



Lending Briefing Note: Student Loan Scheme Annual Report 2021/22

To:	Hon Chris Hipkins, Minister of Education		
Cc:			
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Purpose of Report

1. The Student Loan Scheme Annual Report 2021/22 (the Scheme) provides information about the Scheme for students, tertiary providers and the general public. Included is a summary the results of the valuation of the Scheme as at 30 June 2022 [METIS 1294250 refers] alongside analysis of borrower lending and repayments.
2. This briefing provides you with a copy of the final Student Loan Scheme Annual Report 2020/21 for tabling in the House on 30 November, together with:
 - a summary of key findings in the annual report
 - some responses to likely questions
 - the tabling process
 - the publication of the report and associated tables and commentary

Recommended actions

- a **note** that once the report has been tabled, the Education Counts website will go live with the report and associated tables and commentary
- b **agree** that the Ministry of Education release this briefing in full once it has been considered by you and the Annual Report tabled in Parliament.

☒ **Agree** ☐ **Disagree**



Katrina Sutich
Group Manager Tertiary Education
Ministry of Education

16/11/2022



Hon Chris Hipkins
Minister of Education

7 /12/ 2022

Background

1. The annual report has been prepared by the Ministry of Education, together with the Ministry of Social Development and Inland Revenue.
2. The Secretary for Education and Audit New Zealand have signed-out the annual report.

Key findings and some responses

3. The key information and findings in the report include:
 - The carrying value of the loan scheme (or value of the loan asset) was \$9,209 million.
 - The nominal (total) balance of all loans was \$16,137 million.
 - The cost of lending was 37.79 cents in every dollar lent (a total of \$489 million over the year ended 30 June 2022).
 - This is the fifth year that repayments have exceeded lending.
 - The total amount borrowed in 2021 was \$1,499 million. This is a decrease of 3.9 percent on the previous year.
 - Students used most (58 percent) of the money they borrowed to pay their fees.
 - The average amount borrowed in 2021 was \$10,197. A decrease of 2.7 percent on the previous year.
 - While New Zealand based borrowers paid back more than in the previous year; overseas based borrowers paid less. It is likely that these changes are due to high employment rates and Covid impacts, respectively.
 - Most overdue borrowing sits with overseas borrowers.
4. The findings in the annual report most likely to be raised in the media following its public release and suggested responses are as follows:

Trend	Issues that may be raised	Suggested responses
Valuation – fair value	Decreased value of scheme	<p>The discount rates used to value the scheme have risen this financial year and this has reduced the value of the scheme by \$1,670 million. These will vary annually depending on interest rates.</p> <p>A positive impact of \$519 million was caused by adjustments to assumptions made for:</p> <ul style="list-style-type: none">• employment• migration• income levels, and• borrower repayments
COVID-19	Impact on repayments	<p>A significant increase in tertiary enrolments reflects the uncertainty of the labour market due to COVID-19.</p> <p>The report is continuing to show the impact of Covid-19 in the operational data</p>

		<p>related to participation and borrowing.</p> <p>New Zealand-based borrowers have their repayments made through the PAYE system if they are salary or wage earners. Repayments from PAYE as at June 2022 were \$1,195 million compared to \$1,068 million as at June 2021, an increase of 12%.</p> <p>As at June 2022, payments directly from NZ based borrowers were \$249 million compared to \$229 million to June 2021, an increase of 8.8%. This increase was influenced by an increase in repayments and transfers from other tax types.</p> <p>As at June 2022, payments from overseas-based borrowers were \$161 million compared to \$198 million to June 2021, a decrease of 19%. This reflects fewer borrowers overseas and of those remaining overseas fewer meeting their repayment obligations during COVID-19.</p>
Fewer students used the loan scheme in 2021, reflecting some impact of Fees Free education and training for students new to tertiary education and high employment.	Affordability of tertiary education	<p>Approximately 47,880 students and trainees were supported through the Fees Free policy in 2021.</p> <p>Students tend to work part time while studying – if work is available¹.</p>
Students borrowed less on average, and the total amount owed by those who finished their study increased.		Students are tending to study higher qualifications, therefore staying in study longer.
The amount of student loan debt decreased, and the average student loan has grown.	Burden of student debt	<p>Government provides an annual maximum fee movement to limit the amount tertiary providers can increase their fees by each year.</p> <p>Students who do study higher qualifications tend to pay off their loans faster.</p>
The total amount of overdue debt increased, and overseas-based borrowers owed 92 percent of the amount overdue.	The effectiveness of overseas-based borrower compliance initiatives.	<p>In the past year the number of overseas-based borrowers with overdue repayments increased by 2.0% percent to 77,492 borrowers.</p> <p>Preventative measures such as contact with borrowers just after they have left New Zealand aim to improve compliance.</p> <p>A range of activities are underway to target a more diverse range of overseas customer groups based on their situation</p>

¹ [Working while studying: Young New Zealand domestic students | Education Counts](#)

		<p>and the length of time they have been away from New Zealand. Activities include:</p> <ul style="list-style-type: none"> • direct messages to those who have recently travelled overseas to advise them of the overseas-based criteria and potential change in their repayment obligations • improved contracts with third-party collection providers to track, trace and facilitate collections from overseas-based borrowers • marketing campaigns to remind overseas-based borrowers of their repayment due dates.
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Next Steps

5. A fuller set of reactive questions and answers will be provided to your office before the tabling of the annual report. The Ministry of Education will work with your office on a press release should it be required.
6. The annual report will be tabled in Parliament. The Bills office will be provided with sufficient copies for tabling on 30 November 2022.
7. The annual report will be published on the Ministry of Education's Education Counts website after it has been tabled. Links will also be available from the Inland Revenue, Ministry of Social Development and StudyLink websites.
8. Associated data tables and commentary (as in the past) will also be published on Education Counts once the report has been tabled.

Proactive Release

9. We recommend that this Briefing is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Proactively Released

ANNUAL REPORT 2021 / 22



Te Kāwhiri
o Aotearoa
New Zealand

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education.govt.nz

This report is also available on the Ministry of Education's website:
educationcounts.govt.nz/publications/

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ANNUAL REPORT 2021 / 22

Student LOAN SCHEME

INCORPORATING THE FINANCIAL SCHEDULES
FOR THE YEAR ENDED 30 JUNE 2022



FOREWORD

The Student Loan Scheme Annual Report 2021/22 provides key information about the Scheme for students, tertiary providers and the general public. The Ministry of Education, the Ministry of Social Development and Inland Revenue worked together to collate the information in this report to demonstrate how the Scheme is performing. The report complements quarterly reporting of information about student loan borrowings and repayments through departmental websites.

Tertiary education has a fundamental role to play in providing the skills and knowledge New Zealand needs for our economy and society to prosper. It also supports those who strive for a better future for themselves and their families.

The Student Loan Scheme, together with other government measures (for example, student allowances, tuition subsidies, fee subsidies and fee regulation), aim to make tertiary education more affordable for people while balancing the costs between individuals, their families and the Government.

The impact of COVID-19 and wider socio-economic factors can be seen in this year's report, including a marked reduction in the value of the Scheme because of increasing interest rates and the reduction in repayments from overseas-based borrowers. For New Zealand-based borrowers, however, we are seeing an increase in repayments, which is likely due to employment and wage growth. This is the fifth year that repayments have exceeded lending.

Our data continues to show that Māori borrowers leave study with less student loan debt than other borrowers but have longer repayment times (except at postgraduate level). This suggests that Māori borrowers are not receiving the same benefits from their tertiary education when they leave study.

In 2021, there was a marked decrease in the number of students borrowing and the amounts borrowed. This drop may be a part of the return to previous pre-COVID-19 trends of numbers of borrowers reducing year-on-year since 2010.



Iona Holsted
Secretary for Education

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At a glance

Since 1992:



1.44m

people have taken out a student loan

PAGE 17



Students have borrowed a total of

\$31.5b

PAGE 17



Borrowers have repaid a total of

\$20b

PAGE 23



826,000

people have fully repaid their student loan

PAGE 25



The number of loan borrowers has increased from 44,202 to

658,325

PAGE 22



Average amounts borrowed, per year, have increased from \$282 to

\$10,197

PAGE 14

Borrowing in 2021

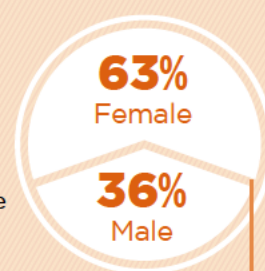
Compared with 2020:

- » There were **34,152** first-time borrowers, an increase of **3.1 percent**
- » The total amount borrowed was **\$1,499 million**, a decrease of **3.9 percent**
 - » Students used **58 percent** of the total they borrowed to pay for course fees
 - » The average amount borrowed was **\$10,197**, a decrease of **2.7 percent**.

