



Education report: Options for financial support to students during COVID-19

To:	Hon Chris Hipkins, Minister of Education		
Date:	27 August 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1269783
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Messaging seen by Communications team:	No	Round Robin:	Yes

Purpose

This report seeks your direction on:

- whether to progress options for providing additional financial support for domestic tertiary students during COVID-19; and
- whether to seek urgent Cabinet agreement to ensure the continuation of Student Loan living cost payments beyond the three-week study break. To date, it is unclear how many education providers are unable to deliver their programmes and therefore how many students may be experiencing a period of non-activity and what the costs implications would be. However, a quick decision will be needed once more information becomes available.

Recommended actions

The Ministry of Education (the Ministry) recommends you:

Options for providing additional support for students during COVID-19

- a. **agree** for officials to progress work on the following options to provide additional support for learners:

Option 1	Top up and enhance the Hardship Fund for Learners in tertiary education by \$20 million. (preferred)	Agree Disagree
Option 2	Temporarily increase Student Loan Course-Related Costs from \$1,000 to \$2,000, which may cost about \$40 million in operating costs based on 2020 costs.	Agree Disagree

- b. **note** that further work is needed to fully develop costings and/or identify appropriate funding sources
- c. **agree** for officials to prepare a Cabinet paper based on your direction as indicated in recommendations (a) above

Agree Disagree

Continuation of Student Loan living cost payments

d. **note** that:

- i. some learners may become ineligible for Student Loan living cost payments if they cannot learn remotely during higher Alert Levels and their study breaks therefore extend beyond three weeks, and
- ii. for these learners, Cabinet agreement would be needed to ensure the continuation of Student Loan living cost payments beyond a three-week study break, potentially in the next week

e. **note** that further work is needed to fully develop costings and/or identify appropriate funding sources, however, we do not expect costs to be high given that the 2020 costs were around \$4 million in operating costs

f. 9(2)(f)(iv)

g. **agree** for officials to prepare a separate, more urgent, Cabinet paper seeking agreement to ensure the continuation of Student Loan living cost payments beyond the three-week study break for the current financial year

☒ Agree / ☐ Disagree


h. **agree** to forward this report to the Minister for Social Development and Employment and the Minister of Revenue

☒ Agree / ☐ Disagree

i. **agree** that the Ministry release this report once final decisions have been made, with any redactions made in line with the provisions of the Official Information Act 1982.

☒ Agree / ☐ Disagree


Julie Keenan
Policy Director
Graduate Achievement, Vocations and Careers


Hon Chris Hipkins
Minister of Education

27/08/2021

30/ 8/2021

Background

1. In 2020, the Government introduced a COVID-19 student support package. This year, it expanded one of these measures (the Hardship Fund for Learners (HAFL)) with an additional \$10m to cover hardship and technology access [CAB-21-MIN-0108 refers].
2. There are also existing measures to support students during COVID-19 restrictions:
 - a. Eligible students will continue to receive their Student Loan living costs and Student Allowances payments if they are enrolled and remain studying. While most providers can shift their offering online, there will be challenges for some types of provision which may result in extended study breaks for learners (paragraphs 19-23 refer).
 - b. Students who are working may benefit from the COVID-19 employer supports, including the wage subsidy,¹ leave support or the short-term absence payment.
 - c. The Ministry for Social Development (MSD) can assist students with urgent and unexpected costs; treat students as full-time if their study load drops; and use exceptional circumstances policies to manage the impact of COVID-19 on Student Allowances life-time entitlements and student support performance requirements.
3. Some students may not be able to stay engaged in tertiary education without additional financial assistance if COVID-19 restrictions continue. This includes those who are not supported by student loans and allowances, such as part-time or older students. Technology access was a consistent theme in the feedback from students during localised restrictions earlier in 2021.
4. The New Zealand Union of Students' Associations (NZUSA) has now coordinated a [National Student Action Plan on COVID-19](#) seeking extra support for students to recognise increased need due to the recent Alert Level 4 period. This includes a request for increased funding to the HAFL.

The Tertiary Education Commission has allocated most of the additional funding

5. The Tertiary Education Commission (TEC) advises that of the \$10m available for 2021, approximately \$1.3 million has not been allocated to tertiary education organisations (TEOs).
6. TEC intends, and is making plans, to allocate most of the remaining funding to support work-based learners. To date, providers receiving industry training funding have not been allocated any of the additional \$10m, as they can only receive HAFL funding to support technology needs during a prolonged period of restrictions. Trainees or apprentices are employed, so any MSD financial support for hardship can support them.
7. TEC has not received any reports on how much funding TEOs are holding to assist learners (reporting is due in October). TEC is actively engaging with the sector daily to gauge the level of need. Most TEOs are still in the process of contacting learners, but TEC has had significantly increased queries about additional HAFL over the last few days.² This follows the recent COVID-19 announcements, particularly for the Auckland region.

