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Minister for Tertiary Education, Skills and Employment

Minister of Science and Innovation

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04 SEP 2017

Nigel Gould
Chair
Tertiary Education Commission
PO Box 27-048
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Dear Nigel

Supplementary Determination of Design of Funding Mechanism: Student Achievement Component – provision at Level 3 and above on the New Zealand Qualifications Framework

I am writing to advise you of the new supplementary funding determination that I have made under section 159L of the Education Act 1989 for Student Achievement Component – provision at Level 3 and above on the New Zealand Qualifications Framework

The supplementary determination is set out in the appendix to this letter and comes into effect from 1 January 2018.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determinations of the 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.

I note that under the supplementary determination the Commission will set criteria for the calculation of equivalent full-time student (EFTS) values. These criteria should reflect the principle that the Commission, in setting EFTS values, will take into account both the inputs and the outputs of the learning process.

Yours sincerely

Paul Goldsmith
Minister for Tertiary Education, Skills and Employment

SUPPLEMENTARY DETERMINATION OF DESIGN OF FUNDING MECHANISMS FOR:

STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVEL 3 AND ABOVE ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

Background

1. The Determination of Design of Funding Mechanism: “Student Achievement Component (SAC) – Provision at Level 3 and above on the New Zealand Qualifications Framework” (the principal determination) was issued in November 2016.

Effective date

2. This Supplementary Determination of the Design of Funding Mechanism: Student Achievement Component (SAC) – Provision at Level 3 and above on the New Zealand Qualifications Framework (the supplementary funding determination) amends the principal determination with effect from 1 January 2018.

The metric: Measurement of enrolments

3. Paragraphs 29 and 30 of the principal determination provide that:-
 - “29. *The EFTS value of a qualification represents the TEC’s assessment of the normal minimum time for a successful full-time student to complete the qualification. In addition, the credit value assigned to the course by either the New Zealand Qualifications Authority (NZQA) or the New Zealand Vice-Chancellors Committee must be a part of the EFTS metric.*
 30. *The TEC must consider qualifications that the TEO has disaggregated into component courses. The TEO must assign each course an EFTS factor that represents the proportion of the whole qualification that the course constitutes.”*
4. Paragraphs 29 and 30 of the principal determination are replaced by the following new paragraphs 29 and 30:
 - “29. *The TEC will determine the EFTS value of each qualification and its components based on published criteria. These criteria should reflect the principle that TEC, in setting EFTS values, will take into account both the inputs and the outputs of the learning process.*
 30. *Deleted”.*

Eligible programmes and qualifications

5. Paragraph 42 of the principal determination is replaced by the following new paragraphs 42A and 42B:

“42A. The TEC must ensure that the SAC funding paid to a TEO under this funding mechanism, is only used for a course that:

- a. is part of a programme that:
 - i. leads to the award of a qualification at level 3 to 10 on the NZQF; and*
 - ii. has been quality assured by either NZQA or the New Zealand Vice-Chancellors’ Committee (where appropriate); or**
- b. is part of a training scheme that:
 - i. leads to an award that is not a qualification listed on the NZQF; and*
 - ii. has been quality assured**

42B. The TEC must publish criteria for determining whether a training scheme has been quality assured.”

Pre-service teacher training

6. Paragraphs 46 and 47 of the principal determination (which provide that SAC funding paid to a TEO must not be used for pre-service teacher training, subject to certain exceptions) are deleted. As a consequence, the provisions in the principal funding determination relating to pre-service teacher training will no longer apply from the date on which this supplementary determination takes effect.

Annual Fee Maximum Fee Movement

7. Paragraphs 72 and 73 of the principal determination provide that:
 - TEOs that receive funding under the funding mechanisms must comply with the Annual Maximum Fee Movement, as specified in Part Three of the principal determination; and
 - any limits on fees for further years will be determined by way of a supplementary funding mechanism to be issued the preceding year.
8. Accordingly, Part Three of the principal determination is replaced by new Part Three as set out in Schedule 1 of this supplementary determination.

Funding Minimums for SAC-funded provision relating to qualifications at Levels 3 and above on the New Zealand Qualifications Framework

9. Appendix 1 - *“Funding Minimums for SAC-funded provision relating to qualifications at Levels 3 and above on the New Zealand Qualifications Framework”* in the principal determination is replaced by new Appendix 1 as set out in Schedule 2 of this supplementary determination.

Calculation of Student Achievement Component (SAC) Funding

10. Appendix 2 - "Calculation of SAC Funding" in the principal determination is replaced by new Appendix 2 as set out in Schedule 3 of this supplementary determination.

