

# Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response  
Minister of Education  
Minister for the Public Service  
Leader of the House



1 October 2021

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

Dear Jenn

## **Determination of Design of Funding Mechanism: Youth Guarantee**

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), for Youth Guarantee.

The new determination is set out in the appendix to this letter. The determination covers the funding of provision delivered from 1 January 2022 until 31 December 2022. The new determination includes a 1.2 percent increase to all funding rates specified in the determination.

Under section 422 of the Act, it is the Tertiary Education Commission's (TEC) 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 Chris Hipkins.

**Chris Hipkins**  
**Minister of Education**

# DETERMINATION OF DESIGN OF FUNDING MECHANISM: YOUTH GUARANTEE

## PRELIMINARY PROVISIONS

### *Statutory authority*

1. This funding mechanism for Youth Guarantee funding is made under section 419 of the Education and Training Act 2020 (the Act).

### *Purpose*

2. The purpose of Youth Guarantee funding under this funding mechanism is to provide fees-free tertiary study for:
  - a. eligible domestic tertiary students aged 16 to 19 years (inclusive) who are studying towards either the National Certificate of Educational Achievement (NCEA) Level 1, 2 or 3 aligned<sup>1</sup> to the Vocational Pathways, or another qualification at Level 1, 2 or 3 on the New Zealand Qualifications Framework (NZQF), which is intended to enable learners to progress to higher-level education or employment; and
  - b. eligible domestic tertiary students aged 16 to 19 years (inclusive) who are studying towards a qualification at Level 3 on the NZQF; places at Level 3 on the NZQF are intended to be prioritised to learners who study towards Level 1 and 2 qualifications in Youth Guarantee and progress to Level 3 study during their entitlement of two equivalent full-time students (EFTS), and to learners who have no or low (Level 1) prior achievement before enrolling in Youth Guarantee.

### *On-Plan funding*

3. The Tertiary Education Commission (TEC) must pay funding under this funding mechanism under section 425 of the Act.

## PART ONE: THE FUNDING MECHANISM

### **General parameters**

#### *Effective period dates*

4. This funding mechanism applies to funding for eligible programmes delivered from 1 January 2022 to 31 December 2022.
5. The TEC may exercise any of its administrative functions outside those dates as required to give effect to this funding mechanism.

#### *Available funding*

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

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<sup>1</sup> 'Aligned to the Vocational Pathways' means all the achievement and unit standards in a programme are either sector-related or recommended standards from the Vocational Pathways. NCEA Level 2 programmes aligned to Vocational Pathways must lead to at least one Vocational Pathways Award.

***TEC administrative responsibilities in the case of under-funding***

7. If a tertiary education organisation (TEO) receives funding under this funding mechanism that is less than it should have been, or that it was entitled to receive, the TEC must pay the amount of the under-funding as soon as is reasonably practicable.

**SPECIFIC PARAMETERS**

***Funding formula and rate***

8. The TEC must measure Youth Guarantee provision enrolments in units of EFTS.
9. 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.
10. The TEC must classify Youth Guarantee provision into one of the following funding categories:
- a. non-trades; or
  - b. trades.
11. The TEC must use the funding rates for each of the funding categories to calculate the amount of funding that an eligible TEO may receive. All amounts are GST exclusive.

<b>Funding per EFTS</b>	<b>Non-Trades</b>	<b>Trades</b>
<b>Fee &amp; Course Costs (tuition rate)</b>	<b>\$9,944</b>	<b>\$13,607</b>
<b>Pastoral Care (tuition rate)</b>	<b>\$523</b>	<b>\$523</b>
<b>Tuition Rate total</b>	<b>\$10,467</b>	<b>\$14,130</b>
<b>+ Transport Assistance</b>	<b>\$837</b>	<b>\$837</b>
<b>GRAND TOTAL</b>	<b>\$11,304</b>	<b>\$14,967</b>

12. When allocating funding for Youth Guarantee provision, the TEC must consider, without limitation, the following:
- a. the nature of the qualifications offered by a TEO;
  - b. the pastoral care arrangements for students; and
  - c. a TEO's past performance against Youth Guarantee performance criteria.