- » Of the **146,994** students who borrowed this year*:
 - » **62 percent:** European
 - » **17 percent:** Māori
 - » **16 percent:** Asian
 - » **9 percent:** Pacific people
 - » **5 percent:** other**

* Borrowers can select more than one ethnic group, so the sum of all ethnic groups may not add up to 100 percent.

** Other ethnic groups include borrowers who identified themselves with three or more ethnic groups.



<1%
Gender diverse

Note: Borrowing data is until 31 December 2021

In 2020/21:



146,994

students borrowed
from the loan scheme

PAGE 14



658,325

people had a
student loan

PAGE 22



\$1.6b

was collected in
loan repayments

PAGE 23



106,612 borrowers had
overdue repayments

73%

were overseas-based

PAGE 24



The average
student loan
balance was

\$24,595

PAGE 21

Repayments in 2021/22

- » Overdue student loan debt was **\$2,023 million**; overseas-based borrowers owed **92 percent** of the overdue amount
- » **\$1,195 million** of repayments were made through the PAYE system
- » **\$410 million** of repayments were made directly by borrowers
- » **55,668 borrowers** repaid their loans in full in the year to 30 June 2022
- » The forecast median repayment time for all borrowers who left study in 2020 was **6.6 years**.
- » The forecast median repayment time for borrowers who left study in 2020 and stayed in New Zealand was **6.1 years**.

Value of the Student Loan Scheme in 2021/22

- » The nominal balance of all loans was **\$16,137 million**
- » The cost of lending was **37.79 cents** in every dollar lent (a total of **\$489 million** over the year ended 30 June 2022)
- » The carrying value of the loan scheme (or value of the loan asset) was **\$9,209 million**.

Note: Repayment data is for the financial year ending 30 June 2022.

Introduction

This Annual Report informs Parliament and the New Zealand public about the performance of the Student Loan Scheme, to assure them that the Scheme is achieving its primary outcome – that tertiary education is attainable for all New Zealanders.

Purpose

The report explains the contribution made by the Scheme in enabling access to tertiary education, as well as changes made over the last year. It looks at outcomes and provides detailed information about the people who use the Scheme, their borrowing and repayments. The report includes detailed audited financial schedules, an analysis of costs and the valuation of the Scheme as at 30 June 2022.

When new data is collated it provides information for the most recent year and is also linked to historical data to take advantage of improvements in data quality. Revised data is used in this report, so readers might notice small changes in historical data compared with that in previous reports.

Roles and responsibilities

Ministers and officials

The Minister of Education is responsible for student loan policy and the Minister of Revenue is responsible for all student loan operational matters. The Secretary for Education is the Lead Official for the Student Loan Scheme. This role has been delegated to the Deputy Secretary, Policy.

The Lead Official is responsible and answerable to Ministers for the Student Loan Scheme.

Agency roles

- » The Ministry of Education is the lead agency for student loans, responsible for providing strategic policy advice, forecasting borrower costs, preparing the Annual Report and managing the valuation process. The Ministry of Education provides tertiary education data, as well as information on borrowing before 2000.
- » The Ministry of Social Development (StudyLink) is responsible for making loan payments to students and tertiary education organisations and provides information on active borrowers.
- » Inland Revenue is responsible for the Student Loan Scheme Act 2011. Inland Revenue collects student loan repayments and ensures borrowers meet their repayment obligations. The agency provides information on repayments, loan balances and borrower segments.

- » The Tertiary Education Commission is responsible for approving qualifications for student loan purposes. It is the organisation that leads the administration of the Fees Free tertiary education and training policy.
- » The Treasury is the Government's lead advisor on economic, financial and regulatory policy. Its role is to bring a fiscal and economic focus to student loan policy advice, including the valuation of the Student Loan Scheme and its fiscal sustainability.
- » Stats New Zealand collects and makes available official data and other information and manages the Integrated Data Infrastructure (IDI). Information in the IDI is made available in line with strict privacy and confidentiality protocols developed with guidance from the Privacy Commissioner.
 - » From 2020, there have been significant changes in the IDI data used for the valuation as a result of Inland Revenue's Business Transformation programme.
 - » Stats New Zealand makes the following disclaimer about use of the data: 'The results in this report protect individual persons, households, businesses and organisations from identification. The results presented in this report are the work of the author, not Stats New Zealand.'

Data from these sources is complemented by information drawn from the Census, the Household Labour Force Survey (HLFS) and other published data sources. Each figure and table states the source of its data.

Each agency endeavours to provide accurate and relevant information. The data for the graphs and tables, as well as additional Ministry of Education research cited in this report, can be found on the Education Counts website:

educationcounts.govt.nz/publications/series/student_loan_scheme_annual_reports

Reports are produced by the agencies each quarter to support the Annual Report. Quarterly reporting can be found at:

[Student loan scheme reports \(ird.govt.nz\)](https://studentloan.govt.nz/reports) and [StudyLink Statistics – Ministry of Social Development \(msd.govt.nz\)](https://studylink.govt.nz/statistics)

Legal structure and authority

Student loan eligibility rules are set out in the decisions of Cabinet recorded in Cabinet Minutes. Access to a student loan is provided through a contract between the Crown and the student. The collection rules for student loans are set out in the Student Loan Scheme Act 2011.

The purpose of the Act is to:

- » provide for the effective administration of student loans
- » provide for the collection of student loan repayments
- » provide transparency about student loans so that borrowers understand their obligations
- » encourage borrowers to repay their student loans at the earliest possible time.

Student Loans Integrated Model (SLIM)

This model is used to value the Scheme and support policy development. It is built by actuaries engaged by the Ministry of Education using education, loan and tax data linked by Stats New Zealand and made available in the IDI. It is updated annually to reflect up-to-date conditions. The model is discussed further in **Appendix 2**.

Timeframes

Different timeframes apply to the data series, depending on the nature of the activity. Unless otherwise stated:

- » borrowing data is for the 2021 calendar year (January to December) in keeping with the academic year
- » financial data, including repayment data, is based on the Government's 2021/22 financial year (July to June)
- » the tax year (April 2021 to March 2022) is used for interest rates, living costs, annual inflation adjustments and repayment obligation thresholds.

Further information

Loan borrowing

The Student Loan Scheme consists of the following elements:

- » Compulsory course fees
- » Living costs
- » Course-related costs
- » Fee charges.

For the eligibility criteria go to: [StudyLink.govt.nz](https://www.studylink.govt.nz)

Loan repayments

Inland Revenue administers the collection of student loan repayments. Borrowers have obligations, depending on whether they are defined as being New Zealand-based or overseas-based.

Self-service options make it easier for borrowers, through their online account, to:

- » see what they owe
- » make repayments
- » manage overdue amounts
- » apply for exemptions.

For more information go to: [Student loans \(ird.govt.nz\)](https://www.ird.govt.nz/student-loans)

Student loan outcomes framework

The overall aim of the Student Loan Scheme is to enable a wide range of people to access high-quality tertiary education to gain qualifications, knowledge and skills that enhance the economic and social wellbeing of New Zealand.

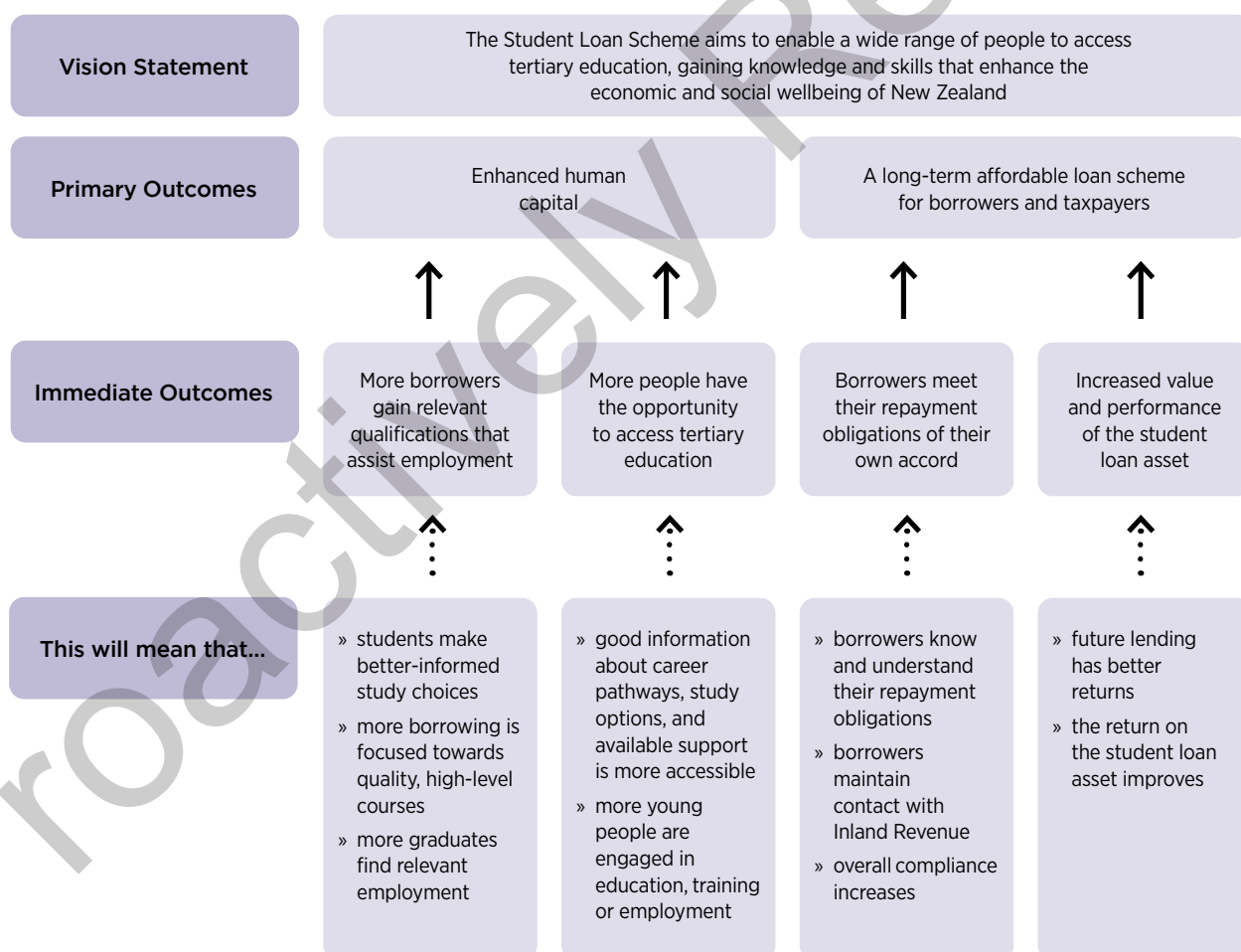
The primary outcomes sought from the Scheme are:

