

Hon Penny Simmonds

Minister for the Environment
Minister for Vocational Education
Associate Minister for Social Development and Employment



Dr Alan Bollard
Chair
Tertiary Education Commission
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Dear Alan,

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 2026.

Under section 422 of the Act, it is the responsibility of the Tertiary Education Commission (TEC) to develop the details needed to implement my determinations of the design of funding mechanisms.

Yours sincerely,

A handwritten signature in blue ink, reading 'P. Simmonds'.

Hon Penny Simmonds
Minister for Vocational 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 eligible domestic students aged 16 to 24 years (inclusive) who are studying towards:
 - a. the National Certificate of Educational Achievement (NCEA) Level 1, 2 or 3 aligned to the Vocational Pathways;¹ or
 - b. a qualification at Level 1, 2 or 3 on the New Zealand Qualifications and Credentials Framework (NZQCF), which is intended to enable learners to progress to higher-level education or employment.
3. Youth Guarantee enrolments at Level 3 on the NZQCF 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 funding entitlement of 2.5 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

4. 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

5. This funding mechanism applies to funding for eligible programmes delivered from 1 January 2026.
6. The TEC may exercise any of its administrative functions outside those dates as required to give effect to this funding mechanism.

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.

Available funding

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

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 learner workload that would normally be carried out by a learner 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 tertiary education organisation (TEO) may receive. All amounts are GST exclusive.

Funding per EFTS	Non-Trades	Trades
Fee & Course Costs (tuition rate)	\$11,325	\$15,498
Wellbeing and Pathways Support Rate (tuition rate)	\$2,218	\$2,218
Tuition Rate total	\$13,543	\$17,716
+ Transport Assistance	\$1,109	\$1,109
GRAND TOTAL	\$14,652	\$18,825

12. When allocating funding for Youth Guarantee provision, the TEC must consider, without limitation, the following:
 - a. the nature of the programmes offered by a TEO;
 - b. the wellbeing and learning support arrangements for learners; 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 it is approved by the TEC to receive no less than \$248,693.00 for Youth Guarantee provision in the calendar year, excluding any funding allocated for the Wellbeing and Pathways Support rate.
- 15. If a TEO meets the criteria specified under paragraphs 13 and 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 EFTSwhichever is greater.
- 16. If a TEO receives flexible funding, the TEC must ensure that the TEO is allocated the wellbeing and pathways support funding at the rate specified for each EFTS for whom it receives flexible funding.
- 17. 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

- 18. The purpose of the Exceptional Circumstances Transport Assistance fund is to provide additional transport assistance to learners who live in relatively isolated areas who may have higher transport needs.
- 19. The TEC may allocate 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.
- 20. 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.
- 21. The TEC may use any unallocated Exceptional Circumstances Transport Assistance funding to fund additional Youth Guarantee provision EFTS.

TEO eligibility

22. The TEC may only fund a TEO under this funding mechanism for Youth Guarantee provision if the TEO is:²
- a. Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga);
 - b. a wānanga;
 - c. a private training establishment registered by NZQA (registered PTE); or
 - d. a State school, State-integrated school, or Charter school that has been funded by the TEC for Youth Guarantee provision since 2011.

Learner eligibility

23. The TEC must ensure that a TEO that receives funding for Youth Guarantee provision only enrolls a learner in Youth Guarantee provision if the learner:
- a. is a domestic student, as defined in section 10(1) of the Act;
 - b. is not also enrolled in secondary school;
 - c. is either:
 - i. 16 to 24 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; and
 - d. has not already achieved a qualification at Level 3 or above on the NZQCF.
24. In addition, the TEC must:
- a. encourage a TEO that receives funding for Youth Guarantee provision at Level 3 on the NZQCF to give priority for Level 3 provision to:
 - i. learners with no or low (Level 1) prior achievement; and

² If the Education and Training (Vocational Education and Training System) Amendment Bill is enacted before 1 January 2026, paragraph 22 will instead read as follows:

The TEC may only fund a TEO under this funding mechanism for Youth Guarantee provision if the TEO is:

- a. a polytechnic;
- b. the New Zealand Institute of Skills and Technology;
- c. a wānanga;
- d. a private training establishment registered by NZQA (registered PTE); or
- e. a State school, State-integrated school, or Charter school that has been funded by the TEC for Youth Guarantee provision since 2011.

- ii. learners who have completed a Level 1 or Level 2 qualification through Youth Guarantee provision; and
 - b. monitor the prior achievement levels of learners enrolled in each TEO's Youth Guarantee provision at Level 3.
25. A learner who meets the criteria in paragraph 23 is only eligible to receive a total of up to 2.5 EFTS worth of Youth Guarantee provision.
26. The limit on provision described in paragraph 25 excludes:
- a. any provision for NCEA co-requisite standards³; and
 - b. any other provision specified or approved by the TEC.
27. The TEC must establish the requirements that TEOs must comply with to verify each learner's identity and eligibility for the purpose of this funding mechanism. The TEC may specify exceptions from the eligibility criterion in paragraph 23(b).

Inducements

28. Even if a learner 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.
29. An inducement may include a financial incentive or ongoing personal possession of physical items where they induce a learner to enrol.
30. The TEC must establish criteria for determining what constitutes an inducement.

Programme eligibility

31. 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 qualification listed on the NZQCF at Level 1, 2 or 3; and/or
 - iii. the NCEA co-requisite standards;
 - b. includes literacy and numeracy provision ;
 - c. comprises part of a recognised pathway⁴ towards one or more vocational qualifications at Level 4 and above on the NZQCF;
 - d. is delivered:

³ 20-credits specific to literacy or numeracy skills required to be awarded any level of NCEA. These standards are US32403, US32405, US32406, US32413, US32415, US32412.

