



## MP for Remutaka

Minister of Education

Minister of Health

Minister of State Services

Leader of the House

Minister Responsible for Ministerial Services

30 September 2020

Jenn Bestwick  
Chair  
Tertiary Education Commission  
PO Box 27-048  
Wellington 6141

Dear Jenn,

### **Determination of Design of Funding Mechanism: Student Achievement Component – Provision at Level 3 and above on the New Zealand Qualification 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), the Student Achievement Component – Provision at Level 3 and above.

The new determination is set out in the appendix to this letter. The determination covers the funding of provision delivered from 1 January 2021. The new determination includes:

- a 1.6 percent increase to all funding rates specified in the determination;
- updated fee regulation settings, including a \$60 per credit fee cap for microcredentials.

I am interested in how the Tertiary Education Commission (TEC) has managed the investment process for 2021, recognising the current uncertainty of where growth will occur in 2021 whilst delivering a level of funding certainty for tertiary education organisations. I would expect the TEC to report back to me during the year on how this is being managed especially noting the increased funding available in 2021.

Under section 422 of the Act, it is the TEC's responsibility to develop the details needed to implement my determinations of the design of funding mechanisms.

I expect that the TEC 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,

A handwritten signature in blue ink, appearing to be 'CH', representing Chris Hipkins.

**Hon Chris Hipkins**  
Minister of Education

# DETERMINATION OF DESIGN OF FUNDING MECHANISM: STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVEL 3 AND ABOVE ON THE NEW ZEALAND QUALIFICATIONS 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 Student Achievement Component (SAC) provision at level 3 and above on the New Zealand Qualifications Framework (NZQF).

### *Purpose*

2. SAC funding contributes towards the provision of teaching and learning services for enrolled students at tertiary education organisations (TEOs).
3. The SAC comprises the following two funds:
  - a. provision at levels 1 and 2 on the NZQF<sup>1</sup>; and
  - b. provision at level 3 and above on the NZQF.

### *On-plan funding*

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

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<sup>1</sup> For the requirements regarding the funding of provision relating to qualifications at levels 1 and 2 on the NZQF, refer to: “*Determination of design of funding mechanism: Student Achievement Component – provision at levels 1 and 2 on the New Zealand Qualifications Framework*”.

## **PART ONE: THE FUNDING MECHANISM**

### **General parameters**

#### ***Effective period dates***

5. This funding mechanism is to fund provision from 1 January 2021.
6. The TEC may exercise any of its administrative functions before 1 January 2021 as required to give effect to this funding mechanism.

#### ***Available funding***

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

#### ***Flexible funding***

8. The TEC must establish criteria, based on minimum thresholds for organisational and educational performance, for determining under which circumstances a TEO qualifies for the additional funding described in paragraph 11 (a "qualifying TEO").
9. However, a TEO is not a qualifying TEO unless the minimum number of equivalent full-time students (EFTS) that it is approved by TEC to deliver is 20 EFTS.
10. The TEC must allocate additional funding, over and above that approved through investment plans, to qualifying TEOs in the following circumstances:
  - a. if the TEO is a:
    - i. a tertiary education institution (TEI); or
    - ii. a rural education activities programme (REAP) provider,  
  
the value of provision actually delivered by the TEO, as measured in dollars, is greater than the value of its approved funding allocation; or
  - b. if the TEO is a private training establishment (PTE), the value of provision actually delivered by the PTE, as measured in dollars, that is specified in the qualifying TEO's funding approval (being the value of provision measured in dollars for which TEC allocates funding and the value of provision measured in dollars for which TEC does not allocate funding) is exceeded.
11. If a qualifying TEO meets the criteria specified in paragraph 10, the TEC must pay the TEO up to the following limits, either:
  - a. 2% of the qualifying TEO's approved funding allocation; or
  - b. 10 EFTS,whichever is greater.

12. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 11, provided the TEC has assessed whether the funding available is sufficient for the TEC to provide funding above these limits.

***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 than what it was entitled to receive, the TEC must treat the amount of the under-funding as a credit and pay the amount of the under-funding as soon as reasonably practicable.

