



Cabinet Business Committee

Minute of Decision

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Making Tertiary Education and Training Affordable For All: Initial Decisions

Portfolio **Education**

On 16 November 2017, the Cabinet Business Committee:

- 1 **noted** that in October 2017, Cabinet agreed that the Minister of Education would develop a proposal to deliver on the government's 100 Day Plan commitments for tertiary education, in close consultation with the Ministers of Finance, Social Development, Revenue, and the Associate Minister of Education (Hon Tracey Martin) [CAB-17-MIN-0485];
- 2 **noted** that Ministers have considered policy and implementation issues concerning the manifesto commitments to increase both student allowances and the weekly maximum for living cost loans by \$50 a week;
- 3 **noted** that the changes to living cost support for students, outlined under CBC-17-SUB-0013, are designed to make study more affordable and address the rising accommodation costs;
- 4 **noted** that these policy changes are expected to benefit all students who are eligible for student loans and allowances in 2018;
- 5 **noted** that decisions are required to allow sufficient lead in time for the Ministry of Social Development system changes and regulatory amendments;

Increasing the maximum student allowance rates by \$50

- 6 **agreed** to increase Student Allowance rates for all eligible recipients, new and current, from 1 January 2018 by a maximum of \$50 net per week, per adult, based on the M tax code;
- 7 **noted** that a \$50 net per-adult increase will mean increasing couple rates, designed to reflect the living costs of two adults in a relationship, by \$100 net per week based on the M tax code;
- 8 **noted** that the change referred to in recommendation 7 above will mean that additional students will become eligible for up to \$52 of student allowance, as income thresholds will not be changed;
- 9 **noted** that there are plans to also increase the accommodation benefit by \$20 per week from 1 April 2018 as part of the Government's Families Package;
- 10 **noted** that changes to student allowance base rates will have flow-on implications for the relationship between the student support and benefit systems;

Increasing the student loan living cost component by \$50 a week

- 11 **noted** that the maximum weekly student loan living cost entitlement is \$178.81 for the 2017/18 tax year;
- 12 **agreed** to increase the maximum weekly student loan living cost loan entitlement by \$50, which will increase the current maximum entitlement to \$228.81 per week for all eligible recipients, new and current, from 1 January 2018;

Financial implications for increasing student allowances and student loan living costs

- 13 **noted** that the indicative costs detailed in the paper under CBC-17-SUB-0013 allow for 5 percent cost growth as a result of increases from 2019/20 onwards;
- 14 **noted** that there is an interaction between the policy decisions sought in the paper under CBC-17-SUB-0013, and the 100 days commitment to a first year fees-free from 2018, and that:
- 14.1 this policy is expected to be the subject of further Cabinet decisions soon;
- 14.2 at this point, the combined fiscal effects of the two policies will be modelled;
- 14.3 if the combined effect of the two policies is more than allowed for in the costings shown in the paper under CBC-17-SUB-0013, there will be a further impact on the costs of student loans and allowances;
- 15 **agreed** that the following indicative costs be managed against the operating and capital spending that will be reflected in the Half-Year Economic and Fiscal Update to give effect to the decisions in recommendations 6 and 12:

(\$millions)	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears
Increasing student loans living costs by \$50 per week (capital)	47	101	180	182	186
Increasing student allowances by \$50 per week	47	99	125	127	130
Total	94	200	305	309	316

- 16 **agreed** that the estimate in the table in recommendation 15 above will be aggregated with other 100 Day Plan policy commitments to calculate the spending available for future budget allowances;
- 17 **noted** that any further variance will be managed as a pre-commitment against the Budget 2018 allowances;
- 18 **noted** that the finalised costing for the \$50 increase to allowance rates and loan living costs maximum is intended to be submitted to Cabinet on 4 December 2017 for confirmation, and that any adjustments will be reflected at that point and approval sought to detailed changes to appropriations;
- 19 **noted** that finalised costings will include Ministry of Social Development implementation costs, currently estimated at a one-off operating expense of \$600,000 for 2017/18;

- 20 **noted** that costings will be provided to the Treasury by 22 November 2017 for inclusion in the Half Year Economic and Fiscal Update;
- 21 **noted** that due to the timings referred to above, there may be inconsistencies between the impact of final decisions by Cabinet on 4 December 2017 and what is reflected in the Government's Budget Policy Statement and the Treasury's Half Year Economic and Fiscal Update;

Broad eligibility criteria for the fees-free policy

- 22 **agreed** that access to fees-free in the 2018 interim year, a prospective student:
- 22.1 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;
 - 22.2 must be studying at Level 3 or above on the New Zealand Qualifications Framework;
 - 22.3 must be a domestic student eligible for Tertiary Education Commission tuition subsidies;
- 23 **noted** that detailed eligibility criteria will be confirmed alongside decisions on the interim implementation of the fees-free policy for the 2018 year;

Legislative implications

- 24 **authorised** the Minister of Education, in consultation with Ministers of Finance, Social Development, Revenue, and the Associate Minister of Education (Hon Tracey Martin) to make any technical policy decisions needed in the drafting process of the necessary regulations to give effect to the student allowance proposals in the paper under CBC-17-SUB-0013;
- 25 **invited** the Minister of Social Development to issue drafting instructions to the Parliamentary Counsel Office to draft amendments to the Student Allowances Regulations (1998) to give effect to the changes to student allowances rates set out in the submission under CBC-17-SUB-0013.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson
Hon Phil Twyford
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Andrew Little
Hon Carmel Sepuloni
Hon Dr David Clark
Hon David Parker
Hon Nanaia Mahuta
Hon Tracey Martin
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet

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