Schedule 1 – New Part Three inserted

PART THREE: THE ANNUAL MAXIMUM FEE MOVEMENT

General

1. The conditions in Part Three of this funding mechanism apply to fees and course costs (together referred to as “fees”) charged by tertiary education organisations (TEOs) for a Student Achievement Component (SAC)-funded course that is part of a programme that leads to a qualification at level 3 or above on the New Zealand Qualifications Framework (NZQF).
2. Fees associated with a particular course are subject to these conditions if:
 - a. the TEO is the sole source of the item to which the fee relates; and
 - b. all domestic students validly enrolled in the course are required to pay the fees.

Definition

3. The term “fees” includes the following items: tuition fees, compulsory course costs, examination fees, material charges, costs of field trips, costs associated with the compulsory purchase of equipment or books through a TEO, and other charges associated with a course.

Annual Maximum Fee Movement

4. The annual maximum fee movement (AMFM) for 2018 is a 2% increase on the fees (GST exclusive) charged in 2017, for a course at level 3 and above on the NZQF, for which a TEO receives SAC funding, and which is part of a programme leading to qualifications listed on the NZQF¹.

New courses

5. The AMFM applies to any new courses established by a TEO in substitution for an existing course dealing with the same or similar subject matter, at a same or similar level on the NZQF, for which funding under this funding mechanism can be used.

Exceptions to the AMFM

6. A TEO may apply for an exception to the AMFM for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF on the basis of exceptional circumstances (listed below).
7. The Tertiary Education Commission (TEC) may grant an exception to the AMFM for one or more of a TEO’s courses; however, any exception granted must not exceed an additional 2% increase over and above the permitted 2% increase.
8. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:

¹ For the avoidance of doubt, the AMFM also applies to professional masters programmes.

- a. the TEO is unable to support the course while remaining financially viable; and
 - b. for a course which is part of a programme leading to a qualification at level 3 to 8 on the NZQF, the completion rate for the qualification met or exceeded the median performance benchmark for that level in the previous year; and
 - c. the TEO can demonstrate that the course is in some way unique or special, for example, that there are no available local alternatives to the course; and
 - d. not allowing an exception will prevent the TEO from making a significant contribution to the achievement of one or more of the Government's priorities, as set out in the Tertiary Education Strategy 2014-19.
9. The TEC must only grant an exception if it is satisfied that the TEO meets all of the above criteria.

Zero fee or low fee courses

10. If the fees for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF were less than \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS in the previous year, then a TEO may increase the fee by the greater of:
- a. (up to) \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS; or
 - b. 2%.

Schedule 2 – New Appendix 1 inserted

APPENDIX 1: FUNDING MINIMUMS FOR SAC-FUNDED PROVISION RELATING TO QUALIFICATIONS AT LEVELS 3 AND ABOVE ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

The funding minimums for SAC-funded provision relating to qualifications at levels 3 and above on the NZQF, excluding provision funded through the levels 3 and 4 competitive pilot, to be allocated by subsector, represent 90% of the total available for each subsector.

The TEC may allocate the remainder of the funding available for provision relating to qualifications at levels 3 and above on the NZQF, without reference to subsector.

Table 1: Funding Minimums by Subsector

| \$ millions | 2017 | 2018 |
|---|-------------------|-------------------|
| Universities | \$1,062.96 | \$1,071.36 |
| Institutes of Technology and Polytechnics | \$416.55 | \$420.08 |
| Wānanga | \$118.04 | \$119.28 |
| Private Training Establishments | \$150.66 | \$150.15 |
| Total Student Achievement Component by sub-sector | \$1,748.21 | \$1,760.88 |
| All sub-sectors | \$194.24 | \$195.65 |
| Total Student Achievement Component (Levels 3 and above) | \$1,942.45 | \$1,956.53 |

Schedule 3 – New Appendix 2 inserted

APPENDIX 2: CALCULATION OF SAC FUNDING

Table 1: Course Classification Prescription

| | |
|-------|---|
| #01 | Agriculture; Horticulture |
| #02 | Architecture; Quantity Surveying |
| #03 | Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences |
| #03.1 | Osteopathy; Acupuncture |
| #04 | Business; Accountancy; Office Systems/Secretarial; Management |
| #05.2 | General Education |
| #06 | Computer Science |
| #07 | Dentistry |
| #11 | Engineering; Technology |
| #11.1 | Priority Engineering |
| #11.2 | Pilot Training |
| #12 | Fine Arts; Design |
| #13 | Health Sciences (excluding classifications #07, #15, and #17) |
| #13.1 | Optometry |
| #14 | Law |
| #15 | Medicine (excluding intermediate/first year) |
| #16 | Music and Performing Arts |
| #17 | Health Related Professions |
| #17.3 | Dental Therapy |
| #18 | Science |
| #19.1 | Teaching: Early Childhood Education |
| #19.2 | Teaching: Primary |
| #20 | Teaching: Secondary |
| #21 | Trades 1 |
| #22 | Trades 2 |
| #22.1 | Vocational Training for Industry |
| #23 | Veterinary |
| #23.3 | Veterinary Science Undergraduate (Years 3, 4 & 5) |
| #24 | Nursing |
| #25 | Medical Imaging |
| #27 | Midwifery (3 year) |
| #28 | Occupational Therapy |
| #29 | Physiotherapy |
| #30 | Medical Radiation Therapy |
| #31 | Pharmacy Professionals |
| #32 | Speech Language Therapy |
| #33 | Medical Laboratory Science |
| #34 | Clinical Psychology |
| #35 | Audiology |

| | |
|-----|---|
| #36 | Dietetics |
| #37 | Medicine Undergraduate (Years 4, 5 & 6) |
| #38 | Foreign-Going Nautical |
| #39 | Specialist Large Animal Science |

