Nigel Gould  
Chair  
Tertiary Education Commission  
PO Box 27-048  
Wellington 6141

Dear Nigel,

**Determination of Design of Funding Mechanism: Māori and Pasifika Trades Training**

I am writing to advise you of a determination of the design of a funding mechanism, under section 159L of the Education Act 1989 (the Act), for Māori and Pasifika Trades Training.

The new determination is set out in the appendix to this letter. The determination covers the funding of Māori and Pasifika Trades Training provision delivered from 1 January 2020. It also supports transitions which may occur as part of the Reform of Vocational Education.

Under section 159O of the Act, it is the Commission’s responsibility to develop the details needed to implement my determinations for the design 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,

[Signature]

Hon Chris Hipkins  
Minister of Education
DETERMINATION OF DESIGN OF FUNDING MECHANISM:
MĀORI AND PASIFIKA TRADES TRAINING

PRELIMINARY PROVISIONS

Statutory Authority

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

Purpose

2. The purpose of this funding mechanism is to support Māori and Pacific learners aged 16 to 40 years of age (inclusive) 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 (NZQF), and managed apprenticeships. Progression to further provider-based vocational training at Level 4 or above on the NZQF that has strong employment outcomes is also a positive outcome.

3. Entities described as ‘training organisations’ within this determination include:

   a. Industry Training Organisations (ITOs) to carry out their activities under the Industry Training and Apprenticeships Act 1992 (unless and until they are recognised as Transitional ITOs under clause 43 of Schedule 1 of the Education (Vocational Education and Training Reform) Amendment Bill (the Bill));

   b. Transitional ITOs to carry out their activities under the Bill (see Part 9 of Schedule 1 of the Bill);

   c. providers (as defined in proposed new section 477 inserted by clause 65 of the Bill) to whom responsibility is transferred for the purposes of the elements of the transition plan referred to in clause 51(a)(ii) of Schedule 1 of the Bill);

   d. providers of education and training for the purposes of training contracts (see the definition of “training contract” inserted into section 159(1) of the Education Act 1989 by clause 7(8) of the Bill);

   e. providers carrying out apprenticeship training activities under proposed Subpart 2 of Part 34 inserted by clause 65 of the Bill.

4. References in this funding mechanism to an entity above involving the Education (Vocational Education and Training Reform) Amendment Bill only take effect if and when the Bill is passed as an Act of Parliament and comes into force. References to provisions within the Bill are taken from the introduction version of the Bill and, if the Bill is passed, each reference should be read as the corresponding provision in the Act.

5. 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; and
   ii. tailor pre-employment trades educational provision to the needs and aspirations of MPTT learners, communities and potential employers; and
   iii. facilitate relationships between MPTT learners, providers, training organisations, and potential employers; and
   iv. transition learners into sustainable employment; and

c. consortium activities to increase access to vocational training for Māori and Pacific learners and improve pre-employment trades training (including robust work preparation and learner support) to align this training more closely to the needs of employers and of Māori and Pacific communities.

6. 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 Tertiary Education Commission (TEC).

Off-plan funding

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

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

8. This funding mechanism covers funded activities delivered from 1 January 2020.

9. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside of these dates.

Consortium

10. For the purposes of MPTT, a consortium should consist of at least one tertiary education organisation (TEO), a training organisation, employer representation, and a Māori and/or Pacific entity.

11. A consortium should undertake governance, project management, co-ordination, and evaluation services. A consortium should also provide for:
a. employability skills training, and fees for obtaining licences, 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; and

b. additional learner support (activities, goods or other support), which contributes to learners' success.

12. 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, learner support, and pre-screening of applicants for places in MPTT.

13. 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.

14. 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.

15. The TEC must establish appropriate employment outcomes measures for consortia.

Available funding

16. The total amount of government funding that can be spent under this funding mechanism will be set through the Government's annual Budget processes.

Funding for fees top-ups

17. 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.

18. The TEC must allocate funding for fees top-ups at a rate of $4,000 per EFTS for programmes and training schemes at Level 3 or level 4 on the NZQF, and $0 for programmes and training schemes at Level 1 or 2 on the NZQF.

Funding for Brokerage

19. The TEC must allocate brokerage funding at a rate of $1,150 per individual learner up to the total number of learners agreed by the TEC, and at the brokerage rate applicable at the time the learner enrolled. Brokerage funding is only allocated once in respect of the same individual learner.

20. The TEC must reserve 50% of brokerage funding for the payment of a performance incentive that is payable on the basis of sufficient evidence of individual learners achieving a successful outcome, in accordance with paragraph 21, from a
programme supported by MPTT within 18 months of the learner ceasing to be enrolled in the programme.

21. 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 on the NZQF, or to a managed apprenticeship, in a programme identified by the TEC as being likely to lead to sustainable employment.

