

**Ministerial subgroup meeting:
100 days tertiary education commitments
Wednesday 15 November, 4.30-5.00pm**

<p>Agenda</p>	<ol style="list-style-type: none"> 1. \$50 increase to student loans and allowances <ol style="list-style-type: none"> a. Preparation for CBC discussion Thursday 16 November b. Communications planning 2. Fees Free Tertiary Education for 2018: <ol style="list-style-type: none"> a. Officials' update on progress on choice of delivery mechanism b. Delivery channel for provider-based students - TEC update on planning for provider payment mechanism c. Finalising eligibility and coverage for provider-based students - decisions on remaining issues (MoE) d. Industry training – coverage, eligibility and delivery options for a fees-free policy for 2018 (MoE/TEC) 3. Confirm items for Ministers' next meeting 20 November 4. Other issues
<p>Draft agenda for 20 November</p>	<ol style="list-style-type: none"> 1. feedback on Cabinet consideration of \$50 increase to student loans and allowances 2. draft Cabinet paper on implementing fees free for 2018 and final decisions on student loans and allowances 3. costings update 4. implementation planning update for fees free in 2018 5. communications planning for fees free in 2018
<p>Attendees</p>	<p>Ministers of Education (Chair), Finance, Social Development, Revenue, and Associate Minister of Education (Hon Martin)</p> <p>Ministry of Education: Iona Holsted (Chair of interagency governance group), Claire Douglas, Andy Jackson, John MacCormick</p> <p>Tertiary Education Commission: Brendan Kelly, Deirdre Marshall, Jan Sheppard</p> <p>Treasury: Grace Campbell-Macdonald, Andrew Rutledge</p> <p>Ministry of Social Development: Ruth Bound, Liz Jones</p> <p>Inland Revenue: Arlene White</p> <p>State Services Commission: Geoff Short</p> <p>Department of Prime Minister and Cabinet: Paul O'Connell</p>
<p>Attachments</p>	<ol style="list-style-type: none"> 1. CBC paper on \$50 increase to student loans and allowances 2. A3 charts on provider-based eligibility and coverage decisions 3. Industry training note

Item 1. \$50 increase to student loans and allowances

This item is an opportunity to address any questions Ministers have before Thursday's CBC meeting.

a. Preparation for CBC discussion Thursday 16 November

1. On Thursday 16 November Cabinet Business Committee will consider the attached paper seeking agreement to increase maximum student allowances rates and student loan living costs by \$50 a week. The paper also seeks agreement to establishing the broad eligibility criteria for the fees-free policy.
2. The paper seeks interim financial authority for costs averaging \$283m per annum for the student allowance and loan changes (including a 5% allowance for increased uptake in 2019/20 onwards). Final financial decisions and changes to appropriations will be sought when Cabinet considers details of the fees-free policy. Officials are currently modelling the impacts of both policies together, as the costings are interdependent.

b. Communications planning

3. Officials will support Ministers and the Prime Minister's office on announcements about the student allowances and student loan living costs increases so that the public is aware of the changes and students have information to support their study decisions for 2018.

Proactively released

Item 2. Fees-free tertiary education for 2018:

a. Officials' update on choice of delivery mechanism

(verbal update from officials)

1. Agencies are assessing two possible implementation mechanisms for fees free provider-based tertiary education in 2018.
 - a. The preferred option is via TEC payments to providers – The TEC would pay providers the fees for students claiming to be eligible.
 - b. The alternative is Student Loan Scheme reimbursement - Students would borrow to pay fees. Eligible students would later have qualifying fees cleared from their loan balance.
2. Officials have been engaging with provider representatives in developing these options.
3. Prof Stuart McCutcheon, as chair of Universities NZ has written to the Minister of Education expressing concerns about the provider payment option. The Secretary of Education and the TEC's Acting CEO have had discussions with Prof McCutcheon. They will report back to Ministers on those discussions.

b. Delivery channel for provider-based students - TEC update on planning for provider payment mechanism

(verbal update from officials)

c. Finalising eligibility and coverage for provider-based students

1. We seek to confirm in-principle decisions on detailed eligibility criteria and coverage for provider-based students under the fees free policy. Decisions will be subject to final costings being prepared for consideration next week.
2. These criteria assume the preferred provider payment mechanism. Some options may need to be revisited if the alternative mechanism is adopted.
3. The attached A3 sheets set out decisions Ministers have taken to date, and details on outstanding matters to decide. The key recommendations are summarised on the following page:

