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

Dear John

Determination of Design of Funding Mechanism: Māori and Pasifika Trades Training (2017)

I am writing to advise you of a new determination of the design of a funding mechanism, under section 159L of the Education Act 1989 (the Act), for Māori and Pasifika Trades Training (MPTT). The determination, set out in the appendix to this letter, commences on 1 January 2017 and continues in effect until otherwise notified. My delegation of authority to the Tertiary Education Commission to pay tool grants for MPTT learners remains in place without amendment.

The funding mechanism enables SAC-funded vocational training to be provided fees-free by organisations in MPTT consortia. These organisations should support the economic development aspirations of Māori and Pasifika communities and be responsive to employers. Funding is also available for employment brokerage services and a range of consortium activities.

The new funding determination:

- requires the development of agreed targets for the participation of learners who are less likely to participate in vocational training without MPTT
- requires the development of employment outcomes measures for consortia
- clarifies the membership and functions of consortia
- widens the range of training eligible for an MPTT fees top-up to include a SAC-funded training scheme meeting certain criteria
- increases the rate of employment brokerage and the proportion of employment brokerage that is dependent on outcomes.

Under section 159O of the Act, it is the Commission's responsibility to develop operational policy and other details to implement the funding mechanism. I expect the Commission to set appropriate measures in 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

DETERMINATION OF DESIGN OF FUNDING MECHANISM: MĀORI AND PASIFIKA TRADES TRAINING

PRELIMINARY PROVISIONS

Statutory Authority

1. This funding determination specifies the design of the funding mechanism for the expansion of Māori and Pasifika Trades Training (MPTT) and is made under section 159L of the Education Act 1989 (the Act).

Purpose

2. The purpose of this funding mechanism is to support Māori and Pasifika learners aged between 16 years and 40 years of age to enter and achieve in pre-trades training and progress to sustainable trades or trades-related employment, including New Zealand Apprenticeships, other successful industry training programmes at Level 3 and above on the New Zealand Qualifications Framework, and managed apprenticeships. Progression to further provider-based vocational training at Level 4 or above that has strong employment outcomes is also a positive outcome.
3. Funding paid under this funding mechanism is for:
 - a. fees top-ups to make Student Achievement Component (SAC)-funded programmes of pre-trades training fees-free to MPTT learners; and
 - b. brokerage services to:
 - i. match learner talents and aspirations with employer skill requirements and career pathways;
 - ii. tailor pre-employment trades educational provision to the needs and aspirations of MPTT learners, communities and potential employers;
 - iii. facilitate relationships between MPTT learners, providers, industry training organisations and potential employers;
 - iv. transition learners into sustainable employment; and
 - c. consortium activities to increase access to vocational training for Māori and Pasifika learners and improve pre-employment trades training (including robust work preparation) to align this training more closely to the needs of employers and of Māori and Pasifika communities.
4. The Government contribution towards the costs of teaching and learning services is funded through the SAC. An organisation delivering trades training under the MPTT initiative must meet the teaching and learning costs through its existing agreed SAC allocations funded as part of its investment plan. If an organisation does not receive SAC funding, it must have an agreement with an organisation that has a SAC allocation that is approved by the TEC.
5. This funding is supplemented by a tools grant for learners, paid to learners via a consortium member under a delegation separate from this funding determination, whose purpose is to incentivise retention nearing the completion of training, and to foster strong transitions into employment and effective workplace-based training at NZQF Level 3 or above.

Off-plan funding

6. The TEC must pay MPTT funding under section 159ZC of the Act.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

7. This funding mechanism covers funded activities delivered from 1 January 2017.
8. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside of these dates.

Consortium

9. For the purposes of MPTT, a consortium should consist of at least one tertiary education organisation, an industry training organisation (ITO), employer representation, and a Māori and/or Pasifika entity.
10. A consortium should undertake governance, project management, co-ordination, and evaluation services. A consortium should also provide for employability skills training, and fees for obtaining licenses, such as driver licences, that complement the SAC-funded programmes and that learners are likely to need to gain entry-level employment in their chosen trade. Consortia should draw on their knowledge of community and employer needs and the needs of learners entering apprenticeships to contribute to the choice, design and delivery of programmes and pre-screening of applicants for places in MPTT.
11. The TEC must agree, with each consortium, an aspirational target level of female participation in MPTT that:
 - a. reflects the opportunity for the consortium to increase female participation in trades that offer sustainable employment and in which females have traditionally been under-represented; and
 - b. represents a significant but achievable increase on previous female participation in the MPTT consortium, and in similar consortia.
12. The TEC must agree, with each consortium, aspirational targets for the participation of learners who may be less likely to participate or achieve in vocational training without MPTT, such as those with low qualifications and recent beneficiaries. The targets should reflect local and regional needs and aspirations.
13. The TEC must establish a national employment outcomes performance measure for consortia.

