



Education Report: Confirming approach for boundary cases of student allowance couple rates

To:	Hon Chris Hipkins, Minister of Education		
Date:	20 November 2017	Priority:	High
Security Level:	In Confidence	METIS No:	1092147
Drafter:	[REDACTED]	DDI:	[REDACTED]
Key contact and number:	Julie Keenan [REDACTED]	Round robin:	No
Messaging seen by Communications team:	No		

Purpose of report

The purpose of this paper is for you to:

- **Note** that officials have developed a proposal to apply the per-adult adjustments to student allowance rates, in line with under the policy agreed by Ministers and reflected in your paper before Cabinet today.
- **Confirm** the student allowance rates that we and the Ministry of Social Development (MSD) have developed to inform amended student allowance regulations.

Summary

- 1 You have sought Cabinet's agreement to increase Student Allowance rates from 1 January 2018 by \$50 net per week, per adult, based on the M tax code. This reflected our advice that a flat \$50 increase would have implications for couple rates, including by creating incentives for people in a relationship to declare as single in order to receive greater support.
- 2 On 8 November Ministers agreed to officials' joint recommendation that rates that are intended to support two adults ('combined' rates) should increase by \$100 and rates that are for one adult ('half couple' rates) should increase by \$50. This recommendation is reflected in your paper before Cabinet today.
- 3 In the attached table we identify the new rates. In classifying rates, we and MSD have needed to infer the intent of a small number of rates. In these cases the intent of the rate as either 'half-couple' or 'combined' may not be clear. We have considered the relationships between existing student allowance rates, and MSD has considered comparable rates in the benefit system.
- 4 This approach does not have a material effect on overall policy or on costings within the tolerances proposed to Cabinet.

- 5 The rates in the attached table update the rates provided to your office for communications, and we propose they be used in updated communications, in planned changes to the Student Allowance Regulations, and in the finalised costings for your 100 day tertiary education commitments. MSD agrees with this proposal and can implement rates on this basis for 1 January 2018.

Recommended Actions

The Ministry of Education recommends you:

- a. **confirm** that, in line with Annex 1 to this paper, \$100 adjustments apply only to those couple rates which are designed to directly reflect double the comparable single or half-couple rates
- Agree / Disagree**
- b. **note** that officials will update communications materials as required, and that the final rates will be reflected in the proposed amendments to student allowances regulations.



Claire Douglas
Deputy Secretary
Graduate Achievement, Vocations and Careers

20/11/2017

Hon Chris Hipkins
Minister of Education

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Background

1. As we advised you on 8 November [METIS 1089962 refers], a flat \$50 increase to student allowances has implications for couple rates (where the rate paid is intended to support the living costs of a couple rather than an individual).
2. These implications largely result from interdependencies between rates and the potential impacts on incentives of adjusting by a flat rate. This is because couple rates are sometimes set at exactly twice a single rate or “half-couple” rate (paid to individuals in a relationship where both are eligible for support). This would mean increasing all rates by \$50 could effectively give couples \$25 per person, potentially introducing incentives for individuals to declare as single in order to receive higher rates of support. A list of all current rates is attached as Annex 1.
3. You and your colleagues agreed that the \$50 increase should be applied on a per-adult basis to maintain existing incentives [METIS 1089962 refers], based on whether rates are set on a ‘half-couple’ or ‘combined’ basis.
4. Your paper *“Initial decisions to support making education and training affordable for all”* seeks Cabinet’s agreement to apply a per-adult increase, whereby couple rates “designed to reflect the living costs of two adults in a relationship” would increase by \$100 net per week. You have signalled that this decision is in order to maintain the relativities between single and couple rates. The Cabinet paper does not specify which rates will increase.