***Funding formula and rate(s)***

14. The TEC allocates SAC funding under this funding mechanism for the relevant programmes and activities at levels 3 and above on the NZQF that are specified in a TEO's proposed investment plan or equivalent arrangement.
15. For the purposes of calculating the value of a TEO's approved SAC funding, the TEC must use a metric comprising:
  - a. the number of valid domestic student enrolments, measured in EFTS; and
  - b. the qualifications, and their component courses, in which students are enrolled, and the assigned course classifications, funding categories, and funding rates of those qualifications and component courses.

***Valid domestic enrolments***

16. For the purpose of this funding mechanism, the term "valid domestic enrolment" refers to the enrolment of a student who is:
  - a. a domestic tertiary student as defined in section 10(1) of the Act; or
  - b. an Australian citizen or Australian permanent resident currently residing in New Zealand; and
  - c. 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 the student meets the criteria in paragraph 19; and
  - d. has paid or committed to pay their fees (if fees apply).
17. The TEC must establish criteria for determining under which circumstances a student can be considered to be a valid domestic enrolment, where the student:
  - a. is aged under 16 years; or
  - b. has not paid their fees (if fees apply).

18. The TEC must establish the requirements that TEOs must comply with to verify each student's identity, and confirm that a student is a valid domestic enrolment.

#### *Eligibility for students studying outside of New Zealand*

19. A student studying outside of New Zealand is a valid domestic enrolment only if:
  - a. the student is:
    - i. a domestic tertiary student as defined by section 10(1) of the Act, including regulations made under section 10(2) of the Act; and
    - ii. enrolled in a course(s) leading to the award of a recognised qualification offered by a New Zealand TEO; and
  - b. if they are studying at an overseas campus or delivery site (irrespective of whether they are enrolled at the TEO's New Zealand campus or overseas campus), the student meets the following criteria:
    - i. enrolled at a New Zealand TEO in a programme leading to the award of a qualification at level 7 or above on the NZQF; and
    - ii. the study outside New Zealand is full-time and face-to-face (i.e. not an extramural enrolment) in an approved country identified on the Education New Zealand website; and
    - iii. is undertaking part (but not all) of the programme outside New Zealand.

#### *Inducements*

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

#### *The metric*

##### Measurement of enrolments

23. The TEC must measure valid domestic enrolments in units of 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.
24. The TEC will determine the EFTS value of each qualification and the course EFTS factor of its components based on published criteria. These criteria should reflect the principle that the TEC, in setting EFTS values, will take into account both the inputs and the outputs of the learning process.

25. The TEC must validate the TEO's assignment of EFTS value of each qualification and the course EFTS factor of its components.

Course classification: "1-39 Classification Prescription"

26. A TEO must assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription", of Appendix 1. The content of the course (rather than its name) must determine the assignment.
27. The TEC must validate each TEO's assignment of its courses to the appropriate course classification.

Funding categories

28. The TEC must assign each course classification to a funding category in accordance with Tables 2 and 3 of Appendix 1. Each category must have:
  - a. an alphabetic code, which applies to groups of courses according to their course classifications, in accordance with Table 2 "Funding categories: alphabetic code" of Appendix 1; and
  - b. a numeric code that reflects the level of study, in accordance with Table 3 "Funding categories: numeric code" of Appendix 1.
29. The TEO must select the correct funding category for each of its courses using the Funding Categories listed in Tables 2 and 3 of Appendix 1.
30. The TEC must validate the TEO's assignment of course classification to a funding category in accordance with Tables 2 and 3 of Appendix 1.
31. In relation to course classification #22.1, "Vocational Training for Industry", the TEC must categorise courses according to their subject content.

Funding rates

32. The TEC must apply the per-EFTS funding rates for TEOs, as set out in Table 4, "Funding rates" of Appendix 1.

***TEO eligibility***

33. The TEC may only fund a TEO under this funding mechanism if the TEO is one of the following:
  - a. a TEI, namely:

- i. a university;
- ii. Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga)<sup>2</sup>;
- iii. a wānanga; or
- b. a PTE; or
- c. a REAP provider.