Available funding

14. 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 for fees top-ups

15. The TEC must calculate funding for fees top-ups for enrolments in eligible programmes and training schemes in equivalent full-time students (EFTS). One (1.0) EFTS unit is defined as the student workload that would normally be carried out by a student enrolled full-time in a single academic or calendar year.
16. The TEC must allocate funding for fees top-ups at a rate of \$4,000 per EFTS for level 3 and 4 programmes and training schemes and \$0 for level 1 and 2 qualifications and training schemes.¹

Funding for Brokerage

17. The TEC must allocate brokerage funding at a rate of \$1,150 per learner.
18. The TEC must reserve 50% of brokerage funding for the payment of a performance incentive that is:
 - a. payable on the basis of sufficient evidence of individual learners achieving successful outcomes from a programme supported by MPTT within 18 months of the learner ceasing to be enrolled in the programme; and
 - b. calculated as an amount payable in respect of each learner that meets the criteria in paragraph 19 for determining a successful outcome; and
 - c. payable only once in respect of the same individual learner.
19. The outcomes that result in the payment of the performance incentive are:
 - a. entry to a New Zealand Apprenticeship; or
 - b. entry to industry training at level 3 or higher, or to a managed apprenticeship, in a programme identified by the TEC as being likely to lead to sustainable employment.
20. For the purposes of this funding determination, a managed apprenticeship is a SAC funded programme that is:
 - a. intended to lead to a level 4 qualification of 120 credits or more; and
 - b. arranged by an institute of technology or polytechnic, a wānanga, or a private training establishment (PTE) (that is, the provider arranges the delivery and assessment of training and in some cases provides pastoral care); and
 - c. dependent on a formal training relationship between the provider, a learner and an employer of the learner.

¹ From 2017, all Level 1 and 2 SAC-funded provision will be fees-free for eligible students.

Funding for consortium activities

21. The TEC must allocate funding for consortium activities such as:
 - a. governance and project management;
 - b. coordinating the contributions of consortium members and other services to the development of learner capabilities;
 - c. employability skills training and licensing (eg driver licensing) that complements the SAC-funded programmes.
22. For the purposes of this funding mechanism, the total amount of funding available for consortium activities is determined by Cabinet or Joint Ministers.
23. The amount allocated to each consortium should reflect learner numbers, the past performance of the consortium, the stage of development of the consortium, and the potential for economies of scale (including economies achieved by consortia working together), and it may reflect the learner group being targeted by the consortium.

Organisation eligibility for fees top-ups or brokerage

24. The TEC may only allocate MPTT funding for fees top-ups or brokerage to:
 - a. a TEO that:
 - i. is part of a consortium approved by the TEC; and
 - ii. is a wānanga, an ITP, a PTE, or a university; and
 - iii. is quality assured by the New Zealand Qualifications Authority (NZQA), if the TEO is a wānanga, ITP, or PTE;
 - iv. is quality assured by the New Zealand Vice-Chancellors' Committee (trading as Universities New Zealand), if the TEO is a university; and
 - v. has been allocated SAC funding from the TEC; or
 - b. a consortium, or a member of a consortium that:
 - i. is approved by the TEC; and
 - ii. is a legal entity; and
 - iii. is an industry training organisation that is quality assured by the NZQA or is an organisation identified under section 159B(2) of the Act; and
 - iv. in the case of fees top-ups funding, has a contract for SAC-funded provision with at least one TEO that meets the criteria of subparagraph (a).
25. For the purposes of this funding determination, all eligible recipients of funding are referred to as "organisations".

