the intensity of 5 to 20 hours per week.
23. The TEC must monitor provision funded under the ILN Fund to ensure that it is delivered in accordance with paragraphs 21 and 22. TEO performance in respect of this must be used by the TEC to inform future allocations through this fund.

TEO eligibility

24. The TEC must only fund a TEO from the ILN Fund if the TEO:
 - a. is a TEO as defined in paragraph 19; and
 - b. has in place an effective assessment process for determining the literacy and numeracy needs of eligible learners, and provides support to ensure that those learners progress in line with the guidelines provided by the TEC; and
 - c. is able to offer an eligible programme as set out in paragraph 26; and
 - d. has adequate processes in place for reporting changes in a learner's literacy and numeracy skill levels.
25. 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 24.

Programme eligibility

26. The TEC must only fund a TEO from the ILN Fund for a programme that:
 - a. provides literacy and/or numeracy study or training that is specific, rather than embedded within the programme; and
 - b. provides high quality literacy and/or numeracy study or training that is value for money; and
 - c. enables each learner to use literacy and/or numeracy skills to meaningfully engage in New Zealand society; and
 - d. is effective in improving each learner's literacy and/or numeracy skills; and
 - e. has measurable literacy and/or numeracy outcomes; and
 - f. is flexible and able to be tailored to meet the needs of an individual adult learner; and

- g. is taught by educators who are appropriately qualified as determined by the TEC; and
 - h. is delivered:
 - i. face-to-face, or
 - ii. synchronously online (delivered in real time to the learner) where this is in the best interest of the learner/s. TEC must require TEO's to take into account enabling access to education and the TEO's capability to deliver effectively; or
 - iii. asynchronously, with prior written approval of the TEC for another form of delivery due to exceptional circumstances. The prior written approval remains in force unless the approval is revoked by the TEC.
27. The TEC must attach to funding a condition that a TEO that receives funding from the ILN Fund must ensure that a programme in which a learner is enrolled meets and continues to meet the eligibility criteria specified in paragraph 26.

Learner eligibility

28. The TEC must only fund a TEO from the ILN Fund in respect of a learner who:
- a. is a “domestic student” as defined under section 10(1) of the Act; and
 - b. has low skill levels in literacy and/or numeracy as determined by the TEC; and
 - c. is assessed using the Literacy and Numeracy for Adults Assessment Tool (LNAAT) and does not present at Step 4 or higher on the Learning Progressions for reading and/or Step 5 or higher on the Learning Progressions for numeracy (as appropriate²) A learner must be assessed using the LNAAT unless they have a disability that represents exceptional circumstances that prevents them from being assessed using the LNAAT; and
 - d. is not enrolled as a full-time secondary school student.
29. 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 that meets the eligibility criteria specified in paragraph 26 continues to meet the criterion in paragraph 28(a) and (d); and
 - b. in accordance with the requirements specified by the TEC, verify the identity of each learner enrolled in a programme and confirm each learner's eligibility for the purposes of this funding mechanism.

² The Literacy and Numeracy for Adults Assessment Tool (LNAAT) scores must be relevant to the intended area/s of study (low literacy for literacy programmes, and low numeracy for numeracy programmes).

Fees

30. 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 for which the TEO receives funding from the ILN Fund.

Subcontracting

31. 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; and
 - b. comply with any conditions imposed by the TEC on a written approval to subcontract; and
 - c. ensure that a subcontracted party does not further subcontract any functions; and
 - d. ensure that the subcontracted party has in place an effective assessment process for determining the literacy and numeracy needs of eligible learners, and provides support to ensure those learners progress, in line with the guidelines provided by the TEC; and
 - e. remain accountable for the use of the funding.

B. THE WORKPLACE LITERACY AND NUMERACY (WLN) FUND

Purpose

32. 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 of literacy and numeracy learning in a workplace context.
33. The purposes can be achieved by:
- a. providing programmes of workplace literacy and numeracy training to employees; and
 - b. supporting workplaces to establish sustainable workplace literacy and numeracy provision.
34. The WLN Fund has two funding strands: the TEO-led strand and the Employer-led strand.

