

**Tertiary Education
Commission**
Te Amorangi Mātauranga Matua



AMFM Exceptions

**Application guidelines
and assessment information**

Published by the Tertiary Education Commission
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October 2023

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Background

Introduction

In exceptional circumstances, tertiary education organisations (TEOs) can apply for exceptions from the annual maximum fee increase permitted under the Annual Maximum Fee Movement (AMFM) policy. The regulation of the AMFM, including the exception criteria, are published in the funding mechanisms.

[Funding mechanisms and delegations](#)

The policy applies to Delivery on the New Zealand Qualifications and Credentials Framework (NZQCF) at Levels 3–7 and 7 and above.

[Delivery at Levels 3–7 \(non-degree\) on the New Zealand Qualifications and Credentials Framework and all industry training \(DQ3-7\)](#)

[Delivery at Level 7 \(degree\) and above on the New Zealand Qualifications and Credentials Framework \(DQ7+\)](#)

The maximum allowable fee increase for 2024 is 2.8%. You may apply for an exception to this limit to allow course fees to increase by up to an additional 2.8% above the 2.8% permitted.

Applying for an exception

If you wish to seek an AMFM exception you should prepare a case providing the information outlined below. For tertiary education institutions (TEIs), a delegated authority of the TEI's Council must authorise and sign the application. For private training establishments (PTEs), the Chief Executive or Board Chair must authorise and sign the application.

These guidelines describe the specific requirements you must follow and the information you need to provide to us. This is not an exhaustive list. You must provide enough suitable evidence for us to make a decision.

To make sure you give us the right information, we provide a set of templates for you to use when applying for an exception. Please use the templates when you submit an exception application.

- › [Application for Exception under the AMFM Policy for 2024 – Application template](#)
- › [Application for Exception under the AMFM Policy for 2024 – Financial data template](#)
- › [Application for Exception under the AMFM Policy 2024 for PTEs – Chartered accountant attestation form](#)
- › [Application for Exception under the AMFM Policy 2024 for TEIs – Chartered accountant attestation form](#)

Please provide any other relevant information to support your application. You must provide evidence that increasing fees will not negatively impact on student access, as this would compromise achievement of the Tertiary Education Strategy (TES). You must also address any potential negative effects of increasing fees more than the AMFM permitted rate.

We will look into the relevant range of alternative provision to decide whether arguments addressing the criteria are reasonable. Ensure that your application provides all the information needed.

Limits on the number of applications

There is a limit to the number of courses for which you can request an exception each year, depending on the number of equivalent full-time students (EFTS) enrolled at your TEO. If you are applying for exceptions for multiple courses, each individual course must meet the exception criteria.

For a TEO with fewer than 1,000 EFTS, the limit is 4 courses. For a TEO with between 1,000 and 5,000 EFTS, the limit is 8 courses. For a TEO with between 5,000 and 10,000 EFTS, the limit is 12 courses. For a TEO with more than 10,000 EFTS, the limit increases by 4 courses for every 10,000 EFTS.

Please carefully consider which courses you apply for an exception for. We will track all applications and decline further applications past your limit.

Demonstrating the case for an exception

To qualify for an exception, you must show that you have exceptional circumstances requiring an exception. To gain an exception, your application must meet the following criteria:

- › **Criterion one: Financial sustainability.** You can demonstrate that it is financially unsustainable to deliver the course, in terms of the cost of delivering the course and taking into account the total income the course would generate (including government funding and tuition fees), and that there are no satisfactory alternatives to limit costs;
- › **Criterion two: Alignment to the 75th percentile.** The existing fees for the course are no more than the 75th percentile of the range of fees charged for similar courses; and
- › Any two of the following criteria:
 - **Criterion three: Completion rate meets or exceeds the sector rate.** Where the course is part of a programme at Levels 3–7 and 7 and above on the New Zealand Qualifications and Credentials Framework (NZQCF) that has been delivered previously, the programme has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQCF level in the previous year;
 - **Criterion four: The course is in some way unique or special.** You can demonstrate that the course is in some way unique or special, for example, that there are no available local alternatives; and
 - **Criterion five: Alignment to government priorities.** Not allowing an exception will prevent you 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.

