



18 SEP 2018

Nigel Gould
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Nigel

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 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 from 1 January 2019 until 31 December 2019.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determinations for the design of funding mechanisms. This includes operational policy and practices in relation to the equivalent full-time student (EFTS) metric used for Youth Guarantee learning programmes. This also includes working with tertiary education organisations if there is any impact upon existing operations.

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 this determination.

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 159L of the Education Act 1989 (the Act).

Purpose

2. The purpose of Youth Guarantee funding under this funding mechanism is to provide fees-free tertiary places for:
 - a. eligible domestic students aged 16 to 19 years (inclusive) who are studying towards either the National Certificate of Educational Achievement (NCEA) Level 1 and 2 aligned¹ to the Vocational Pathways, or another qualification at Level 1 or 2 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 students aged 16 to 19 years (inclusive) who are studying towards a qualification at Level 3 on the NZQF; places at Level 3 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 two equivalent full-time students (EFTS) of entitlement, 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 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 2019 to 31 December 2019.
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 spent under this funding mechanism will be set through the Government's annual Budget processes.

¹ '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

YOUTH GUARANTEE PROVISION

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.

Funding per EFTS	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	\$10,800	\$14,300

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; and
 - b. 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 \$216,000.
15. If a TEO meets the criteria 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 TEC to provide funding above these 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 providers are semi-rural or rural which provide Youth Guarantee.
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. an institute of technology and polytechnic (ITP);
 - b. a wānanga;
 - c. a private training establishment (PTE); or

- d. a state school or state integrated school that has been funded by the TEC 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 by:
 - a. the New Zealand Qualifications Authority (NZQA), if the TEO is an ITP, a wānanga or a PTE; or
 - b. the Education Review Office, if the TEO is a state or state-integrated school.

Student eligibility

- 23. The TEC must ensure that a TEO that receives funding for Youth Guarantee provision only enrolls students in Youth Guarantee provision each of whom is:
 - a. a domestic student, as defined in section 159 of the Act; and
 - b. studying at least 50% of a full-time, full-year enrolment; and
 - 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 for 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.
 - 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 is only eligible to receive a total of up to two (2.0) EFTS worth of Youth Guarantee provision.
- 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.

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; and
 - b. includes literacy and numeracy provision; and
 - c. comprises part of a recognised pathway² towards one or more vocational qualifications at Level 4 and above on the NZQF; and
 - 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; and
 - b. course completion; and
 - c. qualification completions; and
 - d. student progression to higher-level study or employment.

² As determined by the NZQA.

33. The TEC must set performance expectations and hold performance information in relation to Youth Guarantee programmes leading 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

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

Tertiary Education Organisations

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 paragraphs 23 and 24 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 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 a condition of funding that TEOs funded under this funding mechanism 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;³ and

³ Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

- 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 has already received two EFTS of Youth Guarantee provision; or
 - b. the student would, if enrolled by the TEO, exceed two EFTS of Youth Guarantee provision during the period of that enrolment.
- 41. The TEC must attach to funding a condition that a TEO that receives Youth Guarantee provision 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;
- 42. 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; and
 - b. must keep records of expenditure on transport assistance.

Fees

- 43. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
 - a. must not charge any tuition fees or compulsory course costs to a student; and
 - b. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular programme;⁴ 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

- 44. 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

⁴ 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.

- 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

- 45. 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

- 46. 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.
- 47. 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 term of the funding approval.
- 48. 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.

Repayment of funding following revocation of funding approval

- 49. The TEC must attach to funding a condition that if, in accordance with section 159YG 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.

Enrolment

- 50. The TEC must attach to funding a condition that a Tertiary Education Institution must keep accurate and up-to-date records of valid domestic enrolments in accordance with the requirements developed by the TEC.