

# Hon Chris Hipkins

MP for Remutaka

Minister of Education

Minister of Police

Minister for the Public Service

Leader of the House



Jenn Bestwick  
Chair  
Tertiary Education Commission  
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Dear Jenn

## **Determination of Design of Funding Mechanism: strategic component of the unified funding system for vocational education and training**

I am writing to advise you of my determination of the design of a funding mechanism, under section 419 of the Education and Training Act 2020 (the Act), for the strategic component of the unified funding system for vocational education and training. This is one of two determinations comprising the unified funding system for vocational education and training.

The new determination is set out in the appendix to this letter. The determination covers funding delivered from 1 January 2023.

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.

Yours sincerely

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

**Hon Chris Hipkins**  
Minister of Education

# **DETERMINATION OF DESIGN OF FUNDING MECHANISM: STRATEGIC COMPONENT OF THE UNIFIED FUNDING SYSTEM FOR VOCATIONAL EDUCATION AND TRAINING**

## ***Statutory authority***

1. This determination, which is made under section 419 of the Education and Training Act 2020 (the Act), specifies the design of the funding mechanism for the strategic component of the unified funding system for vocational education and training.

## ***Purpose of the unified funding system for vocational education and training***

2. The unified funding system is designed to incentivise providers to:
  - a. support learners to transition to work-based training,
  - b. enhance support for employers,
  - c. increase and improve success and support for all learners,
  - d. respond to national and regional skills priorities, and
  - e. ensure a strong and sustainable regional network of provision.

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

### ***Purpose of this fund***

3. This fund provides funding unlinked to learner enrolments to support the tertiary sector to progress strategic priorities for vocational education and training.
4. This fund comprises two elements:
  - a. Element 1: Responding to national and regional skills priorities, informed by advice from Workforce Development Councils (WDCs) and Regional Skills Leadership Groups (RSLGs); and
  - b. Element 2: Supporting programme development and maintenance aligned with the Reform of Vocational Education objectives.

### ***Effective period***

5. This funding mechanism relates to funding for activities from 1 January 2023.
6. The Tertiary Education Commission (TEC) may exercise any of its administrative functions as required to give effect to this funding mechanism before this date.

### ***Available funding***

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

### ***Eligible organisations***

8. The TEC may only fund an organisation under this determination, if the organisation is one of the following:
  - a. Te Pūkenga<sup>1</sup>;
  - b. a wānanga; or
  - c. a private training establishment (PTE).
9. The TEC must pay funding to Te Pūkenga and wānanga as on-Plan funding under section 425 of the Act.
10. The TEC must pay funding to PTEs as off-Plan funding under section 428 of the Act; and such funding can be allocated for one-, two- or three-year terms.

### **Element 1: National and Regional Skills Priorities**

11. Up to 70% of the funding available for the Element 1 must be allocated to Te Pūkenga.
12. Up to 30% of funding available for the Element 1 must be allocated to PTEs.
13. I expect TEC to ensure Te Pūkenga uses funding allocated for Element 1 to:
  - a. meet its Charter obligations outlined in Schedule 13 of the Act, including meeting the education and training needs of regions throughout New Zealand; and
  - b. respond to the national and regional skill priorities identified by WDCs and RSLGs.
14. I expect TEC to ensure PTEs use funding allocated for Element 1 to develop and deliver innovative projects, initiatives and provision that respond to the national and regional skills priorities informed by advice from WDC and RSLG advice and set by TEC.
15. The TEC has discretion to set additional assessment and eligibility criteria to ensure funding for Element 1 is used in line with its intended purpose.
16. The TEC has discretion to set reporting requirements to ensure funding for Element 1 is used in line with its intended purpose.

### **Element 2: Programme Development and Maintenance**

17. Up to 60% of the funding available for the Element 2 must be allocated to Te Pūkenga.
18. Up to 10% of the funding available for the Element 2 must be allocated to wānanga.

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<sup>1</sup> This reference to Te Pūkenga includes any Te Pūkenga subsidiary as defined in section 10(1) of the Act.