⁴As determined by the NZQA.

- i. face-to-face, or
- ii. synchronously online (delivered in real time to the learner) where this is in the best interest of the learner/s. TEC must require TEO's to take into account enabling access to education and the TEO's capability to deliver effectively; or
- iii. asynchronously, with prior written approval of the TEC for another form of delivery due to exceptional circumstances. The prior written approval remains in force unless the approval is revoked by the TEC;
- e. leads to a Level 1 or 2 NCEA qualification, that is aligned to the Vocational Pathways; and
- f. is taught by appropriately qualified educators.

Ineligible programmes

- 32. The TEC must ensure that funding paid to a TEO under this funding mechanism is not used for a programme where the TEC considers on reasonable grounds that a majority of the programme relates to health and safety or regulatory compliance learning that would displace the responsibility of employers to provide training necessary to mitigate health and safety risks and/or meet their regulatory compliance obligations.

Cap on Youth Guarantee provision at Level 3

- 33. The TEC must not allocate more than 30 percent of the total funding available to be allocated under this funding mechanism for programmes at Level 3 on the NZQCF, including NCEA Level 3.

Performance measurement

- 34. The TEC must measure the performance of TEOs funded for Youth Guarantee provision against the following performance criteria:
 - a. learner retention;
 - b. course completion;
 - c. qualification completions;
 - d. learner progression to higher-level study; and
 - e. student progression to employment.
- 35. The TEC must set performance expectations and hold performance information in relation to Youth Guarantee programmes leading to the relevant qualifications at Levels 1, 2 and 3 on the NZQCF.

PART TWO: FUNDING CONDITIONS

Conditions that the TEC must attach to funding

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

TEOs

37. 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 paragraph 22 of this funding mechanism.

Learners

38. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must ensure that each learner 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.
39. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must, in accordance with the requirements specified by the TEC, verify the identity of each learner enrolled in an eligible programme and confirm each learner's eligibility for the purposes of this funding mechanism.
40. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must provide eligible learners, prior to or during the enrolment process, with a privacy statement that meets criteria set by the TEC about the collection and use of their personal information, and that advises learners that their personal information may be disclosed to the TEC, NZQA, the Ministry of Education, the Ministry of Social Development and Inland Revenue, as appropriate.

Pathway plans for learners

41. The TEC must require providers, as a condition of funding, to develop a pathway plan to support higher level learning and/or employment.

Programmes

42. 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 learner is enrolled meets and continues to meet the criteria specified in paragraph 31 of this funding mechanism.
43. The TEC must attach to funding, a condition that a TEO must not use funding paid under this funding mechanism to fund a programme where the majority of the programme relates to health and safety or regulatory compliance, as excluded in paragraph 32.

Reporting withdrawals to Ministry of Social Development

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

45. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:
- a. has in place an effective assessment process for determining the literacy and numeracy needs of eligible learners and provides support to ensure that those learners progress in line with the guidelines provided by TEC;
 - b. must accurately assign each of its courses from an eligible programme or micro-credential a course EFTS factor;
 - c. must accurately assign each of its courses from an eligible programme or micro-credential to a delivery classification and related code, as specified by the TEC; and
 - d. must meet minimum performance expectations specified by the TEC.
46. The TEC must attach to funding a condition that a TEO that receives funding for Youth Guarantee provision must not enrol a learner in Youth Guarantee provision if:
- a. excluding any provision for the NCEA co-requisite standards or any other provision specified by the TEC, the learner:
 - i. has already received 2.5 EFTS of Youth Guarantee provision; or
 - ii. the learner would, if enrolled by the TEO, exceed 2.5 EFTS of Youth Guarantee provision during the period of that enrolment; and
47. The TEC must establish processes to prevent a TEO from receiving funding in relation to a new enrolment of a learner if:
- a. that learner has already achieved a qualification at Level 1 or 2 on the NZQCF; and
 - b. 10% or more of the learners 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.
48. The TEC may recover funding if a TEO exceeds the prior qualification limit in paragraph 47b.
49. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism:

- a. must ensure that the exceptional circumstances transport assistance funding is only used to pay for the actual cost of the transport incurred by the TEO or each learner to whom it is paid;
- b. must keep records of expenditure on transport assistance; and
- c. must, if the TEO is allocated funding to deliver programmes at Level 3 on the NZQCF, ensure that it does not exceed that allocation. The TEC may recover funding if the TEO exceeds its allocation for programmes at Level 3 on the NZQCF.

Subcontracting

50. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:

- a. not subcontract any of the funded activities without the prior written approval of the TEC and, where the TEO is quality assured by NZQA, without the prior written approval of NZQA;
- b. comply with any conditions imposed by the TEC regarding an approval to subcontract;
- c. ensure that a subcontracted party does not further subcontract any functions; and
- d. remain accountable for the use of funding.

Fees

51. 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;
- b. must pay for the essential equipment, infrastructure and hardware required to deliver a particular programme⁵; 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

52. 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 approval) seek or obtain funding from any Crown source (including a Crown entity or a company wholly

⁵ The phrase “equipment, infrastructure and hardware” refers to items that can be used by successive intakes of learners. It does not include personal items which are provided for individual learner use and which the TEO does not retain for the next intake of learners.

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

53. 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 funding

54. 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.

55. Paragraph 54 also applies to any funding for exceptional circumstances travel assistance that is unused by the end of the funding period.

56. 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.

57. The TEC must not recover any funding allocated to a TEO under the wellbeing and pathways support, unless paid in error.

Repayment of funding following revocation of funding approval

58. The TEC must attach to funding a condition that if, in accordance with clause 16 of 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:

- 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.

TEC Administrative Responsibilities

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