### ***TEO quality assurance***

34. To be eligible for funding under this funding mechanism, a TEO must be quality assured as follows:
- a. if the funding is for delivery by Te Pūkenga or one or more of the subsidiaries of Te Pūkenga, Te Pūkenga or the relevant subsidiaries of Te Pūkenga are quality assured by the New Zealand Qualifications Authority (NZQA),
  - b. if the TEO is a wānanga, a PTE, or REAP provider, the TEO is quality assured by the NZQA; or
  - c. if the TEO is a university, the TEO is quality assured by the New Zealand Vice-Chancellors' Committee.

### ***Eligibility of students***

35. The TEC must ensure that the SAC funding paid to a TEO under this funding mechanism is only used for programmes of study or training for valid domestic student enrolments, as defined in paragraphs 16 to 19.

### ***Eligible programmes and qualifications***

#### ***General matters***

36. 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.

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<sup>2</sup> Te Pūkenga also refers to any Te Pūkenga subsidiary.

37. The TEC must publish criteria for determining whether a training scheme has been quality assured.
38. The TEC must restrict the availability of training schemes, including certificates of personal interest and certificates of proficiency, by developing criteria limiting the eligibility of related courses or programmes for SAC funding at level 3 and above on the NZQF.

*Specific matters*

Health-related professional qualifications

39. The TEC may allow SAC funding paid to a TEO under this funding mechanism to be used for courses that are part of a programme leading to the award of a post-entry health-related professional qualification that:
  - a. is of an academic or research nature; and
  - b. has a clinical component of 30% or less within the total qualification.
40. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for courses that are part of a programme leading to the award of a post-entry health-related professional qualification that has:
  - a. a clinical component of more than 30% within the total qualification; and
  - b. either:
    - i. a requirement for clinical education and training; or
    - ii. an emphasis on specialist clinical professional skills.

Health and safety and regulatory compliance learning

41. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism is not used for a programme of study or training where the TEC considers on reasonable grounds that a majority of the programme of study or training relates to health and safety or regulatory compliance learning.

*Cap on high-cost provision*

42. The TEC must ensure that SAC funding paid under this funding mechanism is not used for specified high-cost provision across all sub-sectors above the following EFTS caps:
  - a. aviation (qualifications that includes an in-flight training component): 450 EFTS;
  - b. dentistry (intermediate) year 1 intake: 60 EFTS;
  - c. medical undergraduate year 1 intake: 539 EFTS;
  - d. specialist large animal science total enrolment over all years: 70 EFTS;
  - e. veterinary science year 1 intake: 100 EFTS.



43. The TEC must ensure that 10 EFTS of the dentistry (intermediate) year 1 intake are used for students of rural origin, as defined by the TEC.
44. The TEC must ensure that SAC funding paid to a TEO under this funding mechanism does not exceed a maximum EFTS value of 4 EFTS for doctoral study.

## **PART TWO: FUNDING CONDITIONS**

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

### ***Tertiary education organisations***

46. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must meet, and for the length of the funding period continue to meet, all of the eligibility criteria specified in paragraphs 33 and 34 of this funding mechanism.
47. 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 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.

### ***Students and enrolments***

48. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each eligible student meets and continues to meet the criteria specified in paragraph 35 of this funding mechanism.
49. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must not:
  - a. restrict enrolment in programmes and training schemes 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 offering of an inducement, as specified in paragraphs 20 to 22.
50. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must verify a student's identity, and confirm that a student is a valid domestic enrolment in accordance with the requirements developed by the TEC.

### ***Reporting withdrawals to Ministry of Social Development***

51. The TEC must attach to funding a condition that a TEO that receives funding under this mechanism must report the withdrawal of students 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.

### ***Courses, programmes and qualifications***

52. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a course in which an eligible student is enrolled meets and continues to meet the criteria specified in paragraph 36 of this funding mechanism.
53. The TEC must attach to funding a condition that a TEO must not use funding paid under this funding mechanism to fund a programme of study or training where a majority of the programme of study or training relates to health and safety or regulatory compliance.
54. The TEC must attach to funding a condition that a TEO must comply with any restriction set by the TEC on the availability of training schemes, including certificates of personal interest and certificates of proficiency.

### ***High-cost provision***

55. If the TEC allocates funding to a TEO for high-cost provision, the TEC must attach the following condition or conditions to funding:

#### *All high-cost provision*

56. A TEO must not use funding provided under this funding mechanism to fund high-cost provision, as specified in paragraph 42, above the volume of EFTS for that provision at the TEO that the TEC has agreed to fund.