- » enhanced human capital
- » long-term affordability of the loan scheme for borrowers and taxpayers.

Research and analysis indicate that in the short term the loan scheme is a valuable tool in improving access to tertiary education for all New Zealanders.

Figure 1 shows the outcomes framework for the Scheme and identifies the indicators the agencies monitor to assess whether it is achieving the desired outcomes. This report highlights how the agencies are contributing to different elements of the framework.

Figure 1 Outcomes of the Student Loan Scheme



Part One

THE LOAN SCHEME—ITS ROLE, BORROWINGS AND REPAYMENT PERFORMANCE

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The role of the Student Loan Scheme in tertiary education

The Student Loan Scheme enables a wide range of people to access tertiary education, gaining knowledge and skills that enhance the economic and social wellbeing of New Zealand. This section looks at the primary outcomes – to enhance human capital and provide a long-term affordable loan scheme for borrowers and taxpayers.

The student support system includes the Student Loan Scheme (the Scheme) and the Student Allowances Scheme¹. These schemes contribute to the Government's objective of ensuring barrier-free access to tertiary education.

The student support system is complemented by tuition subsidies, fee subsidies and fee regulation. There are improved options for transition from school and vocational pathways with industry to support learners to move into further study or employment.

The overall tertiary education system is supported by the Government's strategic direction for tertiary education over a three- to five-year period².

In 2021, the Government focused on making sure that students receiving student loans and allowances had income continuity if COVID-19 caused prolonged study breaks. It also delivered more temporary support to alleviate hardship for learners most in need through a \$30 million top-up (\$10 million in Budget 2021 and \$20 million in September 2021) to the Hardship Fund for Learners (HAFL). The HAFL was also extended to include funding for technology-related costs where COVID-19 restrictions removed the options for face-to-face study. The HAFL expired on 30 June 2022. A full list of student support policy changes since 1989 can be found alongside the latest Annual Report at: educationcounts.govt.nz/publications/tertiary_education/annual/2555

Tertiary education has benefits for individuals, society and the economy. The economic benefits are discussed later in **Part One**.

The non-economic benefits associated with having a higher qualification include a higher quality of life, better health, greater social cohesion, and a smaller proportion of the population dependent on support through the health and social services systems.

In New Zealand, the costs of tertiary education are shared between the Government, individuals and their families to reflect the shared benefits. Cost sharing also helps to support more people into tertiary study so they can invest in their future.

Cost sharing

Government contribution to tertiary education

Table 1 shows that government expenditure on student loans³ in the 2021/22 financial year was \$489 million, an increase of \$20 million compared with the previous financial year.

Table 1 Funding of tertiary education

Government expenditure (\$ million)		2019/20	2020/21	2021/22
Expenditure (\$ million)	Student loans — fair value write-down on new borrowings	506	469	489
	Student allowances	567	590	556
	Tuition subsidies, Fees Free, HAFL, TAFL	2,407	2,818	2,836
	Total	3,480	3,879	3,882
	Total as % of GDP	1.09	1.13	1.07

Source: Ministry of Education, Tertiary Education Commission and Ministry of Social Development.

Notes:

1. Tuition subsidies are represented by the Student Achievement Component.
2. Fees Free represents the amount spent on paying tuition fees for Fees Free eligible learners via the first-year Fees Free policy and the Targeted Training and Apprenticeship Fund. Some funding to workplace-based learners is included in this appropriation.
3. HAFL represents the Hardship Fund for Learners and TAFL represents the Technology Access Fund for Learners.
4. The following items of expenditure are not covered: industry training, community education, scholarships, Youth Guarantee, centres of research excellence, administration of tertiary education, Performance Based Research Fund (PBRF) and capital expenditure. PBRF figures are not included in this table as in previous Student Loan Scheme Annual Reports as the table has been re-focused to reflect more direct support for managing the cost of tertiary education for students.
5. To allow better comparisons between years, tuition and training expenditure in 2019/20 excludes the accounting impact of the Government guaranteeing funding for providers in 2020 as a result of COVID-19, which meant the expense of funding guaranteed for July to December 2020 needed to be recognised in 2019/20 rather than in 2020/21. This guaranteed funding for providers has been included in the 2020/21 expenditure data. This therefore differs from expenditure recorded in the Estimates of Appropriations for Vote Tertiary Education.

¹ Statistics relating to the Student Allowances Scheme can be found at: msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/studylink

² The Government launched a Tertiary Education Strategy in 2020. It forms part of the Government's broader programme of work to begin a 30-year strategic approach to education. Further information can be found at: education.govt.nz

³ Student loan expenditure is represented using the write-down on new lending. For more information on new lending go to page 29

The increase can be attributed to rising interest rates. **Part Two** has more information about the impact of interest rates on the Student Loan Scheme.

In addition to student loans and allowances, the Government provides significant funding directly to tertiary providers to reduce the costs of tertiary education for students. The small increase in expenditure on tuition subsidies, Fees Free, HAFL and TAFL (\$18 million increase on the previous year) in 2021/22 reflects a decrease in participation in provider-based tertiary education in 2022. This is also a factor in the decreased expenditure on student allowances (a decrease of \$34 million on the previous year).

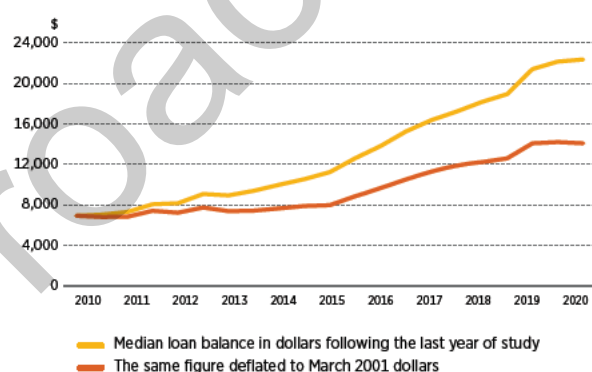
Student contribution to tertiary education

In the five years before 2018, students paid around 32 percent of the full cost of study through tuition fees. However, as a result of policies restricting fee increases, the introduction of first-year Fees Free, and the TTAF, this figure has decreased to 24 percent in 2021. This means that the Government's share was 76 percent in 2021, but in practice it is much larger. This is because much of the students' share is met by interest-free borrowing through the Student Loan Scheme. Once this implicit subsidy is considered, the Government's share rises to 83 percent.

A way of assessing the full cost of the Scheme to borrowers is to consider their loan balances when they leave study, their incomes following study, and the time it takes them to repay their loans while the Government is bearing the cost of the loans being interest-free while they are New Zealand-based.

Figure 2 shows the median loan balances for students at the time they left study between 2000 and 2020.

Figure 2 Median loan balance on leaving study



Source: Stats New Zealand IDI.