Rates are clearly either for singles, a combined couple, or individuals in a couple

5. We have developed a proposal for each of the current nineteen student allowance rates, in line with the policy agreed by Ministers and reflected in your Cabinet paper. This proposal has been agreed between the Ministries of Education and Social Development. It is set out in Annex 1.
6. We draw your attention to the four rates shaded in orange in Annex 1. These relate to couples where one partner is not eligible to receive support independently – that is, rates paid to couples whose joint income is above the income threshold. These couple rates have currently been set to reflect a single rate of support, with adjustment to reflect the potential benefits of having a partner to share costs and provide support. We recommend that this approach continue through applying a \$50 increase to the rates. As these rates are lower than those for single students, applying a \$50 increase to this group already provides a substantially greater proportional increase to these rates than it will to all other rates of support paid through the student support system.
7. We also draw your attention to the two rates shaded in purple in Annex 1. These relate to partnered students earning under the income threshold where only one person is eligible for student support (with children, and without children). These rates have previously been set as equivalent to single rates of student allowance, for single students aged over 24 and for sole parents. We recommend this approach continue, as increasing these rates by more than the single-student comparators would significantly change incentives for student allowance recipients.

Financial implications

8. The financial implications of this approach will be reflected in the costings for your tertiary education 100 day manifesto commitments. The impact will not change the cost of the policy, within the tolerances already proposed to Cabinet.

Talking points if you wish to raise this issue in Cabinet

9. I am working with my officials to finalise exactly which rates would be affected by the couples increase.
10. I will ensure that these increases are in line with our decisions here today.

Proactively released

Annex 1: Final student allowance rates: confirming treatment of 'half-couple' and 'combined' rates.

Rate description	Current weekly net rate ('M' tax code)	Basis of rate (inferred)	Increase from 1 January 2018
<i>Single students</i>			
Under 24, childless, living in parental home	\$141.62	Single	\$50
Under 24, childless, not living in a parental home	\$177.03	Single	\$50
Independent Circumstances Allowance	\$177.03	Single	\$50
24 or older, childless, living in parental home	\$169.94	Single	\$50
24 or older, childless, not living in parental home	\$212.45	Single	\$50
Single Student (1+ children)	\$329.57	Sole parent	\$50
<i>Married or partnered students, combined income between \$428.60 and \$892.72 per week</i>			
Childless - living in the same home as spouse or partner	\$76.76	Half-couple: ineligible spouse	\$50
Childless - not living in the same home as spouse or partner	\$114.33	Half-couple: ineligible spouse	\$50
1 or more supported children - living in the same home as spouse or partner - either; not enrolled in more than half of a full-time course OR is enrolled in more than half of a full-time course and is eligible for but does not receive, or is not eligible for, a grant	\$102.03	Half-couple with children: ineligible spouse	\$50
1 or more supported children - not living in the same home as spouse or partner - either; not enrolled in more than half of a full-time course OR is enrolled in more than half of a full-time course and is eligible for but does not receive, or is not eligible for, a grant	\$139.60	Half-couple with children: ineligible spouse	\$50
1 or more supported children - living in the same home as spouse or partner - enrolled in more than half of a full-time course - receives a grant	\$89.39	Half-couple with children: both eligible students	\$50
1 or more supported children - not living in the same home as spouse or partner - enrolled in more than half of a full-time course - receives a grant	\$126.96	Half-couple: both eligible students	\$50
<i>Married or partnered students, no children, combined income not more than \$428.60</i>			
Spouse or partner enrolled in more than half of a full time course - either; receives grant OR does not receive grant but is eligible - childless	\$177.03	Half-couple: both eligible students	\$50
Spouse or partner enrolled in more than half of a full time course - does not receive and is not eligible for grant - childless	\$212.45	Half-couple (equal to single student rate): ineligible spouse	\$50
Spouse or partner not enrolled in more than half of a full time course - childless	\$354.06	Combined rate	\$100
<i>Married or partnered students, one or more supported children, combined income not more than \$428.60</i>			
Spouse or partner enrolled in more than half of a full time course - does not receive and is not eligible for a grant - 1 or more supported children	\$329.57	Half-couple (equal to sole parent rate): ineligible spouse	\$50
Spouse or partner enrolled in more than half of a full time course - does not receive, but is eligible for, a grant - 1 or more supported children	\$202.31	Half-couple rate: both eligible students	\$50
Spouse or partner enrolled in more than half of a full time course - receives grant - 1 or more supported children	\$189.67	Half-couple rate: both eligible students	\$50
Spouse or partner not enrolled in more than half of a full time course - 1 or more supported children	\$379.34	Combined rate	\$100

Key:

	Clear-cut cases: clear single, half-couple or combined rates.
	Clear-cut cases of half-couple rates with ineligible spouse due to couple's earnings.
	Half-couple rates for partnered students: linked to single or sole-parent rates.