We may consider information not included in your application and may seek to verify anything in your application. We will also consider submissions from relevant student bodies in relation to the assessment criteria.

Student body engagement

You must advise any relevant student body of your application so they have an opportunity to provide a submission to us about your application. Confirm that you have done this in your application.

- › Each TEI must, as a minimum, advise the relevant student body's or bodies' representative on its Council that it is considering an application, with enough notice for feedback when the

Council discusses the application. When the TEI submits its application, it must provide a copy to the student body or its Council representative.

- › A PTE must provide us with documentation that it has advised the relevant student body or bodies, **OR** confirm that there is no student body to consult with.
- › Student bodies should send their submissions directly to TEC by emailing customerservice@tec.govt.nz with the subject line **[EDUMIS] – AMFM exception application**.

Submitting an application and notification of outcome

Email your application (or student body feedback) to customerservice@tec.govt.nz with the subject line **[EDUMIS] – AMFM exception application** no later than **5.00pm on 30 November 2023**.

Submissions from student bodies should be received within seven days of you submitting your application, and no later than **5.00pm on 7 December 2023**.

We will acknowledge applications via email within five business days. We will notify you of the outcome of your application by email.

Review of decisions

You, or the relevant student body, may seek a review of our decision if you believe:

- › there has been a **substantial misapplication** of the criteria to the information **as supplied** in your application (note: you may not introduce any new information), or
- › the process requirements of established Administrative Law as currently applied in New Zealand have not been appropriately followed.

Checklist

Please ensure your application includes:

- › a completed application template
- › evidence that you have advised the relevant student body or bodies
- › the financial data template, and
- › any necessary supporting information.

Please also ensure that your chartered accountant has forwarded the attestation form directly to us.

Exception Criteria

For us to consider an exception, the application must meet both criteria one and two. It must also meet at least two of criteria three, four and five. We will assess all criteria.

Criterion one: Financial sustainability

You can demonstrate that it is financially unsustainable to deliver the course, in terms of the cost of delivering the course and taking into account the total income the course would generate (including government funding and tuition fees), and that there are no satisfactory alternatives to limit costs.

Costings need to include TEO-level information in all cases. For applications below TEO level, you must also undertake costing at the level at which the application for exception is made **AND** all levels above.

This means applications at:

- › individual course or qualification level should list the costings for:
 - the courses/qualifications
 - the department or division that the course/qualification is in, and
 - the TEO as a whole;
- › department or division level should list the costings for:
 - the department or division, and
 - the TEO as a whole; and
- › TEO level should list the costings for:
 - the TEO as a whole.

You should provide the following information, at the relevant level(s), in the worksheets included in the financial data template:

- › the number of students, the income and the fees charged for the course(s)
- › other student-based income
- › research income
- › other government income
- › non-education-related income
- › the costs attributable to the course(s), along with any explanations for the apportionment/costing, under the headings:
 - *remuneration paid to owners/directors*: include all remuneration, including directors' fees and salaries, and that paid for academic services (if any). Note: any academic remuneration paid to owners should be deducted from the total for academic remuneration
 - *Personnel costs*: the direct cost of all staff (full time, part time and contract) who undertake academic roles within the course(s) and those who provide technical or similar support to students enrolled in the course(s) and/or the academic staff teaching that course(s)
 - *Other operating expenses*: the direct operating expenses (eg, consumables, travel, equipment, maintenance, library and other course and research expenses) that are incurred to support students enrolled in or staff teaching the course(s)

- *indirect costs attributable to course(s)* (eg, central administration charges as costs relating to the TEO as a whole) and explanation of the rationale for the apportionment of these costs.