Definition of TEO for the purposes of the WLN Fund

35. For the purposes of the WLN Fund, a TEO is one of the following:³

- a. New Zealand Institute of Skills and Technology - Te Pūkenga;
- b. a registered PTE;
- c. a wānanga;
- d. a university;
- e. a State, State-integrated, or Charter school;
- f. REAP Aotearoa; or
- g. an employer that:
 - i. is a tertiary education organisation as defined by section 10(1) of the Act; and
 - ii. is a body corporate.

Funding rates

Tertiary Education Organisation-led strand

36. The TEC must allocate up to \$89.41 of funding from the WLN Fund to TEOs (other than those TEOs in paragraph 35(f-g)) per hour of literacy and/or numeracy tuition that is delivered to the learner.
37. The total hours of literacy and/or numeracy tuition delivered per learner by a TEO is generally expected to be between 25 and 80 hours, acknowledging some learners have a need for more or fewer hours.

³ If the Education and Training (Vocational Education and Training System) Amendment Bill is enacted before 1 January 2026, paragraph 37 will instead read as follows:

For the purposes of the WLN Fund, a TEO is one of the following:

- a. a polytechnic;
- b. the New Zealand Institute of Skills and Technology;
- c. a registered PTE;
- d. a wānanga;
- e. a university;
- f. a State, State-integrated, or Charter school;
- g. REAP Aotearoa; or
- h. an employer that:
 - a. is a tertiary education organisation as defined by section 10(1) of the Act; and
 - b. is a body corporate.

38. The literacy and/or numeracy tuition must be delivered at the intensity of 40 hours over a 10 to 40 week period, unless the TEO has received prior written approval from the TEC to deliver below this intensity.
39. The TEC must monitor provision funded under the WLN Fund to ensure that it is delivered in accordance with paragraphs 37 and 38. TEO performance in respect of this must be used by the TEC to inform future allocations through this fund.

Employer-led strand

40. The TEC must allocate up to \$105.81 of funding per hour of literacy and/or numeracy tuition that is delivered to the learner from the WLN Fund to TEOs defined in paragraph 35(f-g).
41. The total hours of literacy and/or numeracy tuition delivered per learner by a TEO is generally expected to be between 25 and 80 hours, acknowledging some learners have a need for more or fewer hours.
42. The literacy and/or numeracy tuition must be delivered at the intensity of 40 hours over a 10 to 40 week period, unless the TEO has received prior written approval from the TEC to deliver below this intensity.
43. The TEC must monitor provision funded under the WLN Fund to ensure that it is delivered in accordance with paragraphs 41 and 42. TEO performance in respect of this must be used by the TEC to inform future allocations through this fund.

TEO eligibility

Tertiary Education Organisation-led strand

44. The TEC must only fund a TEO from the WLN Fund TEO-led strand if:
 - a. it is a TEO as defined in paragraph 35(a-e); and
 - b. it has in place an effective assessment process for determining the literacy and numeracy needs of eligible learners, and provides support to ensure that those learners progress in line with the guidelines provided by TEC; and
 - c. it is able to offer an eligible programme as set out in paragraph 48.
45. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund TEO-led strand must meet and continue to meet the eligibility criteria specified in paragraph 44.

Employer-led strand

46. The TEC must only fund a TEO from the WLN Fund Employer-led strand if:
 - a. it is a TEO as defined in paragraph 35(f-g); and
 - b. it delivers;
 - i. literacy and/or numeracy provision to a minimum of 20 employees as part of a consortium arrangement with employers; or

- ii. literacy and/or numeracy provision to a minimum of 20 employees if the TEO is also an employer under paragraph 35(g); and
 - c. it has in place an effective assessment process for determining the literacy and numeracy needs of eligible learners, and provides support to ensure that those learners progress in line with the guidelines provided by TEC; and
 - d. it is able to offer an eligible programme as set out in paragraphs 48 and 51.
47. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund Employer-led strand must meet and continue to meet the eligibility criteria specified in paragraph 46.