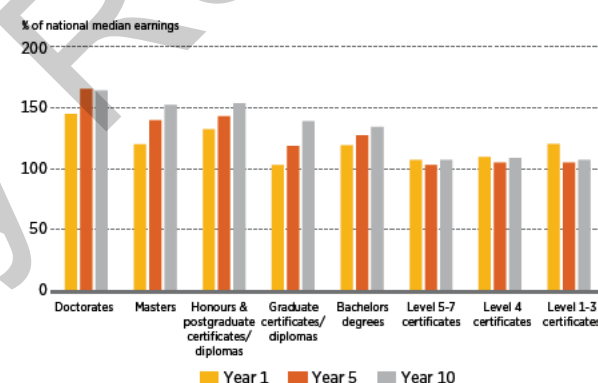
Note: Shown is median loan balance in dollars following the last year of study, and the same figure deflated to March 2001 dollars.

Over the last 21 years, median loan balances on leaving study have increased by 78 percent after adjusting for inflation, with most of this occurring in the last 10 years. This increase resulted from the rise in course fees over time and more students studying for longer to achieve higher-level qualifications⁴.

Despite the rising costs of tertiary education, many economists measure gains in human capital by looking at earnings. Human capital refers to the abilities and skills acquired through investment in education and training. In most cases, having a qualification enhances income-earning potential and employers pay a premium to those who have completed a qualification.

Figure 3 shows that in the tax year ending 2021, five years after graduation, people who completed a Bachelors degree and went into the workforce earned on average 19 percent above the national median earnings.

Figure 3 Median earnings of students who completed a qualification and left study 1, 5 and 10 years ago



Source: Stats New Zealand IDI, Tertiary Education Commission interpretation.

Notes:

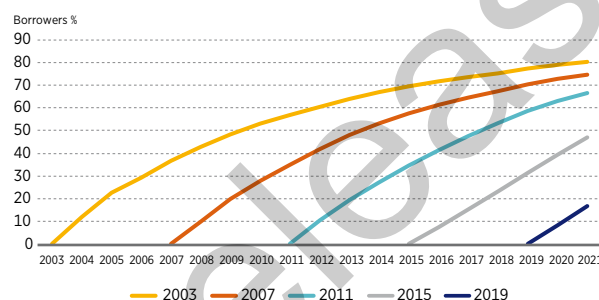
1. Graduate earnings are attributed only to the highest qualification completed by a person.
2. Sources of data used to identify the highest qualification completed by a person include the Single Data Return, Industry Training Register and New Zealand Qualifications Authority register.
3. The definition of employed graduates and employed population is based on a size of income from employed taxable sources. A person is considered employed if their yearly income in the 2021 tax year from employed sources exceeded \$19,650 (one-half of the minimum wage over 52 weeks, with 40 working hours in a week).
4. All earnings are measured in the 2021 tax year (between 1 April 2020 and 31 March 2021). Any negative earnings (income losses) were zeroed for the purposes of this report.
5. For comparison purposes the median earnings of the employed New Zealand population were calculated for age groups matching the median age of graduate groups in each year.
6. All median earnings were rounded to the nearest \$1,000. Percentages presented here are based on rounded earnings.

⁴ Median loan balances by qualification and gender can be found at: educationcounts.govt.nz/statistics/tertiary-education/financial_support_for_students

For New Zealand-based borrowers, a person's income determines the rate at which they repay their student loan, so another way to look at the performance of the Scheme is to look at the rate of repayment of loans.

Figure 4 indicates that of those borrowers who left study in 2003, 80 percent have fully repaid their student loan.

Figure 4 Percentage of borrowers who fully repay having left study in the year shown



Source: Stats New Zealand IDI.

Notes:

1. The leaving cohorts are those who last studied in 2003, 2007, 2011, 2015 and 2019, had borrowed from the Scheme, and had a student loan balance of more than \$20 at 31 March in the following year.
2. Full repayment is deemed to occur when the student loan balance has fallen to \$20 or below.

It is expected that some borrowers will never repay their student loans for a variety of reasons, but these numbers are very low⁵.

Repayment times are discussed further on page 18, where the data shows that those who pursue higher-level qualifications build up a larger student loan debt, but can also expect to pay that debt off more quickly.

Students can fund their tertiary education in several ways, not just with a student loan. To make a good financial investment it is important for learners to have good information on their study and financial options and what income they can expect when they graduate. Several government agencies provide information and tools to supplement the career information and advisory services provided by schools and tertiary education organisations. A list of resources is provided in **Appendix 1**.

5 Research about persistent non-repaying borrowers can be found at: educationcounts.govt.nz/publications/80898/persistent-non-repayers

Participation and borrowing

Since being established in 1992 the Student Loan Scheme, together with the wider system of government financial support, has contributed to the tertiary education system becoming more diverse, inclusive and accessible.

Participation

In 2021:

- » There was a significant increase in domestic participation in provider-based tertiary education, the largest increase since 2003. It followed a small increase seen in 2020 and a period of declining participation up to then. This was more than likely due to the uncertainty of employment opportunities in a COVID-19 labour market. At the same time, the number of international students decreased for the second year in a row, again due to the impacts of COVID-19.
- » Enrolments were higher across all ethnic groups, and for both younger and older age groups, and across all levels of study.

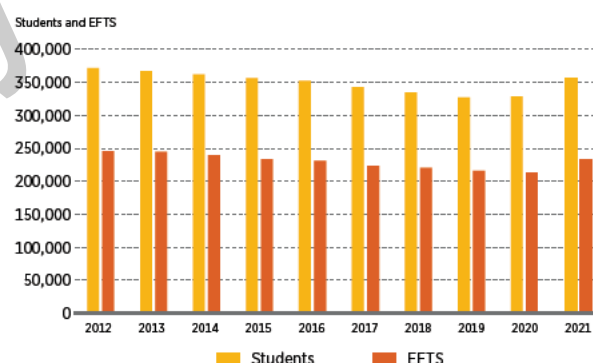
Recent trends in participation

Since 2000, the number of domestic students enrolled in provider-based tertiary education (including those who did not have a student loan) has increased by 14 percent (from 315,000 students in 2000 to 359,000 students in 2021). Much of this increase occurred between 2000 and 2005. The number of domestic students peaked at 452,000 in 2005, while the number of equivalent full-time students (EFTS) peaked in 2010.

Figure 5 shows that over the last decade participation in tertiary education decreased steadily until 2020. Between 2012 and 2019, the number of domestic students decreased by 12 percent to 328,000. Much of this decline in participation was in non-degree tertiary education, which decreased by 21 percent. The number in Bachelors-level and above study decreased by 2 percent. The stronger labour market over this period was a significant contributor to this trend.

However, this decline halted in 2020 as student numbers increased slightly to 329,000 in 2020, and further increased significantly in 2021 to 359,000. Nearly 30,000 more people participated in tertiary education in 2021, up 9 percent from 2020. The number of equivalent full-time domestic students increased by 10 percent to 234,000. These increases are the largest growth in domestic participation in 20 years, in large part due to concerns about the impact of COVID-19 on the labour market, as reduced employment prospects led some to enter, remain in, or return to tertiary education. Both the decline before 2020 and the increases since 2020 are consistent with this established relationship between the labour market and participation in education.

Figure 5 Enrolment by domestic students in tertiary education



Source: Ministry of Education.

Notes:

1. Data relates to domestic students enrolled at any time during the year.
2. Participation excludes industry training, non-government-funded private training establishments (PTES), formal courses of a week or less, and all non-formal learning.
3. The difference between student numbers and EFTS numbers relates to the proportion of part-time students enrolled and the study load they enrol for.

Table 2 provides additional information on participation by domestic students in provider-based tertiary education. Growth has occurred across all ethnic groups, both younger and older age groups, and across all levels of study. It has been strongest at older ages (27 and over) and at the non-degree level.

Table 2 Participation by domestic students in tertiary education⁶

Participation and completion		2019	2020	2021
Domestic students participating in tertiary education	Total (000)	328	329	359
	20 years old and under	86	84	87
	21-26 years old	94	95	102
	27-50 years old	119	122	138
	Over 50 years old	30	28	32
	Female	198	200	219
	Male	130	128	139
	Another gender			1.2
	Māori	74	70	75
	Pacific people	33	33	36
	European	204	207	225
	Asian	51	53	61
Domestic students completing qualifications (000)	Non-degree	72	64	74
	Bachelors	27	27	28
	Postgraduate	14	14	15
	Total	112	104	116

Source: Ministry of Education.

Notes:

1. Data relates to domestic students enrolled at any time during the year.
2. Participation excludes industry training, non-government-funded PTEs, formal courses of a week or less, and all non-formal learning.
3. A small number of students complete qualifications at different levels in the same year, so the sum of the three levels may be higher than the number of students completing their qualifications in a given year.
4. Students are counted in each ethnic group they identify with, so the sum of the various ethnic groups may not add to the total.
5. Counts for students reporting 'another gender' available from 2021 only.
6. Data in this table, including totals, has been rounded so the sum of individual counts may not add to the total.
7. Figures for historical years may differ to those published in previous Annual Student Loan Reports due to subsequent data updates.

In recent years, the number of domestic students completing qualifications has decreased, in line with the decreasing enrolments. However, in 2021 the number of students completing qualifications increased, both for qualifications at degree level and higher, as well as for non-degree qualifications⁷.