26. As the consortium arrangement is intended to provide flexibility in allocating MPTT funding, the TEC may:
- a. fund an organisation for both fees top-ups and brokerage on a consortium's behalf; or
 - b. fund multiple organisations within a consortium for both fees top-ups and brokerage; or
 - c. fund multiple organisations within a consortium for either fees top-ups or brokerage; or
 - d. subject to paragraph 37, fund a consortium for both fees top-ups and brokerage, allowing the consortium to subcontract with its own members, or other TEOs, for SAC-funded provision and brokerage.
27. The TEC may only allocate MPTT funding for consortium activities to an organisation that is the lead member of a consortium, provided that the lead member is:
- a. approved by the TEC; and
 - b. a legal entity; and
 - c. either
 - i. a TEO that is eligible for MPTT funding for fees top-ups or brokerage or
 - ii. a person or body that provides tertiary education-related services and is identified in accordance with section 159B(2) of the Act.

Eligibility of learners

28. The TEC must ensure that an organisation only receives MPTT funding for fees top-ups and/or brokerage for eligible learners.
29. To be an eligible learner, a learner must be:
- a. one of the following:
 - i. a domestic student; or
 - ii. an Australian citizen or Australian permanent resident currently residing in New Zealand; and
 - b. Māori² or Pasifika^{3,4} and

² For administrative purposes this refers to those with evidence of Māori ancestry, whakapapa, or persons that made an oath, affirmation or declaration that they are Māori made before a person recognised and authorised to administer such oaths, attestations, or declarations. [e.g. a Kaumātua affiliated to a recognised Māori hapu, iwi, or legal entity, a Justice of the Peace, or other persons empowered to administer oaths and declarations under the Oaths and Declarations Act 1957].

³ For administrative purposes this includes those who have evidence of ancestry from the independent and sovereign nations of the South Pacific and meet the conditions of paragraph 29(a-d) and for whom priority must be given. This includes The Republic of Fiji, The Kingdom of Tonga, Samoa, the Cook Islands, Solomon Islands, Vanuatu, Tuvalu, Nauru, Niue and Kiribati. It also includes the atolls of Tokelau for which New Zealand is administratively and constitutionally responsible.

- c. aged between 16 and 40 years of age (inclusive) at the start date of the first course in the programme of study or training; and
- d. enrolled in an eligible programme or training scheme (set out in paragraph 31).

Eligible programmes and training schemes

- 30. The TEC must ensure that an organisation only receives MPTT funding for fees top-ups for eligible learners enrolled in an eligible programme or training scheme.
- 31. For the purposes of this funding mechanism, an eligible programme or training scheme is SAC-funded training that is:
 - a. either:
 - i. a programme of study leading to the award of a qualification at levels 1 to 4 on the NZQF; or
 - ii. a training scheme of between 40 and 45 credits at levels 1 to 4 on the NZQF that has been endorsed by an ITO or a Direct Funding Scheme participant as a suitable pathway into an apprenticeship or traineeship for learners with a specified set of needs; and
 - b. forms a pathway to entry to:
 - i. a New Zealand Apprenticeship; or
 - ii. industry training at Level 3 or higher, or to a managed apprenticeship, in a programme identified by the TEC as being likely to lead to sustainable employment.
- 32. The TEC must ensure that an organisation does not use MPTT fees top-ups funding to fund:
 - a. a New Zealand Apprenticeship, a traineeship, or a managed apprenticeship, or
 - b. a training scheme where the TEC considers on reasonable grounds that a majority of the training scheme relates to health and safety or regulatory compliance learning.

Eligibility for brokerage

- 33. The TEC must ensure that an organisation only receives MPTT funding for brokerage for eligible learners for whom the organisation provides or subcontracts brokerage services in relation to the learner, as indicated by the purposes of brokerage set out in this funding determination.

⁴ Additionally, on the basis of a request by a consortia, TEC may grant admission to learners descended from persons from French Polynesia, Wallis and Futuna Islands, New Caledonia, Papua New Guinea and American Samoa provided they also meet the conditions of paragraph 29(a-d) and there is spare capacity but only after prior consideration of admission by Māori and Pasifika learners as identified in notes 3 and 4.

PART TWO: FUNDING CONDITIONS

General Conditions

34. The TEC, in funding an organisation eligible for funding under this funding mechanism under section 159ZC of the Act, may impose any conditions on funding that it considers necessary, including, without limitation, conditions for ensuring that funding will achieve the purpose for which it has been allocated.

