



Education report: Draft Cabinet paper – COVID-19: Additional financial support for domestic tertiary learners

To:	Hon Chris Hipkins, Minister of Education		
Date:	31 August 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1270250
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Messaging seen by Communications team:	N/A	Round Robin:	No

Purpose and summary

We have attached, for your feedback and Ministerial consultation, a draft Cabinet paper setting out options for providing additional and ongoing financial support to domestic tertiary learners during COVID-19 restrictions.

We note that the Ministry of Social Development prefer for the proposed discretion around Student Loan living costs to be linked more closely to the COVID-19 outbreak rather than be limited to the current fiscal year (as you agreed earlier this week [METIS 1269783 refers]). This is because this discretion is about providing resilience in the system for future COVID-19 restrictions. We recommend seeking Cabinet agreement accordingly.

Officials are still confirming costings and funding sources for this proposal and will provide an updated version of the Cabinet paper on Wednesday 1 September, for lodging ahead of COVID-19 Ministers Group on Thursday 2 September.

Recommended actions

The Ministry of Education (the Ministry) recommends you:

- agree** to seek Cabinet agreement to ensure the continuation of Student Loan living cost payments beyond the three-week study break during the COVID-19 outbreak
- provide feedback** on the draft Cabinet paper by Wednesday 1 September, to enable lodging for consideration by the COVID-19 Ministers Group on Thursday 2 September
- agree** to forward this report to the Minister of Finance, the Minister for Social Development and Employment and the Minister of Revenue for Ministerial consultation

Agree / Disagree

Agree / Disagree

- d. **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

31/08/2021



Hon Chris Hipkins
Minister of Education

31/ 9/2021

Background

1. On 27 August, we submitted advice on options for providing additional financial support to students during the COVID-19 outbreak [METIS 1269783 refers]. You agreed to this advice and asked for a paper to be prepared for the COVID-19 Ministerial Group meeting on 2 September. This paper seeks Cabinet agreement to:
 - a. top up and enhance the Hardship Fund for Learners (HAFL) in tertiary education by \$20 million for the current financial year; and
 - b. give the Ministry of Social Development (MSD) the ability to continue paying student loans alongside student allowances for an extended study break during the current financial year.
2. We now recommend you revise the proposal set out in paragraph 1(b) above to seek this discretion for the COVID-19 outbreak (rather than it being limited to the current fiscal year). This is to provide for resilience to any future changes in alert levels, consistent with the existing discretion for student allowances.

Status of the draft Cabinet paper

Treasury has provided guidance on COVID-19 related funding requests

3. Treasury advises that before any new funding is sought, an agency should consider reprioritisation elsewhere or absorbing costs in their baselines. Any funding request to the COVID-19 Response and Recovery Fund (CRRF) needs to be urgent and COVID-19 related.

We have identified Fees Free underspends to fund the HAFL top up

4. We recommend that you seek Cabinet agreement to fund the \$20 million HAFL top up through a transfer from the Fees-free Payments category within the Tertiary Tuition and Training Multi-Category Appropriation (MCA) to the HAFL fund within Access to Tertiary Education.
5. Based on current estimates for first year Fees Free and Targeted Training and Apprenticeship Fund (TTAF) costs, Fees-free Payment underspends over the 2021/22 financial year will be approximately \$80 million, out of \$516.5 million baseline.* We note that these estimates will be impacted by uncertainty around enrolment trends for 2022, including in the TTAF. *Correction: the Fees-Free Payments baseline for the 2021/22 financial year is \$541.344m
6. We will provide you a report with updated information on tertiary education demand pressures and estimates for Fees Free payments in early September. We then propose to report back to the Government and Administration Expenditure Review Committee on tertiary education demand pressures, as agreed when the \$50 million transfer from Fees Free payments was agreed to in June 2021 [CAB-21MIN-0243 refers].
7. We had considered other Vote Tertiary Education funding sources with likely underspends in 2021/22 for reprioritisation but ruled these out for the reasons outlined below:

- a. 9(2)(f)(iv)

[REDACTED]

9(2)(f)(iv)

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

c. *Other Vote Tertiary Education funding outside the Tertiary Tuition and Training MCA:* There are some other categories where we may expect some modest underspends in 2021/22. These are in a range of areas such as: Māori and Pacific Trades Training consortia funding, Entrepreneurial Universities (\$2.088 million from 2020/21 underspends was used for HAFL extension in 2021) and the Qualification Development Fund. These underspends are generally small funding amounts, given total funding appropriated. Some of these underspends can also not be realised at this early stage in the financial year, given the uncertainty and small overall amounts involved.

8. We have not included Student Achievement Component (SAC) funding as a potential funding source. While SAC is the largest fund within Vote Tertiary Education, it is expected to have funding pressure from high enrolment volumes in 2021/22. This could result in additional funding being utilised for SAC from other parts of the Tertiary Tuition and Training MCA or the balance sheet mechanism.
9. Seeking funding from the CRRF for the HAFL top up would not be in-line with CRRF expectations to seek funding within the vote for reprioritisation first. This would also lessen funding available for other COVID-19 response priorities.
10. 9(2)(f)(iv)
Treasury has indicated it supports Fees-free payments as the proposed source of funds for the HAFL top up.

We are still working through the funding implications for the continuation of Student Loan living cost payments

11. We are still working on costings for this proposal and will provide these alongside the finalised Cabinet paper tomorrow. Costs are uncertain, as they will depend significantly on provider and occupational regulators' decisions about individual courses and students. This proposal would require additional funding if providers defer courses now but increase the total weeks of provision later.
12. We anticipate costings to be very indicative, but smaller than those associated with last year's change (around \$4 million in operating costs), given that tertiary education organisations are now able to deliver most of their provision online.

Next steps

13. We recommend you consult on this Cabinet paper with the Honourable Grant Robertson. We also recommend you consult with the Honourable Carmel Sepuloni and the Honourable David Parker, as they hold the delegations for student allowances and student loans respectively.

14. We will provide a final draft to your office on Wednesday 1 September, following your feedback and Ministerial consultation.

Annexes

Annex One: Draft Cabinet paper – COVID-19: Additional financial support for students