Borrowing

Not all students participating in tertiary education borrow from the Student Loan Scheme. Active borrowers are all those people who borrowed in 2021, including those using the Scheme for the first time (first-time borrowers). While the number of active borrowers declined by 1.3 percent in 2021, the number of first-time borrowers decreased by 3.1 percent.

Compared with the 2020 calendar year, in 2021:



- » \$1,499 million was borrowed through the Scheme, a decrease of 3.9 percent
- » 146,994 students borrowed from the Scheme, a decrease of 1.3 percent

» there were 34,152 first-time borrowers, a decrease of 3.1 percent.

For those students who borrowed in 2021:



- » the average amount borrowed was \$10,197, a decrease of 2.7 percent (\$282) on the previous year
- » the median amount borrowed

was \$8,955, an increase of 4.1 percent (\$378) on the previous year⁸.

A key contributor to the decrease in the median and average is the reduction in students borrowing for student loan course-related costs, which were increased in 2020 temporarily to \$2,000 as a COVID-19 support measure.

Demographic characteristics of all active student loan borrowers

One of the primary aims of the Student Loan Scheme is to allow greater access to tertiary education.

The Scheme has contributed to a more diverse tertiary student population than in previous decades when university students were disproportionately European, male and school leavers. Table 3 reflects our most recent demographic characteristics where we see a more diverse population of students.

Table 3 shows fewer male borrowers than female. There has been a decrease in the number of borrowers across all age groups except for those between 21 and 26 years old.

6 Further data on tertiary enrolments and completion can be found at: educationcounts.govt.nz/statistics. Trends in level of study and age profile of borrowers can be found at: educationcounts.govt.nz/statistics/tertiary-education/financial_support_for_students

7 Further data on tertiary enrolments and completion can be found at: educationcounts.govt.nz/statistics. Trends in level of study and age profile of borrowers can be found at: educationcounts.govt.nz/statistics/tertiary-education/financial_support_for_students

8 Supporting information on median and average amounts and full-time and part-time uptake can be found at: educationcounts.govt.nz/statistics/tertiary-education/financial_support_for_students

Table 3 Demographic characteristics of all active student loan borrowers

All active borrowers		2020	2021	2020-2021 change	
				No.	%
Total number		148,905	146,994	-1,911	-1.3
Gender	Female	92,868	92,985	117	0.1
	Male	55,689	53,307	-2,382	-4.3
	Gender diverse	354	705	351	99.2
Age	Average age	26	26		
	Median age	22	22		
	20 years and under	40,677	38,361	-2,316	-5.7
	21-26 years	65,532	67,203	1,671	2.5
	27-50 years	39,615	38,604	-1,011	-2.6
	Over 50 years	3,081	2,841	-240	-7.8
	20 years and under (%)	27.3	26.1		
	21-26 years (%)	44.0	45.7		
	27-50 years (%)	26.6	26.3		
	Over 50 years (%)	2.1	1.9		
Ethnic group	European (%)	59.9	62.2		
	Māori (%)	17.6	17.1		
	Pacific (%)	9.3	9.3		
	Asian (%)	15.3	16		
	Other (%)	4.4	4.5		

Source: Ministry of Social Development.

Notes:

1. All percentages are of all active borrowers.
2. Active student loan borrowers are those who borrowed from the loan scheme in the calendar year.
3. Borrowers can select more than one ethnic group, so the sum of all ethnic groups may not add to 100 percent.
4. Other includes borrowers who identified themselves with three or more ethnic groups.
5. The total number of borrowers includes those who identified as gender diverse.
6. Numbers are not a true reflection of gender diversity, as the option only became available when applying for a student loan from 2 December 2019.
7. The counts of borrowers from 2020 onwards have been randomly rounded to base 3.

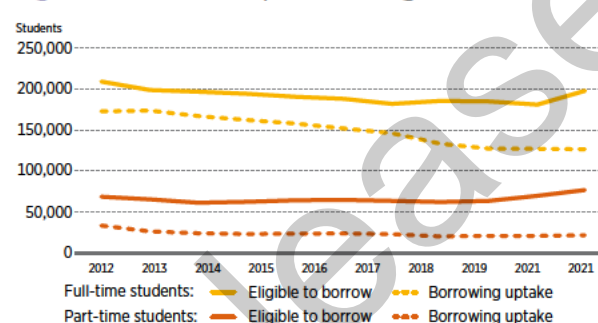
Loan uptake

The overall uptake rate reflects the mix of full-time and part-time borrowers. The overall number of students eligible to borrow continues to increase each year.

The uptake rate of eligible full-time students in 2021 decreased from 70 percent last year to 63 percent.

Part-time eligibility was up 11 percent, while those part-time students who borrowed from the Scheme was up by 1.1 percent.

Figure 6 shows that while the number of students eligible to borrow surged in 2021 compared to 2017, the overall student loan uptake rate has decreased by 16 percent over the same period. From 2020 to 2021, the uptake rate fell to 53 percent of eligible borrowers⁹. There was a decrease of 1,911 borrowers in 2021 compared to 2020.

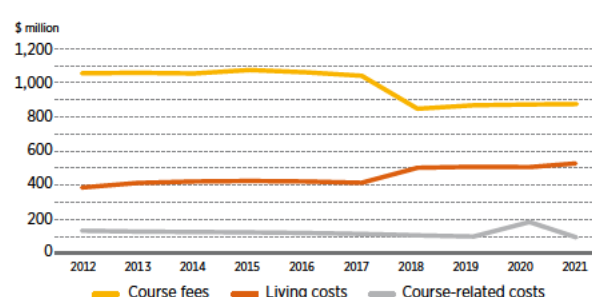
Figure 6 Overall loan uptake and eligible students

Source: Ministry of Social Development and Ministry of Education.

Loans by component

Borrowers can use the Scheme to pay for course fees unless they are entitled to first-year Fees Free or there is no fee charged. The Scheme also provides for living costs and course-related costs for those undertaking full-time study.

Figure 7 shows the impact of the introduction of Fees Free on borrowing in 2018. The steep increase in living costs in the same year is because of the \$50 per week increase available to students. The steep increase in course-related costs is attributed to the support provided to tertiary students during the COVID-19 pandemic. Borrowing availability for course-related costs increased from \$1,000 to \$2,000 for students enrolled in 2020 only.

Figure 7 Total amounts drawn by loan component

Source: Ministry of Social Development.

⁹ In this section, students eligible to borrow are defined as domestic students who studied an approved qualification of 0.25 EFTS or more in an academic year.

Amounts borrowed by sub-sector

The loan components by sub-sectors are shown in *Table 4*.

In 2021:

- » 82 percent (120,873 students) used a student loan to pay for course fees
- » 59 percent (86,466 students) used a student loan to help meet living costs
- » 61 percent (89,358 students) used a student loan to help meet course-related costs.

Table 4 shows that to pay for course fees, on average students at PTEs borrowed 8.5 percent more than students attending university¹⁰. Students at wānanga borrowed the least. University students borrowed the highest average amount in total (\$11,308).

Table 4 Amount borrowed by loan component and sub-sector

2021	Sub-sector	Number of borrowers	Borrowing amount (\$ million)	Average borrowing (\$)
Course fees	University	83,980	646	7,688
	Te Pūkenga	25,278	137	5,416
	Wānanga	1,255	5	4,271
	PTE	10,360	86	8,338
	Total (StudyLink)	120,873	874	7,233
Course-related costs	University	55,756	54	973
	Te Pūkenga	22,172	22	992
	Wānanga	2,113	2	999
	PTE	9,316	10	1,026
	Total (StudyLink)	89,358	88	984
Living costs	University	61,165	403	6,592
	Te Pūkenga	16,300	84	5,144
	Wānanga	1,040	6	5,705
	PTE	7,960	38	4,758
	Total (StudyLink)	86,466	531	6,140
Totals	University	97,554	1,103	11,308
	Te Pūkenga	32,502	243	7,469
	Wānanga	2,511	13	5,338
	PTE	14,420	134	9,280
	Total (StudyLink)	146,994	1,493	10,158

Source: Ministry of Social Development.

Notes:

1. PTE stands for Private Training Establishment.
2. Borrowing amount does not include establishment fees.
3. Total is a count of unique individuals.
4. Totals have been randomly rounded to base 3.

¹⁰ Student loan contracts are for a 52-week period. As many qualifications at PTEs do not follow a traditional academic year, some borrowers may have more than one contract in a calendar year. This means they may be able to access more than one student loan in that year.