Conditions that the TEC must or may attach to funding

35. The TEC must or, in the case of paragraph 46, may impose the following specific conditions on funding provided to each relevant organisation under this funding mechanism.

Eligible organisations

36. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups, brokerage and/or consortium activities under this funding mechanism must meet and continue to meet all of the relevant eligibility criteria for organisations under this funding mechanism.
37. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism remains as part of the same approved consortium for the length of the funding period, except as agreed by the TEC for the purpose of continuing to support enrolled learners.
38. The TEC must attach to funding a condition that if an organisation that receives MPTT funding under this funding mechanism:
 - a. must not subcontract any activities funded under this funding mechanism without the prior written consent of the TEC; and
 - b. must comply with any conditions imposed by the TEC on a consent to subcontract any activities funded under this funding mechanism; and
 - c. must ensure that a party to whom activities funded under this funding mechanism are subcontracted does not further subcontract any functions; and
 - d. remains accountable for the use of any funding for activities funded under this funding mechanism that are subcontracted.

Eligible learners

39. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups and/or brokerage under this funding mechanism must ensure that each learner meets and continues to meet the criteria of paragraph 29 of this funding mechanism.

Eligible programmes and training schemes

40. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must ensure that a

programme or training scheme in which an eligible learner is enrolled meets and continues to meet the criteria of paragraph 31 of this funding mechanism.

41. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must:
 - a. ensure that the funding is not used to fund a New Zealand Apprenticeship, a traineeship, or a managed apprenticeship; and
 - b. comply with the funding conditions for the relevant SAC-funded programme or training scheme; and
 - c. in the case of learners for whom the organisation receives MPTT funding for fees top-ups for SAC-funded programmes at level 3 or level 4, have 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 (such as the Adult, Youth, Te Ata Hāpara or Starting Points version).

Brokerage

42. The TEC must attach to funding a condition that an organisation that receives MPTT funding for brokerage under this funding mechanism must provide or subcontract brokerage services, in relation to eligible learners, as indicated by the purposes of brokerage set out in this funding determination.

Fees and associated course costs

43. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups under this funding mechanism must not charge a fee to a learner enrolled in a qualification that is funded under this funding mechanism.
44. The TEC must attach to funding a condition that an organisation that receives MPTT funding for brokerage under this funding mechanism must not charge a fee to a learner for brokerage services.

Eligible organisation's responsibilities

45. The TEC must attach to funding a condition that an organisation that receives MPTT funding under this funding mechanism must meet minimum performance standards specified by the TEC.

Consortium lead member's responsibilities

46. The TEC may attach to funding a condition that the lead member of a consortium that receives funding for consortium activities must enter into an arrangement, or arrangements, with each other member of the consortium that:
 - a. enables the lead member to meet conditions of funding imposed by the TEC on the lead member; and
 - b. imposes on each member of the consortium obligations owed to the lead member that are similar to the lead member's obligations in respect of any funding received under this funding mechanism; and

- c. imposes on each other member of the consortium obligations to provide information to and fully cooperate with the lead member and the TEC, in order to verify the lead member's compliance with conditions of funding imposed by the TEC on the lead member.
47. The TEC must attach to funding a condition that the lead member must not, without the prior written consent of the TEC, enter into any arrangement with another organisation, or end any arrangement with any other member of that consortium, that would have the effect of changing the membership of the consortium that the lead member leads.

Funding from other sources

48. The TEC must attach to funding a condition that an organisation that receives funding under this mechanism must:
- a. not (without the TEC's prior written consent) seek or obtain any funding, from any Crown source other than the TEC, to fund a programme or training scheme 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.
49. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups for an eligible learner under this funding mechanism must not seek or claim fees payments or other fees top-up funding from any other Crown source for the same learner, without the prior approval of TEC in writing.

Responsible use of funding

50. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism must use the funding:
- a. lawfully, responsibly, and for the purposes for which the funding is provided; and
 - b. in a manner consistent with the appropriate use of public funds.

Recovery of over funding

51. The TEC must attach to funding a condition that, if the organisation receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the organisation 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 organisation.

TEC administrative responsibilities

52. The TEC must attach to funding a condition that, if the organisation receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must treat the amount of the under-funding as a credit and pay the amount as soon as is reasonably practicable.