¹ MSD data from June 2020 indicates that 12,135 student support recipients in full-time employment and 25,720 student support recipients in part-time employment were included in a COVID-19 subsidy application.

² This includes requests from Te Wānanga o Raukawa (who mentioned they have been distributing food parcels) and several private training establishments.

8. Specifically, TEC has heard from Massey University that they received 1800 hardship applications over a 48-hour period and expect their remaining funding will get exhausted quickly. Te Pūkenga noted that there had been an unprecedented demand for HAFL, for example MIT had over 200 requests within 48 hours, and EIT currently has 220 hardship applications and 200 requests for devices. TEC expects more specific information on potential need from TEOs by the end of the week.

Options for supporting domestic students during COVID-19 restrictions

Options for providing additional support for students during COVID-19

9. We have analysed two options, both of which require a Cabinet decision. Either option would be a reasonable increase in support to address any immediate need, as well as additional need over the coming months.
10. Given the existing support measures in place, we would prioritise option 1, that is, topping up and enhancing the HAFL. You could subsequently consider an increase to CRCs (option 2) alongside other possible measures as set out in paragraphs 25-27 below. MSD advises that it would be their preference to progress option 1 and rule out option 2.
11. **Option 1 is a top up and enhancement of the HAFL (preferred):** The proposal is to top up the HAFL fund by \$20 million for the current financial year.³ This proposal could also include adjustments to the process for the HAFL fund, after discussion with student representatives and provider groups.
12. **Option 2 is a temporary increase to Student Loan Course-Related Costs (CRCs):** The proposal is to temporarily increase the current maximum CRC entitlement from \$1,000 to \$2,000. This would be available for eligible students who enrol in study from 1 January 2021 to 31 December 2021.⁴ A borrower would only be able to access the additional entitlement once. Last year's increase cost around \$40 million; we have not yet costed this for 2021. This option was not included in NZUSA's Action Plan but was raised in a recent COVID-19 1pm press conference.
13. Based on our analysis (summarised in **Annex One**), we consider that option 1 should be given priority. This is because:
 - a. It would be better targeted as:
 - i. the fund assists those who are less likely to benefit from existing supports; and
 - ii. allocation could be targeted in case of prolonged or local restrictions.
 - b. It would allow providers to respond to increased demand for hardship and technology assistance to enable students to stay engaged in their studies, including Māori, Pacific, and disabled students.
 - c. It would not add to student loan balances.
 - d. It would be less costly than option 2.

³ The current delegation for HAFL covers the 2020/21 and 2021/22 financial years.

⁴ This is to ensure that there will be no overlap with last year's CRC increase.

- e. Implementation by government agencies would be straightforward and undertaken swiftly following Cabinet decisions,⁵ as it would use the existing funding delegation (up until 30 June 2022).
14. TEC would not have to release the funding immediately, but a top-up would ensure additional funding is there if needed – for example, if restrictions continue locally or nationally.
15. The main trade-off with option 1 is that it is less straightforward for students to access the HAFL compared with CRCs. Unlike CRCs, HAFL is designed to provide hardship assistance on a case-by-case basis. It therefore relies on TEOs distributing funding to students. By contrast, eligible students can access CRCs directly. We recommend engaging with students and providers before decisions, to understand opportunities to improve HAFL processes for students. Any proposed adjustments to the way providers disburse HAFL funding may impact speed of delivery. Students may also be disappointed if only option 1 is progressed, as they are calling for a much more generous package (paragraph 28 refers).
16. Option 2 is more costly, but more students would benefit compared to HAFL. However, students who are ineligible for CRCs (such as part-time and older students) would not benefit. These students may have additional needs due to COVID-19 restrictions. It would also increase loan borrowing and future repayment times.
17. Implementation for option 2 would be contingent on MSD's capacity. MSD is making several changes to its operating model and is continuing to administer the COVID-19 Wage Subsidy Scheme, COVID-19 Leave Support Scheme, and the COVID-19 Short-Term Absence Payment during this time.

