



Briefing Note: Cabinet Paper Transfer of Fees Free Payments funding to offset tertiary funding pressures, 28 June 2021

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| To: | Hon Chris Hipkins, Minister of Education | | |
| Date: | 28 June 2021 | Priority: | High |
| Security Level: | In Confidence | METIS No: | 1264156 |
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| Messaging seen by Communications team: | No | Round Robin: | No |

Purpose of Report

This briefing note provides you with talking points to support a discussion on your paper at Cabinet on 28 June 2021.

The Cabinet paper seeks agreement to retain \$50 million of an expected \$86.2 million Fees Free underspend within tertiary education to offset an expected \$80.8 million deficit from tertiary education provision in 2020/21. The remainder would be returned to the centre.

Cabinet needs to take decisions on 28 June 2021 in order for the Fees Free payments underspend to be used for a different purpose before the end of the 2020/21 financial year.

Proactive Release

- a. **agree** that the Ministry of Education release this briefing once final decisions on 2020/21 Fees Free payments funding have been made.

Agree / Disagree



James Campbell
Senior Manager, Tertiary Education

28/06/2021

Hon Chris Hipkins
Minister of Education

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Talking points to support a discussion of the Cabinet paper

Talking points

- There has been a significant increase in 2021 enrolments to April 2021 – total enrolments are currently up 11% in qualifications at level 3 and above the same period in 2020.
- In addition, over July to December 2020 additional tertiary education enrolments needed to be funded above allocated funding. These costs could not be offset from other providers under-delivery as the Government had guaranteed all allocated funding to support providers during the uncertainty caused by COVID-19.
- These two factors have resulted in an expected deficit of \$80.8 million in tertiary education funding for provision in 2020/21.
- I propose to offset some of the deficit in funding for tertiary education provision by transferring \$50 million of underspent first-year Fees Free funding. The remaining unspent Fees Free funding, estimated at \$36.2 million, would be returned to the centre.
- The remainder of the deficit would be funded from the balance sheet mechanism, held by the Tertiary Education Commission (TEC), with \$80.2 million remaining on the balance sheet mechanism.
- Fully offsetting the deficit from TEC's balance sheet mechanism would reduce it to \$30.2 million, which would be insufficient going into 2022 to manage volume risks.
- I intend to report back to Cabinet later in 2021 on any expected volume pressures over 2021-2023, after receiving further advice from officials.

Background information

Tertiary Education provision has increased significantly in 2021

1. Enrolment data to April 2021 indicates that total enrolments in qualifications at level 3 and above are up 11% on same time in 2020, comprising:
 - an 8% increase in degree-level and above enrolments, and
 - an increase of 18% in enrolments in qualifications at level 3-7 non-degree
2. The increase in provider-based enrolments in 2021 has been higher than the increase between 2008 and 2009 during the Global Financial Crisis (GFC), (although the 2021 increase is from a lower base). The current labour market remains strong, unlike during the GFC period.
3. Apprenticeship training has also significantly increased over 2021, up by around 30%, as supported by the Apprenticeship Boost Initiative and the Targeted Training and Apprenticeship Fund.

Maintaining a higher balance sheet to manage demand pressures in 2022

4. The funding held on balance sheet mechanism supports the management of funding volume pressures for short-time periods and will be \$80.2 million, or around 4% of main tuition and training subsidy funds.
5. The proposed transfer will maintain an amount of balance sheet mechanism funding that supports the TEC to fully allocate 2022 baseline funding and manage risks from some additional funding pressures in 2021 and 2022, including to meet a policy setting that requires it to fund providers to 102% of their initial funding allocation when there are additional enrolments.