



Education Report: Updated funding determinations for 2021

To:	Hon Chris Hipkins, Minister of Education		
Date:	17 September 2020	Priority:	High
Security Level:	In Confidence	METIS No:	1239349
Drafter:	Nicole Rennie	Phone:	044637740
Key contact and number:	Shelley Robertson	Phone:	044637530
Messaging seen by Communications team:	No	Round robin:	No

Purpose of report

This report seeks your agreement to issue eight funding determinations under section 419 of the Education and Training Act 2020 and to make two changes to the operation of the Fees Free Tertiary Education and Training policy for 2021.

Recommended actions

The Ministry of Education recommends you:

a. **agree** that the below funding determinations take effect from 1 January 2021:

- | | |
|--|---|
| i. Equity funding | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| ii. Industry Training Fund | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| iii. Literacy and Numeracy | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| iv. Māori and Pasifika Trades Training | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| v. Specialised English for Speakers of Other Languages | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| vi. Student Achievement Component levels 1 and 2 | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |
| vii. Student Achievement Component levels 3 and above | <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree |

☒ Agree ☐ Disagree

- b. **sign** the attached eight letters to the Chair of the Tertiary Education Commission

Fees Free Tertiary Education and Training

- c. **agree** that from 2021, only school leavers from current year and two preceding calendar years can access Fees Free Tertiary Education and Training without being subject to eligibility criteria for prior tertiary study

☒ Agree ☐ Disagree

- d. **agree** that from 2021, Refugee English Fund study will be specified as a programme that does not consume Fees Free entitlement, or count towards prior tertiary study in assessing eligibility for Fees Free Tertiary Education and Training

☒ Agree ☐ Disagree

- e. **note** after confirming these decisions on Fees Free settings, the Tertiary Education Commission will communicate the Fees Free Tertiary Education and Training settings that will apply for 2021, which will include updating the Fees Free website to enable learners to check their eligibility for 2021

- f. **agree** to proactively release this education report.

☒ Agree ☐ Disagree



Katrina Sutich
Group Manager, Tertiary Education
Graduate Achievement, Vocations and Careers

17/09/2020



Hon Chris Hipkins
Minister of Education

30/9/2020

Background

1. The Minister of Education provides instructions about tertiary education funding to the Tertiary Education Commission (TEC) in the form of determinations issued under section 419 of the Education and Training Act 2020 (the Act). Once the Minister has issued a funding determination, the TEC develops operational details of how to implement the determination. Funding determinations are reissued from time to time to reflect changes in Government policy, or if they are time limited and expire.

Changes to funding determinations

Funding increase

2. On May 11, as part of Budget 2020, Cabinet agreed to increase per-student tuition and training subsidies by 1.6 percent [CAB-20-MIN-0155.33 refers].
3. To implement this funding increase, we have increased all the relevant tuition and training funding rates within the eight funding determinations by 1.6 percent.

Legislation change

4. The Education and Training Act 2020 came into force on 31 July 2020. We have updated the legislative references accordingly, including the section which governs funding determinations – changed from section 159L to section 419.

New Zealand Institute of Skills and Technology name change

5. The order in council to change the name of the New Zealand Institute of Skills and Technology is expected to be submitted to the Executive Council on 21 September 2020. We have referred to the new name of the New Zealand Institute of Skills and Technology within the funding determinations. If the order in council is not approved, we will provide updated copies of the appendices to your office.

Student Achievement Component levels 3 and above

6. We have been working together with the TEC about how to manage investment within an enrolment-growth environment. Agencies will keep you updated throughout next year on how investment is being managed. To emphasize this, we have included an expectation within the letters accompanying the Student Achievement Component levels 3 and above and Industry Training Fund funding determinations – the two funds expected to fluctuate most in response to increased unemployment.
7. In September, you agreed to set the Annual Maximum Fee Movement for 2021 at 1.1 percent [METIS 1235806]. You also agreed to introduce a \$60 per credit fee cap for Student Achievement Component levels 3 and above funded micro-credentials, with an exceptions process managed by the TEC. This change has been included within the Student Achievement Component levels 3 and above funding determination. For this change to come into effect on 1 January 2021, the attached funding determination for the Student Achievement Component levels 3 and above needs to be signed before the end of September, due to the legislated stand down period required by section 423 of the Education and Training Act 2020.

8. We have identified inconsistencies between how the current eligibility criteria for valid domestic tertiary students are being applied and a Cabinet decision in 2016. This includes whether or not residence class visa holders that are overseas studying at a New Zealand tertiary education organisation extramurally are classified as valid domestic enrolments, and therefore eligible for Student Achievement Components levels 3 and above tuition subsidies. We are working with the TEC to provide further advice on this in late 2020, including more information on how the current settings are being applied, and a recommended approach going forward.