### ***Flexible funding***

13. 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 15 (a “qualifying TEO”).
14. However, a TEO is not a qualifying TEO unless the minimum amount of funding that it is approved by the TEC to receive for Youth Guarantee provision in the calendar year is \$226,081.
15. If a TEO meets the criterion specified in paragraph 14, and if the value of provision actually delivered by the TEO, as measured in dollars, is greater than the value of their approved funding allocation, the TEC must allocate funding up to the following limits, either:
  - a. 2% of their approved funding allocation; or
  - b. 10 EFTS;whichever is greater.
16. The TEC may establish criteria to allocate funding above the additional funding limits specified in paragraph 15 provided the TEC has assessed whether the funding available under this funding mechanism is sufficient for the TEC to provide funding above those limits.

### ***Exceptional Circumstances Transport Assistance fund***

17. The purpose of the Exceptional Circumstances Transport Assistance fund is to provide additional transport assistance to students who live in relatively isolated areas who may have higher transport needs.
18. The TEC may spend up to \$1.0 million of funding under this funding mechanism through the Exceptional Circumstances Transport Assistance fund to semi-rural and rural TEOs that provide Youth Guarantee.
19. The TEC must establish an allocation process for the Exceptional Circumstances Transport Assistance fund that uses a formula of relative isolation to determine which TEOs that provide Youth Guarantee provision are semi-rural or rural.
20. The TEC may use any unallocated Exceptional Circumstances Transport Assistance funding for the purchase of additional Youth Guarantee provision EFTS.

### ***TEO eligibility***

21. The TEC may only fund a TEO under this funding mechanism for Youth Guarantee provision if the TEO is:
  - a. Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga)<sup>2</sup>;
  - b. a wānanga;

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<sup>2</sup> This reference to Te Pūkenga includes any Te Pūkenga subsidiary as defined in section 10(1) of the Act.

- c. a private training establishment (PTE); or
- d. a State school or State integrated school that has been funded by the TEC for Youth Guarantee provision since 2011.

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

22. The TEC may only fund a TEO under this funding mechanism for Youth Guarantee provision if the TEO is 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 or a PTE, the TEO is quality assured by NZQA; or
  - c. if the TEO is a State or State integrated school, the TEO is quality assured by the Education Review Office.

### ***Student eligibility***

23. The TEC must ensure that a TEO that receives funding for Youth Guarantee provision only enrolls a student in Youth Guarantee provision if that student is:
- a. a domestic tertiary student, as defined in section 10(1) of the Act;
  - b. studying at least 50% of a full-time, full-year enrolment (unless an exception to this criterion that has been specified by the TEC applies);
  - c. not also enrolled in secondary school; and
  - d. is either:
    - i. 16 to 19 years of age (inclusive) at the time they commence the programme; or
    - ii. 15 years of age at the time they commence the programme, and has an early leaving exemption from their school.
24. In addition, the TEC must:
- a. ensure that a TEO that receives funding for Youth Guarantee provision does not enrol a student in a Youth Guarantee programme who has already achieved a qualification at Level 3 or above on the NZQF;
  - b. encourage a TEO that receives funding for Youth Guarantee provision at Level 3 on the NZQF to give priority to Level 3 provision to:
    - i. students with no or low (Level 1) prior achievement; and
    - ii. students who have completed a Level 1 or Level 2 qualification through Youth Guarantee provision; and
  - c. monitor the prior achievement levels of students enrolled in each TEO's Youth Guarantee provision at Level 3.

25. A student who meets the criteria in paragraph 23 is only eligible to receive a total of up to two (2.0) EFTS worth of Youth Guarantee provision. The TEC may specify exceptions from this two EFTS limit.
26. 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 enrolment. The TEC may specify exceptions from the eligibility criterion in paragraph 23(b).

### ***Inducements***

27. Even if a student meets the criteria specified in paragraphs 23 and 24, the enrolment is not a valid enrolment for the purposes of this funding mechanism if it has been secured by way of an inducement.
28. An inducement may include a financial incentive or on-going personal possession of physical items where they induce a student to enrol.
29. The TEC must establish criteria for determining what constitutes an inducement.

### ***Programme eligibility***

30. The TEC must not fund Youth Guarantee provision under this funding mechanism unless the programme:
  - a. leads to the award of a qualification that is either:
    - i. NCEA at Level 1, 2 or 3; or
    - ii. another National or New Zealand Certificate at Level 1, 2 or 3 on the NZQF;
  - b. includes literacy and numeracy provision;
  - c. comprises part of a recognised pathway<sup>3</sup> towards one or more vocational qualifications at Level 4 and above on the NZQF;
  - d. if it leads to a Level 1 or 2 NCEA qualification, is aligned to the Vocational Pathways; and
  - e. is provided by tutors who are appropriately qualified.