Finalising eligibility and coverage for provider-based students

<i>Eligibility</i>		<i>Issues to Discuss</i>
A	Residency status YES/NO	Confirm eligibility rules will be aligned with those for student support, excluding residents and Australians who have not been ordinarily resident in New Zealand for 3 years.
B	Current School Students YES/NO	Agree students will not be eligible for fees-free while enrolled in a school.
C	Maximum amount of prior study YES/NO	Agree that eligibility will be limited to people with no more than half a year of equivalent full-time tertiary study at NZQF Level 3+ (while not enrolled in a school). This includes all forms of tertiary education towards formal qualifications (including industry training), in New Zealand or overseas.
<i>Coverage</i>		<i>Issues to Discuss</i>
D	Applying an EFTS cap to study in 2018 For discussion	<p>We need to decide whether to apply an upper limit to the amount of fees-free study undertaken in any one calendar year.</p> <p>Officials will advise on technical feasibility issues at the meeting.</p> <p>Options are:</p> <ul style="list-style-type: none"> - Funding no more than 1 EFTS. <ul style="list-style-type: none"> - Meets the policy commitment, limits costs to government and reduces potential inequities in the value of support different students get. Students can fund fees for over-cap courses with Student Loans. - About 18% of new students would be charged a balance of fees. - Tertiary providers would have to monitor and adjust charges to student and TEC for all course changes. - Funding study up to a higher cap, e.g.: 1.2 EFTS. <ul style="list-style-type: none"> - About 95% of eligible students pay no fees in their first year. - The extra fees covered at 1.2 EFTS cap are approximately \$25m (incl gst) per year. Higher caps involve much smaller cost increases, based on current enrolment patterns. - A cap of 1.2 EFTS or higher could significantly cut administrative burdens on providers to manage course changes/withdrawals. - Setting no EFTS cap. <ul style="list-style-type: none"> - This would avoid administrative complexities and risks such as: tracking course changes and movements between providers, and confusion (and accidental non-compliance) by students, who generally don't know their courses' EFTS value. - With no cap, quality assurance and provider performance measures mitigate risks of students taking excess study loads. - The key risk with no EFTS cap is in other behavioural responses by students and providers (e.g.: bringing start dates for year 2 courses forward into 2018, and growth of supply and demand for summer programmes). These could increase costs and/or undermine the integrity of the policy.

Coverage		Issues for Discussion
E	<p>Applying a dollar cap for individuals</p> <p>Options being developed with costings</p>	<p>We consider a cap on the value of fees free entitlements is necessary to minimise risks, control costs, and avoid inequitable differences in the level of support students receive.</p> <p>Ministers have agreed in principle to apply a cap. Officials are continuing to develop and assess options in our costing work.</p>
F	<p>Period of study</p> <p>YES/NO</p>	<p>Agree the 2018 fees-free policy covers courses and programmes commencing in the 2018 calendar year. (This will exclude some students who have courses starting in 2018, but who paid for these when enrolling in a programme of sequential courses starting in 2017).</p>
G	<p>“Banking” entitlements for later use</p> <p>YES/NO</p>	<p>Agree that while unused entitlements from part-time study can be carried forward, eligible students must use their entitlement rather than “banking” it for future use.</p>

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d. Industry training – coverage, eligibility and delivery options for 2018

1. This item seeks Ministers' feedback on broad eligibility criteria and coverage for industry training under fees free, and outlines implementation options officials are exploring. Further advice will follow with details of costings, coverage and implementation.
2. The attached note discusses key issues for developing a fees free policy for industry training for 2018. We will provide more advice on costings and delivery options to discuss next week.
3. The key decisions required are summarised below:

Eligibility	Issues to Discuss
Programme coverage: YES/NO	Agree fees free industry training in 2018 target programmes that are: <ul style="list-style-type: none"> - At Level 3 or higher on the NZ Qualifications Framework and - Comprise at least 120 credits. This includes all NZ Apprenticeships and a range of other longer training programmes leading to substantial qualifications. A minimum of 120 credits helps to assure that the training programme has career benefit to the individual. It also avoids learners using up their fees free entitlement on short training programmes directed by (and often paid for by) their employers.
Learner eligibility: YES/NO	Agree that individuals' eligibility for fees-free industry training be based on the same criteria as for provider-based students. <ul style="list-style-type: none"> - In 2016, around 6,500 learners would have been eligible for fees-free under the proposed eligibility rules. This is a preliminary estimate, subject to further work and quality assurance.
Coverage	Issues to Discuss
What fees are covered? YES/NO	We recommend that for 2018, the fees free policy should cover <ul style="list-style-type: none"> - Fees paid directly by trainees to ITOs or training and assessment providers, and - Fees paid to training and assessment providers by employers. This would exclude other fees trainees pay, such as: <ul style="list-style-type: none"> - Fees to professional bodies and trade associations - Fees to group training scheme providers covering induction, supervision, travel costs, equipment, etc
Delivery Mechanism	Issues to Discuss
Options for delivery For discussion	We have explored four delivery options for 2018. <ul style="list-style-type: none"> A: Payments direct to ITOs (<i>currently favoured option for 2018</i>) B: Payments to learners via the ITO C: Industry Training Federation administered fund D: Introduce a "fees-free" policy across industry training by fee regulation, and increase funding rates (<i>favoured future option, but likely not feasible for 2018</i>)

