



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

20 AUG 2014

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 for the Youth Guarantee fees-free scheme.

The new determination is set out in the appendix to this letter. The two-year determination covers the period from 1 January 2015 to 31 December 2016.

While the new determination does not change the overall policy intent or eligibility for the Youth Guarantee, a number of changes are being introduced to improve the operation of the scheme, as the result of a 'mid-stage' review conducted earlier this year. Specifically, this includes:

- developing a targeted method for disbursing exceptional travel funding for Youth Guarantee in consultation with the Ministry of Education to replace the current mechanism
- increasing the cap on Level 3 places within the scheme to 30 per cent of the overall fund
- for 2015 only, increasing the re-enrolment threshold to 20 per cent, for students re-enrolling for a qualification at the same level as a qualification they already hold.

As a result of the review, we will also clear outstanding NCEA or credit fees for students enrolled in Youth Guarantee

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determination of the design of funding mechanisms.

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 'SJ', written over the typed name and title.

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 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 aligned to the Vocational Pathways¹ or a qualification at level 1, 2 or 3 on the New Zealand Qualifications Framework (NZQF); and
 - b. eligible domestic secondary school students aged 16 to 19 years (inclusive) 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 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 2015 to 31 December 2016.
5. The TEC may exercise any of its administrative functions 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

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 the Vocational Pathways must lead to the Award of at least one Vocational Pathway.

Education's secondary-tertiary partnership pilot programme to support their participation in the programme.

SPECIFIC PARAMETERS

A. YOUTH GUARANTEE PROVISION

Funding formula and rate

- 8. The TEC must measure Youth Guarantee provision 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 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.

Exceptional Circumstances Transport Assistance fund

13. 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.
14. The TEC may allocate up to \$1 million of funding under this funding mechanism through the Exceptional Circumstances Transport Assistance fund to semi-rural and rural TEOs that provide Youth Guarantee.
15. 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.
16. The TEC may use any unallocated Exceptional Circumstances Transport Assistance funding for the purchase of additional Youth Guarantee provision EFTS.

TEO eligibility

17. 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

18. 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, PTE or wānanga; or
 - b. the Education Review Office, if the TEO is a state or state-integrated school.

Student eligibility

19. The TEC must ensure that a TEO that receives funding for Youth Guarantee provision only enrolls students in a Youth Guarantee provision programme 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 a secondary school, unless the student is participating in Youth Guarantee provision for which the school is funded; and

- d. is either:
 - i. 16 to 19 years of age (inclusive) at the time he or she commences the programme; or
 - ii. 15 years of age at the time he or she commences the programme, and has an early leaving exemption from his or her school.
20. A student that meets the criteria is only eligible to receive a total of up to two (2.0) EFTS worth of Youth Guarantee provision.

Programme eligibility

21. The TEC must not fund a Youth Guarantee provision programme under this funding mechanism unless the programme:
- a. leads to the award of a qualification; either
 - i. the National Certificate of Education Achievement (NCEA) at Level 1, 2 or 3, or
 - ii. other National or New Zealand Certificates at Levels 1, 2 or 3 of the NZQF
 - iii. that comprise part of a recognised pathway² towards one or more vocational qualifications at Level 4 on the NZQF; and
 - b. includes literacy and numeracy provision; and
 - c. if it leads to a Level 1 or 2 NCEA qualification, is aligned to the Vocational Pathways.

Cap on Youth Guarantee provision at level 3

22. 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

23. 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.

24. 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.

B. SECONDARY-TERTIARY PARTNERSHIP PILOT PROGRAMME

Funding formula and rate

25. The TEC must measure secondary-tertiary partnership pilot programme enrolments in units of equivalent full-time students (EFTS).
26. The TEC may allocate no more than 90 EFTS of funding to each TEO for the secondary-tertiary partnership pilot programme.

TEO eligibility

27. The TEC may only fund a TEO under this funding mechanism for the secondary-tertiary partnership pilot programme if the TEO is:
- a. an ITP;
 - b. a wānanga; or
 - c. a private training establishment (PTE).