Continuation of Student Loan living cost payments

18. Further measures similar to last year's COVID-19 response may be required if Alert Level restrictions are extended [CAB-20-MIN-0164 refers].
19. Under current settings, student living support payments cease after three weeks of a study break (many providers are in week one, but there is likely some variation across the sector). MSD only has the discretion to extend this for Student Allowances.
20. Last year, Cabinet extended payment of Student Loan living costs for up to eight weeks in line with the arrangements in place for Student Allowances.
21. Studying remotely will not be an option for all learners while campuses remain closed. This is likely to be in courses with practical elements where theoretical components cannot be re-sequenced. MSD has been contacted by two universities about clinical placements that cannot occur and is expecting to hear from further providers next week following Alert Level announcements.
22. If restrictions continue (nationally or locally), a Cabinet decision will be needed before the end of the three-week period to ensure continuation of Student Loan living costs, which may cost about \$4 million in operating costs based on 2020 costs. For some providers this decision may be needed as early as next week.
23. Given the uncertainty, we recommend you urgently seek agreement from Cabinet to ensure the continuation of Student Loan living cost payments beyond the three-week study break for the current financial year.

⁵ Providers would need to accept the funding allocated to them before the TEC is able to pay the funding.

24.

9(2)(f)(iv)

Other student support options

25. We could explore further student support options, 9(2)(f)(iv)

[REDACTED]

[REDACTED]

Other suggestions made by student representatives

28. Student representatives suggest the Government provide a temporary Universal Education Income. They made a similar suggestion last year. Our advice was that you do not pursue this because it is not well targeted, would be very expensive (an estimated \$720 million for 2020 only), difficult to implement and difficult to phase out, creating a significant fiscal pressure for Government at a fiscally challenging time [METIS 1225871 refers]. This advice still stands.

All options have funding implications

29. We are working to identify possible funding sources and can provide more information on this if you wish to proceed.

Next steps

30. If you wish to proceed, officials will provide a draft Cabinet paper for your feedback. We will work with your office to determine the best process to get the paper to Cabinet.

Annexes

Annex One: Analysis of student support options

Annex One: Analysis of student support options

Table 1. Analysis of student support options

Change options	Advantages	Disadvantages	Administrative implications	Policy costings
<p>Option 1: Topping up the HAFL</p> <p><i>The HAFL recognises that there is no one-size-fits-all approach to meeting the financial needs of individual learners.</i></p>	<ul style="list-style-type: none"> Access to HAFL is open to all in need, providers determine detailed criteria Better targeted as it provides a safety net for those not eligible for other forms of general or COVID-19 specific assistance Support is a grant payment (no additional borrowing for students) Can be regionally targeted Covers hardship and technology access Allows providers to meet increased demand to enable students to stay engaged in their studies, including Māori, Pacific, and disabled students Also open to providers who are funded through the Industry Training Fund Is scalable 	<ul style="list-style-type: none"> Potentially more compliance cost for learners compared to option 2 (application process) Students have told us some providers have opaque or inconsistent processes Limited funding and the targeted nature of the HAFL mean that not all eligible students will receive support May count as income for Student Allowance purposes (if funding is used for living costs) Providers might come to expect this funding on an ongoing basis 	<ul style="list-style-type: none"> Easy for government agencies to administer as it relies on the existing delegation Funding can be allocated quickly following Cabinet decisions TEC can target allocation to where it's most needed (e.g., specific providers based on localised restrictions) Providers are responsible for disbursing funding to students Needs revised communications material 	<p>\$20 million one-off cost</p> <p>(Funding required for Vote Tertiary Education)</p>
<p>Option 2: Temporarily increasing Student Loan CRCs entitlement</p>	<ul style="list-style-type: none"> Allows for flexibility of use ('cash in hand') Can be administered to students quickly through existing channels (not onerous for students) Supplements income for students who are unable to work part-time during Alert Level restrictions to help with their living expenses Is scalable 	<ul style="list-style-type: none"> Only benefits full-time students and those under 55 years old – some ineligible students may have more need Blunt instrument: <ul style="list-style-type: none"> cannot be targeted in case of localised restrictions the full amount is likely to be drawn down by all eligible students⁶ More costly than option 1 Increased debt accrued, especially those who already borrowed the additional CRC entitlement last year Sets up an expectation for students to receive this support during future alert level restrictions 	<ul style="list-style-type: none"> Implementation will be dependent on other urgent work MSD is also responding to MSD advise that the complexity of the change depends on the design of the increase and that a universal increase will require a more complex IT system change Needs communications material 	<p>Indicative cost of \$40 million in 2021/22</p> <p>(Funding required for Vote Social Development and Vote Revenue)</p> <p><i>Note there may be additional implementation costs not included in this figure.</i></p>

⁶ MSD advise that, as at 19 December 2020, 85,798 loan accounts have a course-related costs balance over \$1,000.