You should provide information by department, where relevant, concerning:

- › the number of equivalent full-time students (EFTS)
- › average fees
- › the range of qualifications offered
- › all funding received from government
- › evidence to support the case that the ability to cross-subsidise does not exist because of the extent of the total surplus from all sources.

Complete the information, financial figures and forecasts for your organisation as a whole, or the relevant department or division, using the Annual Accounts Data worksheet. This requires the previous year's actual data, a current year forecast and forecasts for the next year.

You will need to advise what percentage increases are planned for all other courses at your organisation. If less than 2.8%, please advise why. Please complete the Other Fee Increases template.

Your application must address the financial impact of both:

- › running the course(s) without the additional 2.8% in course fees; and
- › not running the course(s) at all (on the basis of what you would do instead if you did not run the course(s)).

Assessment of Criterion one

We will use income from all sources in assessing this criterion. We expect this information to align with your published annual accounts.

Course-specific information provides an indication of the contribution toward organisational costs from the income generated by the course(s).

Financial information

You must have your financial projections and analysis reviewed and verified by an independent chartered accountant. The chartered accountant's assurance report must be submitted independently to the TEC, not with the application.

It can be sent by email to customerservice@tec.govt.nz with the subject line **[EDUMIS] – AMFM exception application** as soon as possible after your submission, and no later than **5.00pm on 30 November 2023**.

We may also consider any other financial information available to us.

Scope of assurance

The independent chartered accountant must provide assurance:

- › that the financial forecasts and financial information provided are accurate and robust
- › that the costing practices and financial forecasts in the application are consistent with internal management reporting

- › on the effect of any transfer pricing or related party transactions
- › on the financial solvency and sustainability of the entity seeking an exception and the courses and programmes where an exception is being sought.

We provide a template assurance report for the chartered accountant’s financial review and verification.

Assessment of financial sustainability

For PTEs, we will look at two factors:

- › Your solvency before and after the proposed exception, where the test is that used in the Companies Act 1993:
 - Are you able to meet your bills as they fall due?
 - Are your total assets greater than your total liabilities?
- › Are you able to operate with a surplus currently and over the near future? If the forecast surplus exceeds 8% of total revenue we will look for you to be cross-subsidising your more profitable courses/programmes against any less profitable courses/programmes.

The chartered accountant’s assurance report will need to confirm that the following are “at arm’s-length” and do not contain “transfer pricing” that unduly and materially affects your reported profitability:

- › the level of remuneration paid to shareholders/owners; and
- › related party transactions.¹

For TEIs, we will consider whether:

- › the course is financially unsustainable, as evidenced by making no contribution towards covering faculty and central costs. We expect the direct costs of running the course to exceed the direct revenues it generates
- › the course is typically part of an unprofitable qualification (if it is typically associated with a profitable qualification, a sustainable cross-subsidisation would superficially appear to exist)
- › an entity-level deficit is projected for 2024, as evidence of limited ability to cross-subsidise the course from other activities and qualifications.

The analysis includes financial performance measures such as the operating surplus ratio, liquidity ratio and contribution margin ratio. These apply at the TEI level and course/qualification level as relevant.

Additionally:

- › If depreciation/amortisation costs are attributed to the course, they need to relate to capital items that are restricted to only the delivery of that course.
- › Typically, across-time unsustainability will be evidenced by the course having an actual deficit in 2022, a projected deficit in 2023 and a forecast deficit in 2024. We will consider exceptions.

¹ A “related party” is as defined in the External Reporting Board: New Zealand International Accounting Standard 24 – Related Party Disclosures.

We expect robust evidence of efforts to reduce costs, particularly if the course did not have an actual deficit in 2022, a projected deficit in 2023 and a forecast deficit in 2024, or if it previously had high levels of international students.

We will look specifically at the effect of the student fee, along with other factors, on financial sustainability.

Criterion two: Alignment to the 75th percentile for fees

The existing fees for the course are no more than the 75th percentile of the range of fees charged for similar courses.