Māori and Pasifika Trades Training (MPTT)

9. We are undertaking further analysis on whether the current Fees Free top-up payment for MPTT (\$4,064 per EFTS, GST exclusive) is appropriate. This is being considered as payments to deliver many of the same programmes fees-free under the Targeted Training and Apprenticeship Fund will be higher than the MPTT top-up, as they reflect fees charged to students. There is a risk of tertiary providers enrolling learners that would have been eligible for MPTT in TTAF to gain higher tuition-related funding, while the learner would then not receive the broader pastoral care and brokerage support from the MPTT consortium approach. Further advice on this will be provided later in the year, including whether this can be funded within baselines. If a higher MPTT fees-free top-up rate is proposed, an updated funding determination will be provided.

Other minor changes

10. We have also made minor drafting changes to the funding determinations in consultation with TEC. These minor amendments improve the clarity and consistency of wording and do not contain any policy changes.

Delegation to fund Fees Free Tertiary Education and Training and Targeted Training and Apprenticeship

11. In November 2020, the Ministry intends to provide to the Minister of Education a delegation for the 2021 calendar year to fund Fees Free Tertiary Education and Training, and the Targeted Training and Apprenticeship Fund (TTAF).
12. Further work is being undertaken on the TTAF settings for 2021. This includes work to support the operation and payments within industry-training settings and any revised target areas in 2021 for the TTAF. Cabinet agreed that the Employment, Education and Training Ministers group would confirm any revised target areas for 2021, based on updated labour market information [SWC-20-MIN-0055 refers].

Fees Free Tertiary Education and Training

13. No significant changes to 'first-year' Fees Free eligibility or coverage have been proposed for 2021 from settings in the current 2020 delegation. Agreement to two process-related changes are needed to enable the TEC to communicate 'first-year' Fees Free settings in 2021 and to open the process for people to check their eligibility for Fees Free. One change relates to the application of the Fees Free eligibility criteria that supports school leavers to transition into Fees Free. The other change relates to the process for excluding Refugee English Fund study from affecting their Fees Free entitlement.

Change to settings that apply to school leavers

14. When Fees Free was established, to support a smooth transition for recent school leavers into gaining Fees Free, Cabinet agreed that these recent school leavers would not be subject to eligibility criteria for prior tertiary education study [CAB-17-MIN-0515 refers]. This limits access to Fees Free Tertiary Education and Training to those who have studied for less than half a year full-time (60 credits). School leavers from 2017 or 2018 that started tertiary study in 2018 would have limited opportunity to access prior tertiary study or undertake any tertiary education study that was not part of consuming their Fees Free entitlement in the government-funded tertiary education system from 2018.
15. However, by 2021, 2017 school leavers have been out of school for at least three years. Some of these school leavers may have undertaken some study that was not covered by the Fees Free policy, such as study overseas in Australia and returned to New Zealand. Any 2017 school leaver, if they have not consumed their Fees Free entitlement in New Zealand, is a fees-free eligible learner regardless of their prior tertiary study, including study overseas.
16. We propose that from 2021, only school leavers from the current year and the preceding two calendar years access Fees Free without the prior tertiary study eligibility criteria being applied. Of school leavers transitioning into tertiary study within five years of leaving school, over 70% do so the year after leaving school. The second year after leaving school and the same year they leave school are the two next most common years to transition into tertiary from school. The proposed change supports recent school leavers to easily transition into Fees Free, without any administration for prior tertiary study criteria, which is primarily redundant for them. This is balanced with maintaining the policy intent of Fees Free: supporting those undertaking their first tertiary education study.
17. Under the proposed changes for 2021, school leavers from 2019, 2020 and 2021 can access Fees Free without being subject to the prior tertiary study criteria. They still also need to meet the residency eligibility criteria (are New Zealand Citizens, or lived in New Zealand on a residence class visa for more than three years). Any school leavers from 2017 and 2018 that have yet to undertake tertiary study through Fees Free, will need to meet prior tertiary study eligibility requirements to access Fees Free.

Change to Refugee English Fund

18. The Refugee English Fund (REF) supports refugee-background learners to study fees-free English for Speakers of Other Languages (ESOL) programmes at level 3-5. In 2019, it was outlined that REF study would not count towards prior tertiary study or consumption of Fees Free [METIS 1163164 refers]. This was to support refugee-background learners gain ESOL skills, and still be supported for Fees Free for further study.
19. This approach was implemented by REF learners applying through exceptional circumstances to have their Fees Free entitlements reinstated. While tertiary providers raised awareness of this process to their REF learners, it is an additional administrative barrier for a group that needs additional support.