22. For the purposes of this funding determination, a managed apprenticeship is a SAC funded programme that is:

a. intended to lead to a qualification at Level 4 or higher on the NZQF of 120 credits or more; and

b. arranged by an institute of technology or polytechnic (ITP), 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.

Funding for consortium activities

23. 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 licencing (e.g. driver licencing) that complements the SAC-funded programmes; and

d. learner support (activities, goods, or other support that contributes to learners’ success) in addition to support ordinarily offered by the tertiary provider.

24. For the purposes of this funding mechanism, the total amount of funding available for consortium activities is determined by Cabinet or Joint Ministers.

25. 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.

Funding for transitional tools grants

26. The TEC will make provision for transitional tools grants¹, at a rate of $1,000 per MPTT learner who:

¹ Under previous letters of delegation, issued on 1 October 2013 and 7 December 2015, MPTT learners who progressed from pre-trades training into eligible outcomes within 18 months of leaving their MPTT pre-trades
a. completes or leaves their MPTT pre-trades training on or prior to 31 December 2018; and

b. has not received a tools grant under the Apprenticeships Reboot; and

c. enters one of the following within 18 months of leaving their pre-trades training:

i. a New Zealand Apprenticeship; or

ii. an equivalent apprenticeship programme at Level 4 or higher on the NZQF, such as a managed apprenticeship, that the TEC has approved; or

iii. industry training at Level 3 or level 4 on the NZQF that the TEC has approved.

**Organisation eligibility for fees top-ups or brokerage**

27. 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:

A. the New Zealand Qualifications Authority (NZQA), if the TEO is a wānanga, ITP, or PTE; or

B. the New Zealand Vice-Chancellors’ Committee, if the TEO is a university; and

iv. 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 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 sub-paragraph (a).

28. For the purposes of this funding determination, all eligible recipients of funding are referred to as “organisations”.

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training were able to claim grants to purchase tools. This funding has now been repurposed as additional funding for consortia to provide this or other support to learners. This transitional process will ensure the expectations and needs of learners eligible under the previous system are met.
29. 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 41, fund a consortium for both fees top-ups and brokerage, allowing the consortium to sub-contract with its own members, or other TEOs, for SAC-funded provision and brokerage.

30. 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 as an organisation for the purposes of the Act.

Eligibility of learners

31. The TEC must ensure that an organisation only receives MPTT funding for fees top-ups and/or brokerage for eligible learners.

32. 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. Māori\(^2\) or Pacific\(^3,4\) and

c. aged 16 to 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 34).

**Eligible programmes and training schemes**

33. 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.

34. 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 a training organisation 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 on the NZQF, or to a managed apprenticeship, in a programme identified by the TEC as being likely to lead to sustainable employment.

35. 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

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\(^2\) 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 hapū, iwi, or legal entity, a Justice of the Peace, or other persons empowered to administer oaths and declarations under the Oaths and Declarations Act 1967).

\(^3\) 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 32(a–d) and for whom priority must be given. This includes The Republic of Fiji, The Kingdom of Tonga, the Independent State of 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.

\(^4\) 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 32(a–d) and there is spare capacity but only after prior consideration of admission by Māori and Pacific learners as identified in notes 2 and 3.
b. a training scheme if 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

36. 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 (see paragraph 5).

PART TWO: FUNDING CONDITIONS

General Conditions

37. 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

38. The TEC must or, in the case of paragraph 49, may impose the following specific conditions on funding provided to each relevant organisation under this funding mechanism.

Eligible organisations

39. 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.

40. 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.

41. The TEC must attach to funding a condition that an organisation that receives funding under this funding mechanism must:

a. not subcontract any of the funded activities without the prior written consent of the TEC; and

b. comply with any conditions imposed by the TEC on a consent to subcontract; and

c. ensure that a subcontracted party does not further subcontract any functions; and

d. remain accountable for the use of the funding.

Eligible learners

42. 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 32 of this funding mechanism.

**Eligible programmes and training schemes**

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 ensure that a programme or training scheme in which an eligible learner is enrolled meets and continues to meet the criteria of paragraph 34 of this funding mechanism.

44. 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 on the NZQF, have in place an effective assessment process for identifying each learner’s initial literacy and numeracy needs and measuring 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).

**Eligibility for Brokerage**

45. 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 (see paragraph 5).

**Fees and associated course costs**

46. 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.

47. 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**

48. 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**

49. 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.

50. 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 the consortium, that would have the effect of changing the membership of the consortium that the lead member leads.

Funding from other sources

51. 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, for activities 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.

52. The TEC must attach to funding a condition that an organisation that receives MPTT funding for fees top-ups or funding for brokerage 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

53. 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

54. 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.

55. 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.

**TEC administrative responsibilities**

56. 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.