Attachment:

Industry training – coverage, eligibility and delivery options for 2018

Funding and fees for industry training differ significantly from provider-based education

1. Key differences between provider-based study and industry training include:
 - a. Fees are unregulated, and fee arrangements vary widely.
 - Trainees and apprentices generally face lower fees than provider-based students.
 - Some fees are paid through ITOs, while others (e.g.: occupational license fees and some off-job training) are paid directly to providers by the learner or employer.
 - Some trainees pay nothing directly, with employers meeting training costs. The ultimate sharing of costs by employers and employees is hard to observe or regulate.
 - b. Industry trainees and apprentices are ineligible for student loans and allowances.
 - c. Trainees may have little choice of what training they undertake, as employers direct this.
 - d. Employers and industry are expected to financially contribute to training costs. The TEC has set this at 30% of traineeship costs and 20% of NZ Apprenticeship costs. The fees-free policy will affect these rates, and implications will need to be considered by TEC.
 - e. Government funding is limited to 75 credits per year, while a full-year, full-time programme at a provider is generally 120 credits. Government funding is at a single flat rate, not varying by field of study as tuition subsidies do for provider-based study.

Industry training volumes

- 148,500 learners participated in industry training in 2016.
- 43,000 were apprentices (this includes both NZ Apprentices and other learners in programmes of 120+ credits at Level 4).
- Around 9,000 learners began an apprenticeship in 2016.
- In 2016, around 6,500 learners would have been eligible for fees-free under the proposed eligibility rules. This is a preliminary estimate, subject to further work and quality assurance.

Decisions are needed on learner eligibility and scope of fees covered

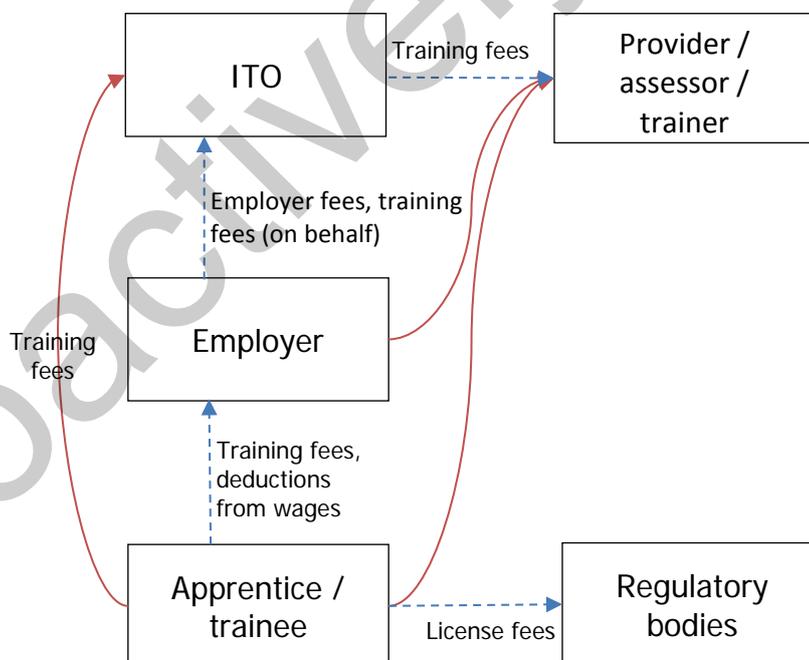
Eligibility	Recommendation
Programme eligibility YES/NO	<p>We recommend fees free industry training in 2018 target programmes:</p> <ul style="list-style-type: none">- At Level 3 or higher on the NZ Qualifications Framework and that- Comprise at least 120 credits. <p>This includes all NZ Apprenticeships and a range of other longer training programmes leading to substantial qualifications.</p> <p>A minimum of 120 credits gives assurance that the training programme will have greater benefit to the individual, and will ensure a sense of fairness between programmes and tertiary education sectors. It also avoids learners using up their fees free entitlement on short training programmes directed by (and often entirely paid for by) their employers.</p>
Learner eligibility:	<p>We recommend that individuals' eligibility for fees-free industry training be based on the same criteria as for provider-based students.</p>

