



Cabinet

Minute of Decision

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Making Tertiary Education More Affordable: Fees-free Education in 2018

Portfolio Education

On 27 November 2017, Cabinet:

Previous Cabinet decisions

- 1 **noted** that on 31 October 2017, Cabinet agreed to the Minister of Education developing a proposal to deliver on the government's 100 days commitments for tertiary education, in close consultation with the Ministers of Finance, Social Development, Revenue and Associate Minister of Education (Hon Tracey Martin) [CAB-17-MIN-0485];
- 2 **noted** on 16 November 2017, the Cabinet Business Committee:
 - 2.1 agreed to increase both student allowances and the weekly maximum for living cost loans by \$50 a week, and noted that finalised costings for the increase would be submitted to Cabinet on 4 December 2017 for confirmation;
 - 2.2 agreed that to access fees-free in the 2018 interim year, a prospective student:
 - 2.2.1 must be undertaking a course or qualification that is quality assured by the New Zealand Qualifications Authority or Vice Chancellors Committee, and funded by the Tertiary Education Commission (TEC);
 - 2.2.2 must be studying at Level 3 or above on the New Zealand Qualifications Framework (NZQF);
 - 2.2.3 must be domestic students eligible for TEC tuition subsidies;
 - 2.3 noted that detailed eligibility criteria would be confirmed alongside decisions on the interim implementation of the fees-free policy for the 2018 year;
[CBC-17-MIN-0013]
- 3 **noted** that on 20 November 2017, Cabinet:
 - 3.1 authorised the Minister of Education, in consultation with the Ministers of Finance, Social Development, Revenue, and the Associate Minister of Education (Hon Tracey Martin), to determine the delivery mechanism for fees-free tertiary education in 2018;

- 3.2 agreed that officials work with tertiary education organisations on the details of the delivery mechanism for fees-free tertiary education in 2018, with oversight from the Minister of Education, in consultation with the Ministers of Finance, Social Development, Revenue, and the Associate Minister of Education (Hon Tracey Martin), before policy details are publicly announced;

[CAB-17-MIN-0509]

Eligibility for fees-free provider-based tertiary education

- 4 **agreed** that for a student to be eligible for fees-free tertiary education in 2018 at a provider, they must:
- 4.1 be enrolling in courses that commence in 2018, are approved for funding by the TEC, are recognised by the New Zealand Qualifications Authority (NZQA) or Universities New Zealand, and are part of a qualification or training scheme at NZQF Level 3 or above; and
 - 4.2 be either a New Zealand citizen (including citizens of Realm countries), an Australian or a New Zealand permanent resident who has lived in New Zealand for at least three years, a refugee or protected person, or a sponsored family member of a refugee or protected person; and
 - 4.3 not be concurrently enrolled in a school at the start date of the course or programme; and
 - 4.4 either:
 - 4.4.1 have been enrolled in a school at any time during 2017 or 2018 (all 2017 or 2018 school leavers who meet criteria 1-3 above will be eligible for fees-free tertiary education regardless of any prior tertiary study undertaken); or
 - 4.4.2 not have previously undertaken more than half a year of equivalent full-time tertiary education (0.5 Equivalent Full-time Student (EFTS) or 60 credits) at Level 3 or above on the NZQF, including tertiary education at an equivalent level undertaken in any other country, but excluding any tertiary education undertaken while enrolled in a school;
- 5 **agreed** that the TEC will have discretion to grant eligibility for fees-free to people who do not meet all of the criteria detailed in paragraph 4 above due to exceptional cases of personal circumstances;
- 6 **agreed** that fees-free tertiary education for those students enrolled with a provider will cover students' compulsory tuition fees, compulsory student services fees, and other compulsory fees, up to a maximum of \$12,000 (including GST) per student;
- 7 **agreed** that students who undertake less than 1 EFTS of study in 2018 can use the balance later, but eligible students cannot opt to pay fees in 2018 and "bank" their entitlement for future use;

Fees-Free for industry trainees

- 8 **agreed** that for a trainee to be eligible for fees-free tertiary education in 2018 in industry training, they must:
- 8.1 be enrolling in a programme at NZQF Level 3 or above that commences in 2018, is funded by the TEC, is approved by the NZQA, and comprises at least 120 credits (this includes all New Zealand apprenticeships); and
 - 8.2 not be concurrently enrolled in a school at the start date of the course or programme; and
 - 8.3 either:
 - 8.3.1 have been enrolled in a school at any time during 2017 or 2018 (all 2017 or 2018 school leavers who meet criteria 1-3 above will be eligible for fees-free tertiary education regardless of any prior tertiary study undertaken); or
 - 8.3.2 not have previously undertaken more than half a year of equivalent full-time tertiary education (0.5 EFTS or 60 credits) at Level 3 or above on the NZQF, including tertiary education at an equivalent level undertaken in any other country, but excluding any tertiary education undertaken while enrolled in a school;
- 9 **agreed** that when assessing prior tertiary study to determine individuals' eligibility for fees-free tertiary education (as set out in paragraphs 4.4.2 and 8.3.2 above), prior industry training will be measured on the basis of credits achieved at Level 3 and above;
- 10 **agreed** that for eligible trainees, fees-free industry training in 2018 will cover all fees for training and assessment (including fees paid to Industry Training Organisations, paid directly to training and assessment providers, or paid as part of the fees charged by group training schemes);
- 11 **noted** that officials are working to refine implementation and funding mechanisms for fees-free industry training for 2018, under which the TEC would make payments to Industry Training Organisations conditional on ensuring that eligible trainees and their employers are not charged fees for training and assessment;
- 12 **authorised** the Minister of Education, in consultation with the Minister of Finance and the Associate Minister for Education (Hon Tracey Martin), to have power to act to determine and announce the final details of fees-free industry training for 2018, including final decisions on individual eligibility criteria and design of the implementation and payment model;
- 13 **invited** the Minister of Education to report-back to Cabinet on the final details of fees-free industry training for 2018;