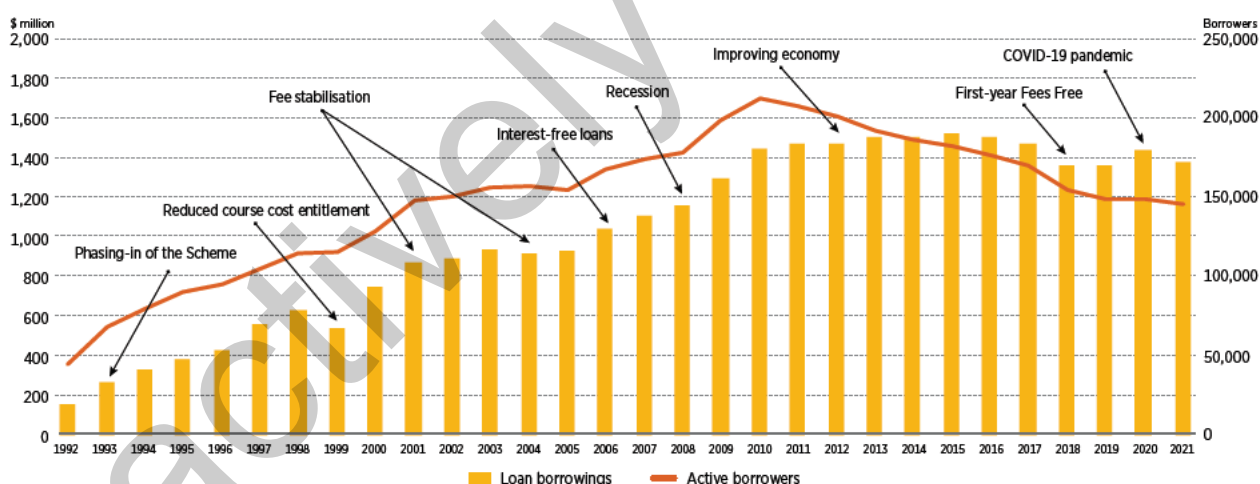
Participation and borrowing history

The Student Loan Scheme has contributed to increased participation in tertiary education.

- » From 1994 to 2021 the number of domestic students enrolled in provider-based tertiary education (including those who did not have a student loan) increased by 46 percent (from 246,000 students to 359,000 students).
- » The number of domestic students overall peaked at 452,000 in 2005, while the number of EFTS peaked in 2010.
- » Between 2010 and 2021, the number of domestic EFTS in non-degree tertiary education decreased by 25 percent, while the number of domestic EFTS in Bachelors or higher study increased by just 6.1 percent. The increase in participation toward higher-level study and away from lower-level study is also reflected in the borrowing data. The proportion of borrowers enrolled in qualifications at degree level and above steadily increased from 60 percent in 2009 to 80 percent in 2021. Over the same period, the proportion of borrowers enrolled in Level 1-4 certificates decreased from 26 percent to 11 percent.

- » Government policies and wider world events have an impact on participation and borrowing and this can be seen in *Figure 8*. Most recently, the impact of measures that the Government took in response to COVID-19, such as the temporary increase in student loan course-related costs, is reflected in increased borrowing figures for 2020¹¹. Since 1992, 1.44 million students have borrowed a total of \$31.5 billion through the Student Loan Scheme.

Figure 8 Borrowing trends since 1992



Source: Ministry of Social Development and Ministry of Education.

Note: Borrowing amount includes establishment fees but does not take into account refunds to the Ministry of Social Development.

¹¹ Further explanation of policies and events that impacted on borrowing are set out in previous Student Loan Scheme Annual Reports. A full list of student support policy changes since 1989, including those introduced as a response to COVID-19, can be found at: educationcounts.govt.nz/publications/series/student_loan_scheme_annual_reports

Leaving debt and forecast repayment times for leavers

One key measure of the affordability of tertiary education for students is how long we expect it will take borrowers to repay their loans in full once they leave study. This is also a critical part of calculating the value of the loan portfolio.

The level of loan balances at the time of leaving depends on many factors such as:

- » field of study and duration of study
- » tertiary education provider
- » individual's pass rate.

Likewise, repayment times are influenced by factors such as:

- » government policy on tertiary education and student loans
- » strength of the labour market
- » type and level of study undertaken.
- » the amount borrowed, and
- » whether a borrower stays in New Zealand or spends long periods overseas.

Table 5 shows the median leaving balances and repayment times for students who gained a qualification in 2020 and left tertiary study.

The median forecast repayment times for graduates has decreased again this year. This reflects the strong domestic repayments from recent tertiary leavers and increased salary inflation expectations impacting the valuation model. A discussion of the changes in the valuation model can be found in **Note 3** of the financial schedules. Table 5 also shows that people with a postgraduate qualification, while having larger loans, are expected to repay more quickly compared with Bachelors-level graduates.

Table 5 Median debt and repayment time for graduates

2020		Median leaving balance (\$)	Median post-study repayment time (years)
All	Level 1-4 certificates	9,590	5.9
	Level 5-7 diplomas	18,460	6.4
	Bachelors and graduate certificates/diplomas	35,940	7.3
	Postgraduate	41,620	6.4
Male	Level 1-4 certificates	8,470	4.6
	Level 5-7 diplomas	20,190	6.2
	Bachelors and graduate certificates/diplomas	37,380	7.1
	Postgraduate	48,200	6.6
Female	Level 1-4 certificates	10,260	6.7
	Level 5-7 diplomas	17,710	6.5
	Bachelors and graduate certificates/diplomas	35,020	7.5
	Postgraduate	37,230	6.2

Source: Stats New Zealand IDI and Ministry of Education SLIM.

Note: The population is those who studied in 2020, but did not study in 2021, and who completed a qualification at the level shown in 2020. Some people who graduate continue to study and they are excluded from this table.

Forecast repayment times of recent tertiary leavers

Tables 6 and 7 look at the expected repayment times of those who left study in 2020. They also provide expected repayment times, depending on the leaving debt of borrowers and whether they remain in New Zealand.

The forecast median repayment time¹² for all borrowers is 6.6 years (previously 7.7 years). This is the time it is expected to take for half of the borrowers who left study in 2020 to have fully repaid their loans. The reduction in forecast repayment times reflects changes in the valuation model, including increased repayments from recent tertiary leavers and future salary inflation expectations.

Māori borrowers have longer median repayment times than other borrowers despite having smaller loans. Asian borrowers have the lowest overall median repayment time, but the highest overall median leaving debt. This suggests that Māori borrowers do not get the same level of return on their investment in tertiary education as other borrowers do.

At certificate Level 1-4 Māori borrowers have a median repayment time of 8.3 years, significantly higher than for other ethnicities. As the level of study increases, the median leaving debt is lower than for other borrowers and the difference in median repayment times reduces until, at postgraduate level, it is close to that of European and Pacific people borrowers (although Māori median leaving debt is lower).

Table 6 Median leaving debt and repayment time by ethnicity and level of study for leavers in 2020

	Certificates 1-4			Certificates/diplomas 5-7			Bachelors			Postgraduate			All levels		
	N	Median repayment time (years)	Median leaving debt (\$)	N	Median repayment time (years)	Median leaving debt (\$)	N	Median repayment time (years)	Median leaving debt (\$)	N	Median repayment time (years)	Median leaving debt (\$)	N	Median repayment time (years)	Median leaving debt (\$)
By ethnicity															
European	8,379	5.8	10,030	5,118	6.1	17,810	15,843	6.7	31,360	5,934	6.4	40,990	35,277	6.4	24,740
Māori	7,422	8.3	9,770	2,094	7.3	15,350	3,816	7.7	28,000	1,065	6.3	33,630	14,397	7.7	15,430
Pacific people	2,448	6.9	9,810	846	7.1	16,540	2,646	7.7	29,120	621	6.5	34,690	6,558	7.3	19,890
Asian	1,002	5.6	9,690	795	5.5	16,770	3,783	6.5	29,930	1,656	5.8	37,540	7,242	6.2	27,790

Source: Stats New Zealand IDI and Ministry of Education SLIM.

Notes:

1. Shown is median leaving debt. Also shown is median post-study repayment time – a mixture of real experience and modelling. Note that these have been independently determined.
2. The population is those who studied in 2020 and did not study in 2021, which is irrespective of qualification completion status.
3. The ethnicity is reported using 'multiple response', meaning that people are counted in each broad ethnic group they identify with.

¹² Forecast repayment times are calculated using actual repayment data to the end of March 2022 and projections from the Student Loans Integrated Model (see Appendix 2 for information about the model).

Whether a borrower stays in New Zealand or goes overseas makes a significant difference to the forecast repayment times. One-half of the borrowers who remain in New Zealand can expect to repay their student loans within 6.1 years, while three-quarters can expect to repay within 10.5 years.

For borrowers who spend time overseas, one-half can expect to take 12.1 years to repay their student loan while three-quarters will take 20.5 years.