Your course fees must be less than the 75th percentile of the range of fees charged for similar courses for us to consider your exception.

We will assess course fees and course costs for the current year from the range of fees for similar courses charged by:

- › your organisation, or
- › your sub-sector, or
- › the sector as a whole.

The highest of the three 75th percentile calculations will apply. When identifying similar courses we consider the course:

- › funding category
- › New Zealand Standard Classification of Education (NZSCED), and
- › equivalent full-time students (EFTS) factor.

You can request information on where your courses' fees sit compared to the 75th percentile for fees for similar courses. Please contact customerservice@tec.govt.nz with the subject line: **[EDUMIS] – 2024 Course Fee Enquiry.**

Criterion three: Completion rate meets or exceeds the sector rate

Where the course is part of a programme at levels 3–7 and 7 and above on the NZQCF that has been delivered previously, the programme has a cohort-based completion rate that meets or exceeds the median performance benchmark for that NZQCF level in the previous year

Each course in your application must have its intended qualification meet or exceed the qualification completion rate for the sector.

Your qualification completion rate will be compared to the 2022 cohort-based qualification completion rate (all sectors) for the relevant NZQCF group, provided in the table below. The sector qualification completion rate adds up the number of completions across all TEOs and divides it by the number of learners in the cohort group or level across all TEOs.

If the course(s) are part of a qualification that has been previously delivered, you must provide your performance data in the financial data template. If the course(s) are part of a new qualification not yet delivered, you can leave the qualification completion rate column blank in the financial data template.

To get your qualification completion rate for the intended qualification that your course(s) belong to, go to Ngā Kete and use the My Performance – SDR App:

1. In the app, select the “Intended qualification and completed qualification” sheet.
2. For the reporting year, select “2022”.
3. For the source of funding, select “Student Achievement Component”.
4. You can then select the qualification from the “Learners enrolled by intended qualification title” chart.

NZQCF group	2022 cohort-based qualification completion all-of-sector rate
Level 3	59.1%
Level 4-7 non-degree	58.4%
Level 7 degree and level 8	61.4%
Level 9 and 10	72.9%

Criterion four: The course is in some way unique or special

You can demonstrate that the course is in some way unique or special, for example, that there are no available local alternatives

This criterion may be met by uniqueness or scarcity of national provision, or scarcity of alternative regional provision. We will give particular consideration to situations where not increasing the fees would severely restrict access for a segment of the student population identified in the TES.

We will investigate the relevant range of alternative provision to determine the reasonableness of the arguments presented.

Criterion five: Alignment to government priorities

Not allowing an exception will prevent you 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.

You should provide evidence that applying the AMFM limit would prevent you from making a significant, specific, identifiable contribution towards the TES.

In assessing this information, we will consider the current TES priorities:

- › Ensure places of learning are safe, inclusive and free from racism, discrimination and bullying.
- › Have high aspirations for every learner/ākonga, and support these by partnering with their whānau and communities to design and deliver education that responds to their needs, and sustains their identities, languages and cultures.
- › Reduce barriers to education for all, including for Māori and Pacific learners/ākonga, disabled learners/ākonga and those with learning support needs.
- › Ensure every learner/ākonga gains sound foundation skills, including language, literacy and numeracy.
- › Meaningfully incorporate te reo Māori and tikanga Māori into the everyday life of the place of learning.

- › Develop staff to strengthen teaching, leadership and learner support capability across the education workforce.
- › Collaborate with industries and employers to ensure learners/ākonga have the skills, knowledge and pathways to succeed in work.
- › Enhance the contribution of research and mātauranga Māori in addressing local and global challenges.

You will need to address one or more of these key aspects of the TES, particularly in terms of its specific strategies and objectives. We will look for a strong case for exception in one or more of these aspects, along with no concerns regarding the remaining aspect(s). You must provide evidence that increasing fees will not negatively impact on any of these aspects. You must address any foreseeable negative effects.