Eligibility	Recommendation
YES/NO	

Fees covered by fees-free in 2018

2. Learners in industry training pay a variety of fees to different parties.
 - Some are explicitly for training and assessment. These may be paid directly to the ITO, or paid to third party training and assessment providers.
 - Some fees are charged by the employer, to recover ITO or external provider costs
 - Professional registration fees (eg Master Plumbers) can be included in fee packages so that they are hard for learners to distinguish from training and assessment fees
 - Other fees, such as those charged by group training schemes, may cover the costs of induction, supervision and travel, as well as covering any fees for training and assessment. Learners may not observe charges directly related to training costs.
3. For 2018, further consideration is needed of what fees will be covered in the first 12 months of training. We need a practical option based on a straightforward reading of the Government's fees-free policy. ITOs have provided the TEC with a high level schedule of fees for costing purposes.
4. Figure one below maps the variety of fees paid for or by apprentices and trainees.
5. We recommend that fees free policy for 2018 focuses on the solid red lines – fees paid directly by trainees to ITOs or training and assessment providers, and fees paid to training and assessment providers by employers. We are developing further advice.

Figure 1: Fees paid in industry training (which fees are paid varies by programme)



Implementation options for fees-free industry training

6. We have considered four options to implement the fees-free in industry training in 2018:

A: Make payments direct to ITOs

ITOs enrol and manage learners as usual. TEC provides monthly reports on newly enrolled eligible learners, and makes monthly payments based on analysis of 2016 data and proposed 2018 fees.

At the end of the year, TEC washes up enrolment information and makes an additional payment or recovers funding. Recovery of any over-funding should be simple.

B: Make payments to learners via the ITO

Similar to the Apprenticeships Reboot scheme, TEC will produce monthly reports on eligible learners, and make monthly payments to ITOs based on new eligible enrolments.

ITOs will disburse the fees to individual learners. Learners can then pay the ITO or the off-job provider or purchase other training-related materials as needed. However, it will be difficult to recover overpaid fees.

C: The Industry Training Federation administers a fund to deliver fees free

TEC calculates a total funding pool based on of 2016 data and proposed 2018 fees.

The Industry Training Federation is then contracted (with an administration fee) to administer the fund as a broker service, allocating funding to ITOs to ensure fees free is implemented for 2018.

D: Impose a “fees-free” policy across industry training and increase funding rates

Make all industry training and apprenticeships free for the learner, and increase the current rate of training from \$3,200 per STM^[1] for industry trainees and \$5,200 per STM for New Zealand Apprenticeships.

7. Our initial assessment is that

- Option D rates best as a longer-term option, but is challenging to implement for 2018.
- Option A rates best as an achievable solution for 2018 - more likely than the others to achieve the policy objective with least disruption for learners, employers and providers.

^[1] An STM is a standard training measure reflecting the learning required to achieve 120 credits.

Sector engagement on industry training options

8. We have met with the Industry Training Federation (ITF), and received feedback from most ITOs. The ITF is concerned with equity across the system, particularly with industry training fees generally lower than provider-based study. They will make a range of proposals to Government about the industry training model. Some of these could be feasible options to meet Government's fees-free policy in future. However, any changes to an interim solution will need to be provided soon if these are to meet the timeframe for the immediate need.
9. The ITF also discussed having a flat rate for fees at around \$2,000 per learner. However, fees range from \$50 to \$9,000. A system-wide flat rate could be inequitable and financially risky for some ITOs, but a flat rate for each individual ITO may be possible. A flat rate will simplify the system, and reduce the opportunity for ITOs to inflate fees (given there is no regulation). The implications of a flat rate system cannot be assessed and policy changed in time for 2018 implementation of fees free.
10. ITOs see a risk in focusing on participation and access under fees free, rather than outcomes, as this can impact their performance measures and future funding.
11. The ITOs and ITF have both indicated an observable slowdown in the number of sign ups at this stage in the year. People are putting training on hold to potentially benefit from fees-free from 2018. Unlike provider-based study, industry training starts on enrolment; therefore, people want to defer this to avoid missing out on a fees-free opportunity. The risk is this could impact on ITOs' 2017 delivery levels resulting in under-delivery against their commitments.