Table 2: Funding categories: alphabetic code

| Category (alphabetic) | Relevant discipline and course classification |
|-----------------------|---|
| A | Arts [#03], Social Sciences [#03], General Education [#5.2], Vocational Training for Industry [#22.1] |
| B | Architecture (non-degree) [#02], Computer Science [#06], Fine Arts [#12], Design [#12], Music and Performing Arts [#16], Health Related Professions [#17], Vocational Training for Industry [#22.1], Medical Imaging [#25], Occupational Therapy [#28], Clinical Psychology [#34] |
| C | Architecture (degree) [#02], Engineering [#11], Technology [#11], Health Sciences [#13], Vocational Training for Industry [#22.1], Midwifery (3 year) [#27], Physiotherapy [#29], Speech Language Therapy [#32], Medical Laboratory Science [#33], Audiology [#35] |
| G | Dentistry (postgraduate only) [#7], Medicine (postgraduate only) [#15] |
| H | Agriculture (degree) [#01], Horticulture (degree) [#01] Specialist Large Animal Science [#39] |
| I | Teaching [#19.1, #19.2, #20] |
| J | Business [#04], Accountancy [#04], Law [#14], Vocational Training for Industry [#22.1] |
| L | Agriculture (non degree) [#01], Horticulture (non degree) [#01], Osteopathy [#03.1], Acupuncture [#03.1], Vocational Training for Industry [#22.1], Nursing [#24], |
| M | Pilot Training [#11.2], Optometry [#13.1], Dental Therapy [#17.3], Pharmacy [#31] |
| N | Priority Engineering [#11.1], Dietetics [#36] |
| O | Medical Radiation Therapy [#30] |
| P | Trades 2 [#22], Vocational Training for Industry [#22.1] |
| Q | Veterinary Science [#23], Veterinary Science (years 3–5) [#23.3] |
| R | Dentistry undergraduate (years 2-5) [#07] |
| S | Foreign-Going Nautical [#38] |
| T | Medicine undergraduate (years 2-3) [#15] |
| U | Medicine undergraduate (years 4–6) [#37] |
| V | Science [#18] |

Table 3: Funding categories: numeric code

| Category (numeric) | Classification by level and content of study |
|--------------------|---|
| 1 | Courses designed for non-degree qualifications with no research requirement, including certificates and diplomas |
| 2 | Courses designed for undergraduate degree qualifications, including bachelors degrees, graduate certificates and diplomas |

| | |
|---|--|
| 3 | Courses designed for taught postgraduate qualifications, including postgraduate certificates and diplomas, bachelors degrees with honours, and taught masters papers |
| 4 | Research-based postgraduate qualifications, including masters' theses/dissertations of 1.0 EFTS or more for masters and doctoral study |
| 5 | Foreign student enrolments in research-based postgraduate qualifications |

Table 4: Funding rates

| | 1 | 2 | 3 | 4 | 5 |
|----------|----------|----------|----------|----------|---------|
| A | \$6,196 | \$6,196 | \$7,820 | \$8,271 | \$3,439 |
| B | \$9,478 | \$9,478 | \$12,050 | \$12,955 | \$6,304 |
| C | \$11,395 | \$11,395 | \$14,482 | \$15,586 | \$7,530 |
| G | | | \$26,416 | \$26,416 | \$6,847 |
| H | | \$20,547 | \$25,913 | \$27,189 | \$5,296 |
| I | \$8,828 | \$8,828 | \$11,085 | \$11,534 | \$3,439 |
| J | \$6,196 | \$6,196 | \$7,820 | \$8,271 | \$3,439 |
| L | \$10,650 | \$10,650 | \$13,427 | \$14,331 | \$7,024 |
| M | \$13,563 | \$15,454 | \$19,405 | \$20,664 | \$8,851 |
| N | \$12,643 | \$12,643 | \$15,904 | \$17,117 | \$8,269 |
| O | | \$18,342 | | | |
| P | \$10,238 | | | | |
| Q | | \$27,796 | \$27,796 | \$27,796 | \$6,847 |
| R | | \$52,207 | | | |
| S | \$18,854 | | | | |
| T | | \$43,048 | | | |
| U | | \$43,048 | | | |
| V | \$11,081 | \$13,542 | \$17,072 | \$18,220 | \$7,308 |