Table 7 Forecast repayment times for borrowers who left study in 2020

	% of leavers	Repayment times (years)		
		25th percentile	Median	75th percentile
All	100%	3.4	6.6	11.6
By gender				
Male	37.4%	3.2	6.2	10.6
Female	62.4%	3.5	7.0	12.4
By level of study				
Level 1-4 certificates		2.7	6.7	15.4
Level 5-7 certificates/ diplomas		3.0	6.3	12.2
Bachelors and graduate certificates/ diplomas		4.0	6.9	10.9
Postgraduate		3.3	6.2	10.0
By ethnicity				
European		3.3	6.4	10.8
Māori		3.5	7.7	16.1
Pacific peoples		3.6	7.3	13.9
Asian		3.4	6.2	10.2
By leaving debt band (\$000)				
<5	14.5%	0.7	1.6	3.8
5-10	12.7%	1.8	3.4	6.7
10-15	10.2%	2.7	4.6	8.2
15-20	8.8%	3.4	5.5	9.8
20-25	7.7%	4.1	6.3	10.6
25-30	7.3%	4.8	7.2	11.3
30-35	6.4%	5.3	7.6	11.9
35-40	5.7%	5.8	8.1	12.1
40-45	5.1%	6.6	9.0	13.5
45-50	4.1%	7.0	9.6	14.2
50-55	3.3%	7.3	10.1	15.1
55-60	2.7%	8.1	10.6	15.2
60-65	2.5%	8.3	11.1	15.6
65-70	2.2%	8.7	11.5	16.1
>70	6.9%	10.2	13.6	19.1
By location				
Always NZ-based	87.3%	3.1	6.1	10.5
Not always NZ-based	12.7%	7.5	12.1	20.5

Source: Stats New Zealand IDI and Ministry of Education Student Loans Integrated Model.

Notes:

1. Counts have been randomly rounded and may not appear to add.
2. Ethnicity is reported using 'multiple response', meaning that people are counted in each broad ethnic group they identify with.
3. Shown are quartiles of post-study repayment time, which is a mixture of real experience and modelling. Also shown are percentiles of leaving debt.
4. 'Not always New Zealand-based' indicates a borrower who at some stage has met, or is modelled as meeting, the overseas-based borrower criteria.

Repayment performance

The borrower population is divided into two categories for repayment purposes – New Zealand-based and overseas-based. Repayment obligations differ for each category. The repayment performance of borrowers depends on many factors, such as how many people are actively repaying, economic conditions in New Zealand and overseas, and the effectiveness of collection activities.

For the year ended 30 June 2022:

- » more borrowers repaid their loans in full and left the Scheme than first-time borrowers entering the Scheme
- » the number of people with a loan and the overall amount owed has dropped
- » the total loan repayments increased by 7.3 percent and the total overdue amount went up by 17.6 percent
- » overseas-based borrowers account for most of the overdue amounts, with repayments falling during the COVID-19 pandemic
- » 85.6 percent of overseas-based debt is over two years old and, of this, 37.2 percent is between 5 and 10 years and 25.6 percent between 10 and 20 years old.

Inland Revenue's data intelligence platform enables targeted compliance approaches to borrowers based on their individual circumstances. For example, Inland Revenue may take a different approach to borrowers who have recently travelled to those who have been outside New Zealand for several years.

Inland Revenue continues to look for ways to make it easy for borrowers to meet their obligations. The easiest way for borrowers to do this is to manage their loan in myIR. Eighty-two percent of all student loan borrowers are registered for myIR, with 85 percent having logged in during the past year. Overseas-based borrowers have significantly lower registration and log-in rates with 58 percent registered and 63 percent logged in over the past year.

Inland Revenue's online repayment calculator helps borrowers to work out their student loan repayments based on their situation, and shows how long it will take to pay off their loan, including the impact of making extra repayments.

Overview of student loans as at 30 June 2022

Table 8 gives an overview of each group and an overall position for the last three years.¹³

Table 8 Overview of Student Loan borrowers

New Zealand-based borrowers			
	2019/20	2020/21	2021/22
Number of borrowers	584,212	575,486	555,606
Nominal balance (\$ million)	12,611	12,835	12,602
Median loan (\$)	15,585	15,838	16,281
Average loan (\$)	21,697	22,316	22,764
Overseas-based borrowers			
	2019/20	2020/21	2021/22
Number of borrowers	108,274	104,461	102,719
Nominal balance (\$ million)	3,524	3,425	3,527
Median loan (\$)	23,366	22,223	23,407
Average loan (\$)	32,528	32,715	34,491
All borrowers			
	2019/20	2020/21	2021/22
Number of borrowers	692,486	679,947	658,325
Nominal balance (\$ million)	16,135	16,261	16,129
Median loan (\$)	16,422	17,154	17,262
Average loan (\$)	23,307	23,915	24,595

Source: Inland Revenue administration data.

Note:

The nominal balances exclude accruals and so differ from that shown in the accounts.

¹³ Average and median loan balances for the last five years can be found at: educationcounts.govt.nz/statistics/tertiary-education/financial_support_for_students

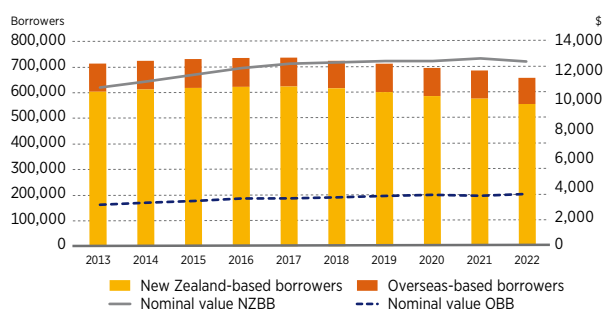
Number of borrowers and nominal value of loan balances



As at 30 June 2022, there were 658,325 student loan borrowers compared with 679,947 as at 30 June 2021, a reduction of 3.2 percent¹⁴. Those borrowers owe a total nominal balance of \$16,129 million¹⁵.

Since 2019, more borrowers have left the Scheme than have entered, causing a reduction in the overall number of borrowers.

Figure 9 Number of borrowers and nominal balance

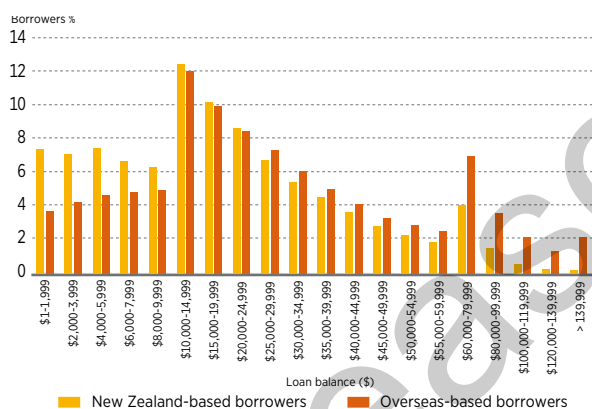


Source: Inland Revenue administration data.

The nominal balance of all loans includes all borrower obligations – the loan principal outstanding, fee charges, interest and any late payment interest charged on overdue amounts, as well as any repayments or loans written off¹⁶.

The nominal balance decreased this year by \$123 million, or less than 1 percent, on the previous year. Despite the slight decrease in the nominal balance, the 3.2 percent decrease in the total number of borrowers means that the average amount owed per borrower is 2.8 percent higher than last year at \$24,595.

Figure 10 Distribution of loan balances



As at 30 June 2022:

- » 56 percent of overseas-based borrowers had a loan balance of \$20,000 or more, an increase of 1 percent on 2021, compared to 42 percent of New Zealand-based borrowers (no change on 2021).
- » 22 percent of overseas-based borrowers had loans of \$50,000 or more, an increase of 2 percent on 2021, compared to 11 percent of New Zealand-based borrowers (an increase of 1 percent on 2021).

Overseas-based borrowers are likely to have higher balances as a result of being charged interest on their loans, as well as the high level of non-compliance and subsequent late payment interest charges¹⁷.

¹⁴ Age range of borrowers can be found at: educationcounts.govt.nz/statistics/financial_support_for_students

¹⁵ Excluding accruals.

¹⁶ Loan balances can be written off due to death, bankruptcy or fraud, or when they are \$20 or less.

¹⁷ Borrower numbers by activity can be found at: educationcounts.govt.nz/statistics/financial_support_for_students

Loan repayments



Borrowers have repaid \$20,030 million since the Scheme began.

Although the number of borrowers in the Scheme has continued to decline and COVID-19 has impacted individuals and economies throughout the world, student loan repayments have continued to increase.

Table 9 shows that in the year to 30 June 2022 we received \$1,604.7 million in student loan repayments.

Table 9 Loan repayments

Repayments	2019/20	2020/21	2021/22
\$ million			
PAYE	1,092.8	1,067.8	\$1,194.8
From borrower	384.4	427.0	\$409.8
Total	1,477.3	1,494.7	\$1,604.7
Annual % change			
PAYE	9.7	-2.3	11.9
From borrower	2.6	11.1	-4.0
Total	7.8	1.2	7.3

Source: Inland Revenue administration data.

Note: Totals may not appear to add because of rounding.

In 2020, Inland Revenue moved the student loan accounts to a new core operating system. The change to payday filing (instead of monthly) for businesses meant student loan repayments through the PAYE system were being accounted for earlier than in previous years. This resulted in a one-off increase of \$70 million in 2019/20. The negative percentage (in 2020/21) reflects the levelling of the change.