19. Up to 30% of funding available for the second element must be allocated to PTEs.
20. I expect TEC to ensure TEOs use funding allocated for Element 2 to:
  - a. either:
    - i. develop new programmes that are innovative and flexible; or
    - ii. review and maintain existing programmes; and
  - b. support the realisation of the Tertiary Education Strategy (TES) and other key education strategic objectives, aligned with the purpose of the unified funding system and the advice of WDCs.
21. In allocating funding for this element, the TEC must ensure that a suitable proportion of funding is allocated to programmes (or component parts of programmes) that are purely extramural, in recognition of the different cost structures of these programmes.
22. For 2023 and 2024, the TEC may also use this funding to support PTEs to transition and adapt to the new incentives of the unified funding system. The TEC will set criteria for eligibility for PTE transition funding. Sorts of criteria may include:
  - a. PTEs facing a significant decrease of vocational education funding as a result of the unified funding system (being equal to or greater than 10 percent of their 2021 funding);
  - b. niche: the only provider delivering a particular or specialist area of provision within the region or nationally;
  - c. strategic priority: delivering provision in a priority area for New Zealand.
23. I expect the amount of funding allocated in 2024 for PTE transitions support is no more than half of that allocated for this purpose in 2023.
24. The TEC has discretion to set additional assessment and eligibility criteria to ensure funding for Element 2 is used in line with its intended purpose.
25. The TEC has discretion to set reporting requirements to ensure funding for Element 2 is used in line with its intended purpose.

## **PART TWO: FUNDING CONDITIONS**

### **Conditions that TEC must attach to funding (off-Plan funding)**

26. The TEC may impose any conditions on funding paid under this funding mechanism under section 428 of the Act that it considers necessary to ensure that funding will achieve the purpose for which it has been allocated.
27. The TEC must attach to funding for PTEs a condition that PTEs must use the funding allocated for Element 1 to:

- a. develop and deliver innovative projects, initiatives and provision that respond to the national and regional skills priorities informed by advice from WDC and RSLG and set by TEC.
- b. meet any additional assessment and eligibility criteria specified by the TEC under paragraph 15.

**Conditions that the TEC must attach to funding (on-Plan funding)**

28. The TEC must attach to funding for Te Pūkenga a condition that Te Pūkenga must use the funding allocated for Element 1 to:
- a. meet its Charter obligations outlined in Schedule 13 of the Act, including meeting the education and training needs of regions throughout New Zealand; and
  - b. respond to the national and regional skill priorities identified by WDCs and RSLGs; and
  - c. meet any additional assessment and eligibility criteria specified by the TEC under paragraph 15.
29. The TEC must attach to funding allocated for Element 1 a condition that a TEO must meet any reporting requirements specified by the TEC under paragraph 16.

**Conditions that the TEC must attach to all funding (on-Plan and off-Plan funding)**

***Eligible organisations***

30. 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 paragraph 8 of this funding mechanism.

***Use of funding***

31. Unless the funding has been allocated for transitional support, the TEC must attach to funding allocated for Element 2 a condition that a TEO must use the funding to:
- a. either:
    - i. develop new programmes that are innovative and flexible; or
    - ii. review and maintain existing programmes; and
  - b. supports the realisation of the Tertiary Education Strategy (TES) and other key education strategic objectives, and is aligned with the purpose of the unified funding system and the advice of WDCs.

32. The TEC must attach to funding allocated for Element 2 a condition that a TEO must meet any additional assessment and eligibility criteria specified by the TEC under paragraph 24.
33. The TEC must attach to funding allocated for Element 2 a condition that a TEO must meet any reporting requirements specified by the TEC under paragraph 25.
34. 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***

35. 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, or that has not been contractually committed towards the purposes for which funding was provided as at the end of the year for which the funding is allocated, 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.
36. 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***

37. If the TEO receives funding under this funding mechanism that is less than it should have been, or less than 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.

#### ***Repayment of funding following revocation of funding approval***

38. The TEC must attach to funding a condition that if, in accordance with clause 16 or 26 (as the case may be), 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.