TEO quality assurance

28. The TEC may only fund a TEO under this funding mechanism for the secondary-tertiary partnership pilot programme if the TEO is quality assured by the NZQA.

Student eligibility

29. The TEC must ensure that a TEO that receives funding for the secondary-tertiary partnership pilot programme only enrolls students to participate in that programme each of whom is:
- a. a domestic student as defined in section 159 of the Act; and
 - b. 16 to 19 years of age (inclusive) at the time he or she commenced the programme; and
 - c. currently enrolled in a school approved by the Ministry of Education to participate in the secondary-tertiary partnership pilot programme; and
 - d. enrolled in no more than 10.4 hours per week in a secondary-tertiary partnerships pilot programme.
30. A student who meets the criteria in paragraph 29 is only eligible to receive a total of up to two years of secondary-tertiary partnership pilot programme provision.³

³ Note that participation in the pilot does not contribute towards a student's eligibility for no more than two EFTS of Youth Guarantee provision in fees-free tertiary places.

Programme eligibility

31. The TEC must not fund a TEO for a secondary-tertiary partnership pilot programme unless:
- a. the programme delivers no more than 10.4 hours of provision to any individual student per week; and
 - b. the enrolment of each student in the programme is no more than 0.35 EFTS; and
 - c. the programme leads to the award of an NCEA level 2 qualification, aligned to at least one Vocational Pathway; and
 - d. the programme includes literacy and numeracy provision.

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.
33. 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

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 at:
- a. paragraphs 17 and 18 of this funding mechanism, if the funding is for Youth Guarantee provision; and
 - b. paragraphs 27 and 28 of this funding mechanism, if the funding is for the secondary-tertiary partnership pilot programme.

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 at:
- a. paragraph 19 of this funding mechanism, if the funding is for Youth Guarantee provision; and
 - b. paragraph 29 of this funding mechanism, if the funding is for the secondary-tertiary partnership pilot programme.

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 at:
- a. paragraph 21 of this funding mechanism, if the funding is for the Youth Guarantee provision; and
 - b. paragraph 31 of this funding mechanism, if the funding is for the secondary-tertiary partnership pilot programme.

TEO responsibilities for Youth Guarantee provision and the secondary-tertiary partnership pilot programme

38. 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. 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 20% of the TEO's enrolments at that level; and
 - c. must use the Literacy and Numeracy for Adults Assessment Tool to identify the literacy and numeracy needs of students, and measure their progress; and
 - d. must meet minimum performance standards specified by the TEC.

TEO responsibilities for Youth Guarantee provision

39. The TEC must attach to funding a condition that a TEO that receives funding for Youth Guarantee provision must not enrol a student in a Youth Guarantee provision programme who has already received two EFTS of Youth Guarantee provision at that TEO.
40. 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.

TEO responsibilities for a school receiving Youth Guarantee provision

- 41. The TEC must attach to funding a condition that a state school or state integrated school that receives funding for Youth Guarantee provision and that is not participating in the secondary-tertiary partnership pilot programme must not refer a student to a TEO to participate in the secondary-tertiary partnership pilot programme.

TEO responsibilities for the secondary-tertiary partnership pilot programme

- 42. The TEC must attach to funding a condition that a TEO that receives funding for the secondary-tertiary partnership pilot programme may only enrol students from schools approved by the Ministry of Education to participate in the secondary-tertiary partnership pilot programme.

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 programme⁴; 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; and
 - d. any limits on fees for 2016 will be determined by way of a supplementary funding mechanism to be issued the preceding year.

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
 - b. must notify the TEC immediately if it becomes aware of any circumstances that might result in a breach of paragraph 44(a).

⁴ The phrase "equipment, infrastructure and hardware" refers to those 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.

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 will 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.

TEC administrative responsibilities

50. 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 pay the amount of the under-funding as soon as is reasonably practicable.