Programme eligibility

48. 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 and/or numeracy training that is specific, rather than embedded within the programme; and
 - b. provides high quality literacy and/or numeracy study or training that represents value for money; and
 - c. is effective and innovative in improving each learner's workplace literacy and/or numeracy skills to meaningfully engage in the workplace and New Zealand society; and
 - d. is able to be tailored to meet the needs of an individual learner; and
 - e. has adequate processes for reporting changes in a learner's literacy and/or numeracy skills; and
 - f. is taught by an educator who holds an appropriate qualification as determined by the TEC; and
 - g. is delivered:
 - i. face-to-face; or
 - ii. synchronously online (delivered in real time to the learner) where this is in the best interest of the learner/s. TEC must require TEO's to take into account enabling access to education and the TEO's capability to deliver effectively; or
 - iii. asynchronously, with prior written approval of the TEC for another form of delivery due to exceptional circumstances. The prior written approval remains in force unless the approval is revoked by the TEC.
49. When determining the allocation of funding for employer-led WLN, the TEC may consider other factors that support a nationwide network of provision of eligible programmes. Such factors may include (but are not limited to):
- a. the national distribution of funding from the WLN Fund;
 - b. the split of funding from the WLN Fund between rural and urban areas;

- c. the sectors that will be supported by funding from the WLN Fund;
 - d. the potential impact of an eligible programme; and
 - e. the availability of TEO-led WLN programmes in the area.
50. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund must ensure that a programme in which an eligible learner is enrolled meets and continues to meet the eligibility criteria specified in paragraph 48.
51. In addition to paragraph 48, the TEC must only fund a TEO that is REAP Aotearoa or an employer as defined in paragraph 35(g), or a TEO that works with a specific employer, for a programme of workplace training if the programme:
- a. provides high quality literacy and/or 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 and/or numeracy outcomes that reflect the priorities and needs of the workplace; and
 - d. has the support of the employer's senior management.
52. The TEC must attach to funding a condition that a TEO that is REAP Aotearoa or an employer as defined in paragraph 35(g), 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 48 and 51.

Learner eligibility

53. 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 10(1) of the Act; and
 - b. has low skill levels of literacy and/or numeracy as determined by the TEC; and
 - c. is assessed using the LNAAT and does not present at Step 4 or higher on the Learning Progressions for reading, and/or Step 5 or higher on the Learning Progressions for numeracy (as appropriate⁴); and
 - d. is in the paid workforce; and
 - e. is not:
 - i. enrolled as a full-time secondary school student; or

⁴ The Literacy and Numeracy for Adults Assessment Tool (LNAAT) scores must be relevant to the intended area/s of study (low literacy for literacy programmes, and low numeracy for numeracy programmes).

- ii. accessing TEC-funded literacy and/or numeracy provision at another TEO or workplace.
54. 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 or micro-credential meets the eligibility criteria specified in paragraph 53 and continues to meet the eligibility criteria specified in paragraph 53(a), (d) and (e); and
 - b. in accordance with the requirements specified by the TEC, verify the identity of each learner enrolled in a programme or micro-credential and confirm each learner's eligibility for the purposes of this funding mechanism.

Fees

55. 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

56. The TEC must attach to funding a condition that a TEO that receives funding from the WLN Fund must:
- a. not subcontract any of the funded activities without prior written approval of the TEC and where the TEO is quality assured by NZQA, without the prior written approval of NZQA; and
 - b. comply with any conditions imposed by the TEC on a written approval to subcontract; and
 - c. ensure that a subcontracted party does not further subcontract any functions; and
 - d. ensure that the subcontracted party has in place an effective assessment process for determining the literacy and numeracy needs of eligible learners, and provides support to ensure those learners progress in line with the guidelines provided by the TEC; and
 - e. remain accountable for the use of funding.