



Office of Hon Steven Joyce

Minister for Economic Development
Minister of Science and Innovation
Minister for Tertiary Education, Skills and Employment
Associate Minister of Finance

7 NOV 2013

John Spencer
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear John

Determination of Design of Funding Mechanism: Youth Guarantee

I am writing to advise you of the new funding determination that I have made under section 159L of the Education Act 1989 (the Act) for Youth Guarantee. The new determination is set out in the appendix to this letter. The determination covers the period 1 January 2014 to 31 December 2014.

The new funding determination primarily maintains existing requirements, but it also incorporates two recent policy changes to extend access to Youth Guarantee fees-free tertiary provision:

- Extending the age of student eligibility for Youth Guarantee provision from 16 – 17 years old to 16 – 19 years old; and
- Enabling up to 1.5% of total Youth Guarantee funding to support the Ministry of Education's secondary-tertiary partnerships pilot programme, whereby selected Youth Guarantee providers will be able to offer part-time places to secondary-enrolled students as part of a programme agreed between the tertiary provider and the student's school.

Under section 159O of the Act, it is the Commission's responsibility to develop the details of how to implement the funding mechanism. I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to these determinations.

Yours sincerely

Steven Joyce
Minister for Tertiary Education, Skills and Employment

DETERMINATION OF DESIGN OF FUNDING MECHANISM: YOUTH GUARANTEE

PRELIMINARY PROVISIONS

Statutory authority

1. This determination, which is made under section 159L of the Education Act 1989 (the Act), specifies the design of the funding mechanism for Youth Guarantee (funding mechanism).

Purpose

2. The purpose of Youth Guarantee funding is to provide fees-free tertiary places for:
 - (a) eligible domestic students aged 16-19 years who are studying towards a qualification at level 1, 2, or 3 on the New Zealand Qualifications Framework (NZQF), including the National Certificate of Educational Achievement (NCEA); and
 - (b) eligible domestic secondary school students aged 16-19 years who are studying at a tertiary education organisation (TEO) that is participating in the Ministry of Education's secondary-tertiary partnerships pilot programme.

On-Plan funding

3. The Tertiary Education Commission (TEC) must pay Youth Guarantee funding under section 159YA of the Act.

PART ONE: THE FUNDING MECHANISM

General parameters

Effective period dates

4. This funding mechanism applies to funding for programmes and activities delivered from 1 January 2014 to 31 December 2014.
5. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside those dates.

Available funding

6. The total Government funding that can be allocated under this funding mechanism will be set through the Government's annual Budget processes.
7. The TEC may allocate up to 1.5% of the funding available under this funding mechanism to TEOs that have been selected to participate in the Ministry of Education's secondary-tertiary partnerships pilot programme to support their participation in the programme.

Funding formula and rate

8. The TEC must measure Youth Guarantee enrolments in units of equivalent full-time students (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) a single academic year; or
 - (b) a single calendar year.
10. This is defined as 120 credits or 1,200 learning hours.
11. The TEC must classify provision into one of the following funding categories:
 - (a) non-trades; or
 - (b) trades.
12. 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.

Funding per equivalent full-time student (EFTS) (1,200 hours)	Non-Trades	Trades
Fee & Course Costs	\$9,500	\$13,000
Pastoral Care	\$500	\$500
Tuition Rate	\$10,000	\$13,500
Transport Assistance	\$800	\$800
TOTAL Rate	\$10,800	\$14,300

Exceptional Circumstances Transport Assistance fund

13. The TEC may allocate a total of \$1 million through the Exceptional Circumstances Transport Assistance fund.
14. The TEC must only allocate funding from the Exceptional Circumstances Transport Assistance fund to subsidise transport provision where the transport assistance provided through the bulk-funded allocation is clearly inadequate to meet the needs of the students.

15. The TEC must establish an allocation process for the Exceptional Circumstances Transport Assistance fund.
16. If the TEC recovers transport assistance funding, or funding from Exceptional Circumstances Transport Assistance fund from a TEO, the TEC may reallocate the funding to purchase additional Youth Guarantee EFTS.

TEO eligibility

17. The TEC must not fund a TEO under this funding mechanism unless the TEO is:
 - (a) an institute of technology and polytechnic;
 - (b) a wānanga;
 - (c) a private training establishment; or
 - (d) a state school or state integrated school that has been funded by the TEC since 2011.
18. 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; and
 - (b) pastoral care arrangements for students; and
 - (c) a TEO's past performance against Youth Guarantee performance criteria.

Eligibility of students

19. The TEC must ensure that a recipient of Youth Guarantee funding proposes to only enrol students in a Youth Guarantee programme each of whom is:
 - (a) a domestic student as defined in section 159 of the Act;
 - (b) studying at least 50% of a full-time, full-year enrolment;
 - (c) not enrolled in a secondary school, unless paragraph 17 applies; and
 - (d) either:
 - (i) 16 to 19 years of age at the time he or she commenced the programme; or
 - (ii) 15 years of age at the time he or she commenced the programme, and has an early leaving exemption from his or her school.
20. A student who meets the criteria is only eligible to receive a total of two years Youth Guarantee provision.