20. We propose that from 2021, REF study is formally specified as study that is not counted towards Fees Free entitlements or prior tertiary study. This would be similar to the approach we are using for Youth Guarantee fees-free and Māori and Pasifika Trades Training since July 2020. This will be a more effective and less administratively burdensome approach that will benefit refugee-background learners. As the REF learner enrolments are reported to the TEC, for Fees Free eligible learners most REF study can be identified and not count towards consuming their Fees Free entitlement, or as prior tertiary study.

Next Steps

21. We have enclosed eight funding determinations for your approval. We have also attached the accompanying eight letters for your signature, to the Chair of the TEC Jenn Bestwick, advising her of each determination of the design of the funding mechanisms (Appendices 1-8).
22. We recommend you sign the eight letters attached in the Appendices and send them with their respective funding determinations to the TEC.
23. The TEC will publish the funding determinations on its website to communicate these to the sector. The TEC will also update their 2021 funding letters to tertiary providers that are expected to be sent from November onwards.
24. Further advice on TTAF settings for 2021, and the delegation to fund Fees Free Tertiary Education and Training will be provided to the Minister of Education in November 2020.

Appendices

Both a letter to the Chair of the TEC and a funding determination are each attached for the following eight funds:

1. Equity funding
2. Industry Training Fund
3. Literacy and Numeracy
4. Māori and Pasifika Trades Training
5. Specialised English for Speakers of Other Languages
6. Student Achievement Component levels 1 and 2
7. Student Achievement Component levels 3 and above
8. Youth Guarantee

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 2021 until 31 December 2021. The new determination includes a 1.6 percent increase to all funding rates specified in the determination.

Under section 422 of the Act, it is the TEC's responsibility to develop the details needed to implement my determinations of the design of funding mechanisms.

I expect that the TEC 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,

Hon 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 students aged 16 to 19 years (inclusive) who are studying towards either the National Certificate of Educational Achievement (NCEA) Level 1, 2 or 3 aligned¹ 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 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 2021 to 31 December 2021.
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.

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

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 (tuition rate)	\$9,825	\$13,446
Pastoral Care (tuition rate)	\$517	\$517
Tuition Rate total	\$10,342	\$13,963
+ Transport Assistance	\$827	\$827
GRAND TOTAL	\$11,170	\$14,790

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. 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 \$223,400.
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) ²;

² Te Pūkenga also refers to any Te Pūkenga subsidiary.

- 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 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; and
 - 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); 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 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; and
 - b. includes literacy and numeracy provision; and
 - c. comprises part of a recognised pathway³ 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

³ As determined by the NZQA.

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; 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 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 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;⁴ 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; and
 - 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.

⁴ Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

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; and
 - b. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular programme;⁵ 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.

⁵ 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.

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.

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.

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 2021 until 31 December 2021. The new determination includes a 1.6 percent increase to all funding rates specified in the determination.

Under section 422 of the Act, it is the TEC's responsibility to develop the details needed to implement my determinations of the design of funding mechanisms.

I expect that the TEC 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,

Hon 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 students aged 16 to 19 years (inclusive) who are studying towards either the National Certificate of Educational Achievement (NCEA) Level 1, 2 or 3 aligned¹ 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 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 2021 to 31 December 2021.
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.

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

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 (tuition rate)	\$9,825	\$13,446
Pastoral Care (tuition rate)	\$517	\$517
Tuition Rate total	\$10,342	\$13,963
+ Transport Assistance	\$827	\$827
GRAND TOTAL	\$11,170	\$14,790

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. 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 \$223,400.
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)²;
 - b. a wānanga;

² Te Pūkenga also refers to any Te Pūkenga subsidiary.

- 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; and
 - 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); 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 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; and
 - b. includes literacy and numeracy provision; and
 - c. comprises part of a recognised pathway³ 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:

³ As determined by the NZQA.

- a. student retention; and
 - b. course completion; and
 - c. qualification completions; and
 - 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 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 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;⁴ 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; and
 - 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:

⁴ Including Adult, Youth, Te Ata Hāpara and Starting Points, as appropriate.

- a. must not charge any fees to learners enrolled in courses funded under this funding mechanism; and
- b. must pay for the necessary equipment, infrastructure and hardware required to deliver a particular programme;⁵ 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.

⁵ 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.