

ACTION POINTS

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

Agenda	<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
Draft agenda for 20 November	<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
Attendees	<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, Jim Strivens</p> <p>Department of Prime Minister and Cabinet: Paul O'Connell</p>
Attachments	<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.

NOTED

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.

NOTED

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.

NOTED

2. Officials have been engaging with provider representatives in developing these options.

Officials requested authority to have more open In Confidence discussions with providers. Minister Hipkins AGREED to this.

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.

MoE provided an update on discussions with Prof McCutcheon. In these discussions, MoE explained that, should a provider payment option be the delivery model, providers would be supported to identify eligible students and would not bear the responsibility and risk of eligibility decisions. This was a key concern of universities. MoE explained that Prof McCutcheon was comfortable following this discussion. TEC is now leading engagement with providers.

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

The group updated Ministers on both the provider-payment option and the student-loan scheme delivery option. See commentary in eligibility decisions table below.

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.

See below table

2. These criteria assume the preferred provider payment mechanism. Some options may need to be revisited if the alternative mechanism is adopted.

NOTED

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:

Officials talked through the decisions in the A3s with Ministers, see summary in table below.

Finalising eligibility and coverage for provider-based students

Eligibility		Issues to Discuss
A Residency status YES		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		Agree students will not be eligible for fees-free while enrolled in a school.
C Maximum amount of prior study YES		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.
Coverage		Issues to Discuss
D Applying an EFTS cap to study in 2018 Decisions D and E pending further advice		<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.
<p><i>MoE and TEC explained the complexities and limitations in implementing a per-student EFTS cap for the provider-payment system. A significant amount of manual processing would be required, with costs and administrative burdens on providers. As such, the group advised that it would be preferable to use a maximum dollar cap rather than an EFTS cap to limit costs, inequities in support and risks of adverse behavioural responses by providers and students.</i></p> <p><i>While an EFTS cap is possible to introduce if the Student Loan Scheme delivery method is chosen, the group noted that this is not the preferred delivery option. Reasons include a confusing customer experience for students, and limiting the policy to only those eligible for loans. There are significant complexities to the SLS delivery option for IR, e.g. to stop repayment collections, as well as implementation risk given the current business transformation</i></p>		

project.

Ministers requested more advice on the amount first-year students pay in fees broken down into e.g. bands of thousands or 5 thousands. This will be provided with more advice on options for setting the level of a financial cap in the draft Cabinet paper.

Following the subgroup meeting, Ministers' offices requested advice on the costing implications of choices on different caps (EFTS and dollar caps).

- 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	Applying a dollar cap for individuals Decisions D and E pending further advice See above	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. Ministers have agreed in principle to apply a cap. Officials are continuing to develop and assess options in our costing work.
F	Period of study YES	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).
G	"Banking" entitlements for later use YES	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.

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: <p style="text-align: right;">YES</p> <p><i>The group discussed the minimum of 120 credits criteria, noting that while it would introduce some inequity between eligibility for provider-based education and industry training, the criteria would protect industry trainees from using up their entitlement on employer directed short courses</i></p>	<p>Agree fees free industry training in 2018 target programmes that are:</p> <ul style="list-style-type: none"> - At Level 3 or higher on the NZ Qualifications Framework and - 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 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.</p>
Learner eligibility: <p><i>Agreed this is broadly the right approach – further details to come on any areas where criteria will not fully align.</i></p>	<p>Agree that individuals' eligibility for fees-free industry training be based on the same criteria as for provider-based students.</p> <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? <p><i>Agreed this is broadly the right approach, subject to costing and development of implementation details.</i></p>	<p>We recommend that for 2018, the fees free policy should cover</p> <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. <p>This would exclude other fees trainees pay, such as:</p> <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 <p>Option A pending further advice</p>	<p>We have explored four delivery options for 2018.</p> <p>A: Payments direct to ITOs (<i>currently favoured option for 2018</i>)</p> <p>B: Payments to learners via the ITO</p> <p>C: Industry Training Federation administered fund</p> <p>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>)</p>