### ***Cap on Youth Guarantee provision at Level 3***

31. The TEC must not allocate more than 30% of the total funding available to be allocated under this funding mechanism for qualifications at Level 3 on the NZQF, including the NCEA Level 3.

### ***Performance measurement***

32. The TEC must measure the performance of TEOs funded for Youth Guarantee provision against the following performance criteria:
  - a. student retention;

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<sup>3</sup> As determined by the NZQA.

- b. course completion;
  - c. qualification completions;
  - d. student progression to higher-level study; and
  - e. student progression to employment.
33. The TEC must set performance expectations and hold performance information in relation to Youth Guarantee programmes leading to the relevant qualifications at Levels 1, 2 and 3 on the NZQF.

## **PART TWO: FUNDING CONDITIONS**

### **Conditions that the TEC must attach to funding**

34. The TEC must attach the following specific conditions to funding paid under this funding mechanism.

#### ***TEOs***

35. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must, for the length of the funding period, continue to meet the criteria specified in paragraphs 21 and 22 of this funding mechanism.

#### ***Students***

36. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each student who is enrolled in a programme funded under this funding mechanism meets and continues to meet the criteria specified in paragraph 23 of this funding mechanism.

#### ***Programmes***

37. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that a programme in which an eligible student is enrolled meets and continues to meet the criteria specified in paragraph 30 of this funding mechanism.

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

38. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must report the withdrawals 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.

#### ***TEO responsibilities for Youth Guarantee provision***

39. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
- a. must not subcontract the delivery unless approved by the TEC; and

- b. has in place an effective assessment process for identifying each student's initial literacy and numeracy needs, and measures their progress, using the most appropriate version of the Literacy and Numeracy for Adults Assessment Tool;<sup>4</sup> and
- c. must meet minimum performance expectations specified by the TEC.

***TEO responsibilities for Youth Guarantee provision***

- 40. The TEC must attach to funding a condition that a TEO that receives funding for Youth Guarantee provision must not enrol a student in Youth Guarantee provision if:
  - a. the student:
    - i. has already received two EFTS of Youth Guarantee provision; or
    - ii. the student would, if enrolled by the TEO, exceed two EFTS of Youth Guarantee provision during the period of that enrolment; and
  - b. the student does not meet any exceptions specified by the TEC.
- 41. The TEC must establish processes to prevent a TEO from receiving funding in relation to a new enrolment of a student if:
  - a. that student has already achieved a qualification at Level 1 or 2 on the NZQF; and
  - b. 10% or more of the students for which the TEO receives Youth Guarantee funding in the calendar year had, at the time of their enrolment, already achieved a qualification at Level 1 or 2.
- 42. The TEC may recover funding if a TEO exceeds the prior qualification limit in paragraph 41.
- 43. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
  - a. must ensure that the transport assistance and exceptional circumstances transport funding is only used to pay for the actual cost of the transport incurred by the TEO or each student to whom it is paid;
  - b. must keep records of expenditure on transport assistance; and
  - c. must, if the TEO is allocated funding to deliver qualifications at Level 3 on the NZQF, ensure that it does not exceed that allocation. The TEC may recover funding if the TEO exceeds its allocation for qualifications at Level 3 on the NZQF.

***Fees***

- 44. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
  - a. must not charge any fees to learners enrolled in courses funded under this funding mechanism;

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<sup>4</sup> Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.



- b. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular programme;<sup>5</sup> and
- c. in relation to the provision of essential equipment, including computers, must not require the costs to be met through the “course-related costs” component of the Student Loan Scheme.

### ***No other funding***

45. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
- a. must not (without the TEC’s prior written consent) seek or obtain funding from any Crown source (including a Crown entity or a company wholly owned by the Crown) other than the TEC to fund provision, programmes or activities which are funded under this funding mechanism; and
  - b. must notify the TEC immediately if it becomes aware of any circumstances that might result in a breach of subparagraph (a) of this condition.

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

46. 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***

47. 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.
48. For the avoidance of doubt, this condition also applies when a TEO has not used all of its transport assistance and exceptional circumstances travel assistance funding by the end of the funding period.
49. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment to set-off the debt against all or any funding.

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<sup>5</sup> The phrase “equipment, infrastructure and hardware” refers to 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.

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

50. 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 provided has been used or contractually committed towards the purposes for which that funding was provided, the TEO must treat the unexpended or uncommitted portion of the funding as a debt due to the Crown that 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.