Implementation of fees-free tertiary education

- 14 **noted** that the ministerial subgroup has agreed that the provider-payment model be implemented to deliver the fees-free policy for 2018;

- 15 **noted** that implementing fees-free tertiary education in 2018 carries some risks relating to the speed of implementation of the policy, which may result in some confusion about eligibility for students, increase the risk of gaming by providers and students, and impact on the delivery experience for students and the sector;

Administration costs

- 16 **noted** that the TEC requires additional staff resources to work with and monitor 173 tertiary education organisations that will be enrolling fees-free students in 2018, along with associated fit out and system build costs;
- 17 **agreed** to increase operating funding for the Tertiary Education Commission for delivery of the fees-free policy from 2018 by \$3.7 million in 2017/18, \$4.1 million in 2018/19 and \$3.7 million in out-years;
- 18 **noted** that the Ministry of Education will incur significant costs to support the implementation of fees-free in its first year, undertake a review of the policy, and develop the policy and delivery model for 2019 onwards;
- 19 **agreed** to increase operating funding for the Ministry of Education to support the implementation of the fees-free policy by \$3 million in 2018/19 and 2019/20 and \$2 million in 2020/21 and out-years;
- 20 **noted** that the Ministry of Social Development requires additional resources to reverse existing student loan applications for fees-free students and to manage increased call volume through StudyLink's contact centre in relation to fees-free implementation, and to make one-off system changes to deliver increased rates for student allowances and student loans for living costs;
- 21 **agreed** to increase operating funding for the Ministry of Social Development for delivery of the fees-free policy by approximately \$1.3 million in 2017/18 and \$0.8 million in out-years;
- 22 **agreed** to increase operating funding for the Ministry of Social Development to deliver increased rates for student allowances and student loan living costs by \$0.6 million for 2017/18;

Financial implications

- 23 **noted** that the changes to give effect to the policy decisions in paragraphs 4 to 12 above, and administration costs in paragraphs 17, 19 and 21 above, and to the Cabinet Business Committee's previous decision to increase the student loan living cost component, and student allowances, will have the following impact on the operating balance and net debt:

\$ million	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears
A. Student allowances	50	109	118	129	136
B. First year fees-free payments (includes buffer)	339	391	426	446	457
C. Student loans (capital)	-153	-120	-80	-35	-16
D. Tuition subsidies	0	0	17	40	54
E. Industry training	10	20	20	20	20
F. Departmental	6	8	8	7	7
Debt impact (A, B, C, D, E, F)	251	408	509	607	657
G. Student loans (operating)	-25	-4	5	16	18
Operating impact (A, B, D, E, F, G)	380	524	593	658	691

- 24 **noted** that the expenditure to increase the student loan living cost component and student allowances, and to implement fees-free tertiary education in 2018, will be reflected in the Half Year Economic and Fiscal Update;
- 25 **noted** that on 20 November 2017, Cabinet agreed the future budget allowances, based on the student support increase and fees-free policies having a combined operating cost of \$2,101 million and capital expenditure of \$696 million over the forecast period with a resultant \$2,797 million impact on net debt over the forecast period [CAB-17-SUB-0506];
- 26 **noted** that the cost of the policy decisions above, summarised in paragraph 23, incur operating expenditure of \$2,846 million and reduce capital expenditure by \$404 million over the forecast period;
- 27 **noted** that compared to the cost estimates used in setting budget allowances, operating expenditure is \$745 million higher and capital expenditure is \$1,100 million lower over the forecast period;
- 28 **agreed** that the variance in operating expenditure of \$745 million will impact on the Operating Balance before Gains and Losses (OBEGAL) and will be reflected in the Half Year Economic and Fiscal Update;
- 29 **noted** that the cash expenditure outlined in paragraph 28 is fully offset by the reduction in capital expenditure over the forecast period resulting in a positive net debt impact of \$365 million;

- 30 **agreed** that the positive variance in paragraph 29 above is included in the Half Year Economic and Fiscal Update as a positive impact on net debt over the forecast period;
- 31 **authorised** the Ministers of Finance, Education, Social Development, Revenue and the Associate Minister of Education (Hon Tracey Martin) jointly to determine final detailed changes to appropriations subject to:
- 31.1 the net debt and operating impact not exceeding \$2,432 million and \$2,846 million respectively, over the forecast period;
- 31.2 the net debt and operating impact in 2021/22 and outyears not exceeding \$657 million and \$691 million, respectively;

Further work

- 32 **directed** officials to report back to the Minister of Education and the Associate Minister of Education (Hon Tracey Martin) on the detail of any outstanding administrative issues;
- 33 **authorised** the Minister of Education and the Associate Minister of Education (Hon Tracey Martin) to approve the detail any outstanding administrative issues for the fees-free proposals, in line with the decisions in the paper under CAB-17-SUB-0515;
- 34 **noted** that the Minister of Education has directed TEC officials to report to him after the February-March enrolment peak on the performance of the interim 2018 systems for fees-free study, and that he intends to provide this information to interested Ministers;
- 35 **invited** the Minister of Education to report-back to Cabinet, once initial data on 2018 uptake is analysed in June, with short-term changes to fees-free tertiary education to improve delivery and manage any emerging risks, and to set a plan for medium-term changes to delivery from 2019;
- 36 **noted** that, to support transparency in government decision-making, the Minister of Education intends to make the paper under CAB-17-SUB-0515, and related Cabinet papers on delivering our tertiary education 100 day commitments, publicly available through the Ministry of Education's website.

Michael Webster
Secretary of the Cabinet

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