#### *Aviation*

57. A TEO that is allocated EFTS for aviation provision that includes an in-flight training component (pilot training) must supply the Ministry of Social Development with the correct student enrolment information, through the Verification of Study system, that ensures that:
  - a. annual student loan fee borrowing for any pilot training student does not exceed:
    - i. if the student is not eligible for Fees Free Tertiary Education, \$35,000 per EFTS, as set out in paragraphs 64 and 65 and in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education that is issued under section 409(1)(j) of the Act; or
    - ii. if the student is eligible for Fees Free Tertiary Education, \$35,000 per EFTS, less the amount payable to a TEO by the TEC on behalf of the student for fees in accordance with criteria set out in paragraphs 64 and 65 and in any delegation to the TEC in force

relating to the funding of Fees Free Tertiary Education that is issued under section 409(1)(j) of the Act; and

- b. where a pilot training student is studying part-time, annual student loan fee borrowing does not exceed the proportion of \$35,000 that is represented by the proportion of an EFTS course load that is being undertaken by the student, less any fees payment made by the TEC on behalf of the student (as set out in paragraphs 64 and 65 and in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education). For example, if a student is studying 0.4 EFTS units in the year, the student loan borrowing limit will be \$14,000. For those eligible for the Fees Free Tertiary Education payment, the student loan borrowing limit for 0.4 EFTS units in the year would be \$14,000, less the amount payable to a TEO by TEC on behalf of the student for fees.

*Dentistry (intermediate) year 1 intake*

58. A TEO that is allocated EFTS for the dentistry (intermediate) year 1 intake for students of rural origin must only use the funding in respect of students who are of rural origin.

***Fees and associated course costs***

59. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
  - a. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular course or qualification<sup>3</sup>; and
  - b. in relation to the provision of essential equipment, including computers, diving hardware, and chainsaws, must not:
    - i. include the costs in any fees, compulsory course costs, or compulsory student services fees, charged to students; or
    - ii. require the costs to be met through the “course-related costs” component of the Student Loan Scheme, as a condition of enrolment for students; and
  - c. must not meet the costs of overseas travel for students through the use of funding obtained under this funding mechanism or via the Student Loan Scheme, unless the overseas travel is academically essential.
60. For the purposes of paragraph 59(c) of this funding mechanism, the TEC must develop guidelines determining when overseas travel is academically essential.
61. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must comply with the Fee Regulation Settings, as specified in Part Three of this funding mechanism.

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<sup>3</sup> 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.

62. Any limits on fees for further years will be determined by way of a variation to the funding mechanism.

***Fees Free Tertiary Education***

63. The TEC must attach to funding a condition that a TEO must not charge an eligible student an amount in respect of fees (as defined by any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education and issued under section 409(1)(j) of the Act) otherwise payable by the student if the TEC has advised the TEO that the TEC will:
- a. if the TEO is not a PTE, pay that amount to the TEO in respect of fees on behalf of the student; or
  - b. if the TEO is a PTE, compensate the PTE for that amount in respect of fees forgone as a result of the condition required to be imposed under this paragraph.
64. For the purposes of the condition that the TEC must impose under paragraph 63, the TEC must determine each amount payable to a TEO by the TEC in accordance with criteria set out in any delegation to the TEC in force relating to the funding of Fees Free Tertiary Education and issued under section 409(1)(j) of the Act.
65. Each TEO must work collaboratively with the TEC to give effect to the Fees Free Tertiary Education initiative. In particular, the TEO must provide information as required by the TEC, to enable the TEC to understand the EFTS consumption of eligible students, and in relation to fees.
66. Any fees in excess of the amount payable by the TEC under paragraphs 63 and 64 may be charged by the TEO to the student.

***TEO responsibilities***

67. 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 a course EFTS factor; and
  - b. accurately assign each of its courses to a course classification listed in Table 1, "Course Classification Prescription" of Appendix 1 of this funding mechanism; and
  - c. accurately assign each of its courses a funding category listed in Table 2 and Table 3 of Appendix 1 of this funding mechanism; and
  - d. meet minimum performance standards specified by the TEC.