21. The TEC must ensure that a TEO that is participating in the Ministry of Education's secondary-tertiary partnerships pilot programme only proposes to enrol students to participate in that programme each of whom is:
- (a) a domestic student as defined in section 159 of the Act;
 - (b) 16 to 19 years of age at the time he or she commenced the programme;
 - (c) currently enrolled in school; and
 - (d) enrolled in no more than 10.4 hours Youth Guarantee provision per week.

Programme eligibility

22. The TEC must not fund a Youth Guarantee programme under this funding mechanism unless the programme:
- (a) leads to the award of a qualification
 - (i) at level 1, 2, or 3 on the NZQF, including the NCEA; and
 - (ii) comprises part of a recognised pathway towards one or more vocational qualifications at level 4 on the NZQF; and
 - (b) includes literacy and numeracy provision; and
 - (c) if it is an NCEA qualification, aligns with the Vocational Pathways.
23. The TEC must not fund a TEO for a programme that is part of the Ministry of Education's secondary-tertiary partnerships pilot programme unless it meets the following criteria:
- (a) delivers no more than 10.4 hours Youth Guarantee provision per week; and
 - (b) has a maximum of 0.35 EFTS; and
 - (c) leads to the award of an NCEA level 2 qualification; and
 - (d) aligns with the Vocational Pathways; and
 - (e) includes literacy and numeracy provision.

Cap on Youth Guarantee provision at level 3

24. Under this funding mechanism, the TEC must not allocate funding for more than 2,350 EFTS for qualifications at level 3 on the NZQF, including the NCEA.

Performance measurement

25. The TEC must measure the performance of TEOs against the following performance criteria:
 - (a) student retention;
 - (b) course completion;
 - (c) qualification completions; and
 - (d) student progression to higher level study or employment.
26. The TEC must set performance expectations and record performance information in relation to the relevant qualifications at level 1, 2, and 3 on the NZQF.

PART TWO: FUNDING CONDITIONS

Conditions that the TEC must attach to funding

27. The TEC must attach the following specific conditions on funding paid under this funding mechanism:

Tertiary Education Organisation

28. The TEC must attach to funding a condition that a TEO that receives Youth Guarantee funding must continue to meet one of the criteria specified in paragraph 17 of this funding mechanism.

Students

29. The TEC must attach to funding a condition that a TEO that receives Youth Guarantee funding must ensure that each student who is enrolled in a Youth Guarantee programme meets and continues to meet:
 - (a) the criteria specified in paragraph 19 of this funding mechanism; or
 - (b) if the TEO is participating in the Ministry of Education's secondary-tertiary partnerships pilot programme, the criteria specified in paragraph 21 of this funding mechanism respect of their participation in the programme.
30. The TEC must attach to funding a condition that a TEO that receives Youth Guarantee funding must not enrol a student in a Youth Guarantee programme who has already received two years of Youth Guarantee provision.

Programmes

31. The TEC must attach to funding a condition that a TEO that receives Youth Guarantee funding must ensure that a programme in which an eligible student is enrolled meets and continues to meet:
- (a) the criteria specified in paragraph 22 of this funding mechanism; or
 - (b) if the TEO is participating in the Ministry of Education's secondary-tertiary partnerships pilot programme, the criteria specified in paragraph 23 of this funding mechanism.

TEO responsibilities

32. The TEC must attach to funding conditions requirements that a TEO that receives Youth Guarantee funding:
- (a) must not subcontract the delivery of Youth Guarantee programmes unless approved by the TEC; and
 - (b) must not charge any tuition fees or course costs to a student participating in a Youth Guarantee programme; and
 - (c) must not charge any tuition fees or course costs to a student participating in the Ministry of Education's secondary-tertiary partnerships pilot programme; and
 - (d) must ensure that in relation to all new enrolments, students who already hold a qualification at level 1 or 2 on the NZQF do not comprise more than 10% of the TEO's enrolments at that level; and
 - (e) must use the Literacy and Numeracy for Adults Assessment Tool to identify the literacy and/or numeracy needs of students, and measure their progress; and
 - (f) must ensure that the transport assistance funding and the Exceptional Circumstances Transport Assistance 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; and
 - (g) must keep records of expenditure on transport assistance, including any expenditure of funds obtained through the Exceptional Circumstances Transport Assistance fund.

School not participating in secondary-tertiary partnerships pilot programme

33. The TEC must attach to funding a condition for a state school or state integrated school that receives Youth Guarantee funding that is not participating in the Ministry of Education's secondary-tertiary partnerships pilot programme, that the school must not refer a student to a TEO to participate in the pilot programme.

Funding from other sources

34. 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 any 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 this condition.

Responsible use of funding

35. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must use the funding:
- (a) for the purposes for which the funding is provided; and
 - (b) in a manner consistent with the appropriate use of public funds.

Recovery of over-funding

36. The TEC must attach to funding a condition that if the 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.
37. For the avoidance of doubt, this condition also applies when a TEO has not used all of its transport assistance funding by the end of the term of the funding approval.
38. The TEC will provide the TEO with reasonable notice before exercising its right to demand repayment to set-off the debt against all or any funding.

TEC administrative responsibilities

39. If the 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 treat the amount of the under-funding as a credit and pay the amount as soon as is reasonably practicable.