***No other funding***

68. 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 consent) seek or obtain 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.

### ***Responsible use of funding***

69. 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.

### ***Recovery of over-funding***

70. 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.
71. 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.
72. 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.
73. 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***

74. The TEC must attach to funding a condition that if, in accordance with clause 16, Schedule 18 of the Act, the TEC suspends or revokes some or all of a TEO's funding paid under this funding mechanism 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 and is:
  - a. 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***

75. The TEC must attach to funding a condition that a TEO consents, for the purposes of section 37A(a) of the Statistics Act 1975, 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.
76. The TEC must inform TEOs that the Statistics Act 1975 does not constrain the ongoing use or sharing of the TEO-level data once it is disclosed.

**Specific conditions that the TEC must attach to funding for TEIs funded under this funding mechanism**

***Benchmarking***

77. The TEC must attach to funding a condition that a TEI must participate as appropriate in benchmarking, including:
  - a. providing the vendor with financial and performance information as requested, in a timely manner; and
  - b. engaging with the vendor over follow-up questions and related quality assurance processes, in a timely manner; and
  - c. contributing to the cost of the agreement between the TEC and the vendor, at a rate determined by the TEC.

### **PART THREE: FEE REGULATION SETTINGS**

78. The conditions in this section of the funding mechanism apply to fees charged by TEOs for level 3 and above funded courses, training schemes or micro-credentials that are funded under this funding mechanism.
79. The fees charged by a TEO are subject to these conditions if the TEO is the sole source of the item to which the fee relates.

#### ***Definitions***

80. In Part Three of this funding mechanism, unless the context otherwise requires:
  - a. **Course** means part of a programme of study that leads to the award of a qualification on the NZQF, including a certificate, diploma, degree, or postgraduate qualification. For the avoidance of doubt, this includes a course that is part of a qualification where the student is not enrolled in the qualification (for example, where a student is only enrolled in the course or where the student is undertaking the course as part of a training scheme or micro-credential); and
  - b. **Training scheme** means study or training that leads to an award but does not, of itself, lead to a qualification listed on the NZQF, but excludes micro-credentials; and
  - c. **Micro-credentials** are distinct from training schemes for the purposes of this section. Micro-credentials certify achievement of a coherent set of skills and knowledge and that have evidence of need by industry, employers, iwi and/or the community; and
  - d. **Fees** means tuition fees, compulsory course costs, examination fees, other charges associated with a programme of study, material charges, cost of field trips and any compulsory purchase of equipment or books through the organisation; and

#### ***The Annual Maximum Fee Movement***

81. The Annual Maximum Fee Movement (AMFM) sets the maximum percentage that TEOs may increase their domestic tuition fees by each year for all level 3 and above funded courses or training schemes funded under this funding mechanism.
82. The AMFM for 2021 is set at 1.1 percent. This permits a 1.1 percent increase on the fees (GST exclusive) charged in 2020 to domestic students for level 3 and above courses or training schemes funded under this funding mechanism.

#### ***Substitute courses***

83. The AMFM applies to any new courses or training schemes established by a TEO in substitution for an existing course or training scheme dealing with the same or similar subject matter, at a same or similar level on the NZQF, which are funded under this funding mechanism.

### ***Exceptions to the Annual Maximum Fee Movement***

84. A TEO may apply to the TEC for an exception from the AMFM on the basis of exceptional circumstances. Any exception granted will not exceed an additional 1.1 percent increase over and above the permitted 1.1 percent increase.
85. In considering exceptional circumstances, the TEC must only have regard to the following criteria:
- a. the TEO is unable to support the course(s) or training scheme while remaining financially viable; and
  - b. where the course is part of a qualification at levels 3 to 8 on the NZQF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQF group in the previous year; and
  - c. the TEO can demonstrate that the course or training scheme is in some way unique or special, for example, that there are no available local alternatives; 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 current Tertiary Education Strategy.
86. The TEC must only grant an exception if it is satisfied that the TEO meets all of these criteria.

### ***Low or Zero Fee Courses or Training Schemes***

87. If the fees for a course or training scheme funded through SAC level 3 and above were less than \$511.11 (GST inclusive) (or \$444.44 GST exclusive) per equivalent full-time student (EFTS) in 2020, then for 2021, the TEO may increase the fee for the course or training scheme:
- a. to up to \$511.11 (GST inclusive) (or \$444.44 GST exclusive) per EFTS; or
  - b. by 1.1 percent;
- whichever is the greater.

### ***Fee Setting Limits for New Courses or Training Schemes***

88. The fees for a new course or training scheme established by a TEO and funded under this funding mechanism must be no more than the 75th percentile from the range of fees charged for similar courses or training schemes. The TEC will specify how similar courses or training schemes will be determined.
89. These fee setting limits apply to any new courses or training schemes funded under this funding mechanism, except where the course or training scheme is in substitution for an existing course or training scheme dealing with the same or similar subject matter, at a same or similar level on the NZQF. Substitute courses or training schemes are subject to the AMFM.



### ***Exceptions to Fee Setting Limits for New Courses or Training Schemes***

90. A TEO may apply for an exception from the fee setting limits for new courses or training schemes on the basis of exceptional circumstances.
91. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
  - a. the course or training scheme would be financially unviable without a higher fee; and
  - b. where the course is part of a qualification at levels 3 to 8 on the NZQF that has been delivered previously, the qualification has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQF group in the previous year; and
  - c. the TEO can demonstrate that the course or training scheme is in some way unique or special, for example, there are no or very few similar courses or training schemes to compare fees with; and
  - d. the course or training scheme is aligned to Government priorities as set out in the Tertiary Education Strategy.
92. The TEC must only grant an exception if it is satisfied that the TEO meets all of these criteria.
93. The TEC has discretion to determine how much a TEO can set fees for any new courses or training schemes granted an exception.

### ***Fee Capping Limits for Micro-credentials***

94. The fees for a micro-credential must be no more than \$60 (GST inclusive) per credit (excluding components made up of courses that also lead to the award of a qualification and are funded under this funding mechanism).
95. Where a micro-credential is wholly or partly comprised of courses that also lead to the award of a qualification and are funded under this funding mechanism, the fees for these courses must be equal to or less than the maximum fee permitted for the course under the AMFM and fee setting limits for new courses or training schemes. The fees for the components that are not part of existing courses must be no more than \$60 (GST inclusive) per credit.

### ***Exceptions to Fee Capping Limits for Micro-credentials***

96. A TEO may apply for an exception from the fee capping limits for a micro-credential (or components of a micro-credential that are not made up of existing courses) on the basis of exceptional circumstances.
97. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:
  - a. the TEO can demonstrate that the fee cap makes it financially unsustainable to offer the micro-credential, in terms of the costs of delivering the micro-credential and taking into account the total income that

the micro-credential would receive (including government funding and fees), and that there are no satisfactory alternatives to limit costs; and

- b. the TEO must provide evidence that there is strong support from industry and/or employers to deliver the micro-credential and that this clearly meets industry and/or employer needs, despite the rate of the fee.
98. The TEC must only grant an exception if it is satisfied that the TEO meets both of these criteria.
  99. The TEC has discretion to determine how much a TEO can set fees for any micro-credential granted an exception.

## APPENDIX 1: 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 Science
#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]
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], Clinical Psychology [#34]

**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

**Table 4: Funding rates**

	1	2	3	4
A	\$6,511	\$6,511	\$8,217	\$8,691
B	\$9,960	\$9,960	\$12,662	\$13,613
C	\$11,974	\$11,974	\$15,219	\$16,378
G			\$27,759	\$27,759
H		\$21,592	\$27,231	\$28,571
I	\$9,888	\$9,888	\$12,406	\$12,879
J	\$6,511	\$6,511	\$8,217	\$8,691
L	\$11,191	\$11,191	\$14,110	\$15,059
M	\$14,252	\$16,240	\$20,391	\$21,715
N	\$13,285	\$13,285	\$16,712	\$17,987
O		\$19,274		
P	\$10,758			
Q		\$29,209	\$29,209	\$29,209
R		\$54,861		
S	\$19,813			
T		\$45,236		
U		\$45,236		
V	\$11,644	\$14,231	\$17,940	\$19,147