Overall repayments increased this year by 7.3 percent (\$110 million) compared to last year. The increase is driven by an 11.9 percent (\$127 million) increase in repayments made through employer deductions from salary and wages (PAYE).

Repayments received directly from borrowers fell by 4 percent (\$17 million) overall this year compared to last year. This was driven by a decrease of 18.8 percent in repayments from overseas-based borrowers. In comparison, repayments directly from New Zealand-based borrowers increased by 8.7 percent. The reduction in overseas repayments can be attributed to a decrease in the number of overseas-based borrowers, as well as a fall in the percentage of those borrowers remaining overseas meeting their repayment obligations, which has happened during the COVID-19 pandemic¹⁸.

Part Two shows total amount lent over 2021/22 was \$1,287 million¹⁹. This is the fifth consecutive year that repayments have exceeded lending.

¹⁸ Repayments by category can be found at: educationcounts.govt.nz/statistics/financial_support_for_student

¹⁹ This is new borrowings less refunded course fees. See Table 15 on page 32.

Overdue repayments

Total overdue repayments



Student loan repayments become overdue when borrowers do not meet their repayment obligation by the due date. Most New Zealand-based borrowers are salary and wage earners

who have deductions made per pay period through PAYE so are unlikely to get into default. Repayment due dates are sometimes missed by borrowers with self-employed or other assessable income and by overseas-based borrowers.

Table 10 shows that while the overall number of borrowers with overdue repayments has gone up by 3.6 percent, the overdue amount has increased by 17.6 percent.

Over 90 percent of the value of all overdue repayments are with borrowers who are currently overseas. Around three quarters of all overseas-based borrowers have overdue repayments. Overseas-based borrower default therefore makes up a large and increasing amount of overdue repayments, which is a continuation of a long-term trend. Ongoing global impacts of COVID-19 are likely to have contributed to the increase in the number of borrowers defaulting this financial year.

Table 10 Overdue student loan repayments

Overdue repayments	2021	2022	% Change 2021-2022
New Zealand-based			
Overdue amount (\$m)	140.9	152.4	8.2
No. of borrowers	26,962	29,120	8.0
Average amount outstanding (\$)	5,227.3	5,233.0	0.1
Overseas-based			
Overdue amount (\$m)	1,579.6	1,870.3	18.4
Number of borrowers	75,965	77,492	2.0
Average amount outstanding (\$)	20,793.9	24,135.7	16.1
Total/overall			
Overdue amount (\$m)	1,720.5	2,022.7	17.6
Number of borrowers	102,927	106,612	3.6
Average amount outstanding (\$)	16,716.2	18,972.6	13.5
Percentage of total borrowers			
Percentage of New Zealand-based borrowers with overdue repayments	4.7	5.2	0.6
Percentage of overseas-based borrowers with overdue repayments	72.7	75.4	2.7
Percentage of borrowers with overdue repayments who are overseas-based	73.8	72.7	-1.1

Source: Inland Revenue administration data.

Note: Not all numbers add due to rounding.

The number of New Zealand-based borrowers in default increased by 8.0 percent in 2021/22; the overdue amount grew by 8.2 percent. Whereas in 2020/21, we saw a reduction of 8.3 percent in the number of New Zealand-based borrowers in default, with a 5.9 percent increase in the overdue amount.

The rise in New Zealand-based overdue numbers includes some returning overseas-based borrowers and their amounts overdue are now included under the New Zealand-based default.

Although the number of overseas-based borrowers in default increased by 2 percent, the value of the amount overdue has increased by 18.4 percent compared to 30 June 2021. Many overseas-based borrowers with overdue amounts have been outside New Zealand for more than 10 years and interest, late payment interest and the amount of assessed loan that is overdue is continuing to grow.

Throughout the pandemic, Inland Revenue had focused more on supporting borrowers to stay on track with their repayment obligations rather than on compliance activities, such as recovery and enforcement. As the overall impact of the pandemic is now reducing, Inland Revenue has a range of approaches to improve compliance over time.

Age and location of overdue repayments

Table 11 shows overdue repayments continue to be impacted by old overdue debt, particularly those over two years old²⁰. The biggest impact on overdue repayments is the non-compliance of overseas-based borrowers, which can also have flow-on impacts on New Zealand-based borrower debt if they eventually return to this country. The longer a borrower is out of New Zealand, the less engaged they are with their student loan (85.6 percent of overseas-based borrower default is more than two years old).

Table 11 Age of overdue repayments by location

Age of overdue repayments	New Zealand-based borrowers		Overseas-based borrowers	
	\$ million	%	\$ million	%
0-1 month	0.0	0.0	0.0	0.0
2-3 months	9.9	5.7	0.3	0.0
4-6 months	7.8	4.5	70.3	3.8
7-12 months	1.7	1.0	65.3	3.5
1-2 years	13.1	7.6	131.6	7.1
2-5 years	45.0	26.0	421.5	22.7
5-10 years	62.0	35.8	689.3	37.2
>10 years	33.7	19.5	474.8	25.6
Total	173.3	100.0	1,853.2	100.0

Source: Inland Revenue administration data.

Note: Totals may not appear to add because of rounding.

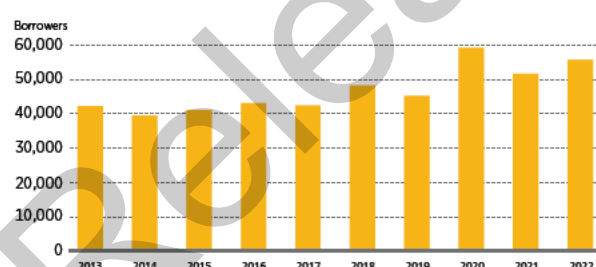
Loans fully repaid



In the year to 30 June 2022, 55,668 borrowers repaid their loans in full. More than 826,000 borrowers have repaid their loans since the Scheme began.

Figure 11 shows the number of loans repaid over the last 12 years. The increase in repayments in 2013 reflects the cancellation of the voluntary repayment bonus on 1 April 2013, which may have contributed to the spike in repayments that year as borrowers fully repaid while still eligible for the bonus.

Figure 11 Number of loans fully repaid



Source: Inland Revenue administration data.

Note: Historical data can be changed because loans can be booked to previous tax years when they are repaid.

The spike in 2020 in comparison to previous years was due to Inland Revenue undertaking account maintenance in preparation for its transition into the new software system. The new system now enables overnight closure of most accounts, meaning these cases can be reported sooner.

20 The age and movement of overdue repayments for the last seven years can be found at: educationcounts.govt.nz/statistics/financial_support_for_students

Loan write-off

Loan balances of borrowers who die, are declared bankrupt, or are victims of identity fraud are written off. *Table 12* shows that in the year to 30 June 2022:

- » \$0.50 million was written off due to bankruptcy. However, \$0.56 million was reversed, resulting in a net negative write-off of \$0.06 million. Since 1 April 2020, write-offs for bankruptcy are only applied to the account when the borrower is discharged. This ensures any dividends that may become available in the course of bankruptcy can be applied to the student loan balance before any write-offs occur. Most reversals of the \$0.56 million were the result of previously written off amounts (based on the previous operational policy) being reinstated. These payments were received from bankruptcy cases combined with the lower levels of write-offs due to the change in Inland Revenue's operational approach.
- » \$23.9 million was written off due to the death of borrowers. *Table 12* shows a significant decrease from the previous year in the number of deceased borrowers with a student loan, reflecting the work done to identify deceased customers in previous years. Inland Revenue works closely with other agencies to identify deceased customers so accounts can be finalised as quickly as possible.
- » A very small number of loans that were granted before 2000 were written off due to identity theft. However, \$0.18 million was incorrectly written off due to a manual error and subsequently reversed when the error was identified. This resulted in a total net negative write-off figure of \$0.11 million.

Table 12 Write-off due to death, bankruptcy or fraud

Write-offs	2019/20	2020/21	2021/22
\$ million			
Bankrupt	13.6	3.9	-0.06
Deceased	30.8	37.3	23.9
Fraud	0.26	0.23	-0.11
Number of cases			
Bankrupt	1,054	103	34
Deceased	1,898	2,633	1,487
Fraud	<6	<6	<6

Source: Inland Revenue administration data.

Note: In April 2020, new legislation was introduced to allow for loans taken out prior to 2000 to be written off if identity theft has occurred and the correct borrower cannot be identified.

Part Two

COSTS OF THE SCHEME

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Costs of the Scheme

The Government incurs costs in running the Student Loan Scheme: in lending to students, the subsidies built into the Scheme and administration.

Interest rates and fair value

Interest rates

Overseas-based borrowers are charged interest. The interest rate formula is set out in regulations and is based on the average rates of 10-year government stock over the preceding five years. New Zealand-based borrowers are not charged interest.

In the year ending March 2022, the interest rate was 3 percent. For the year ending March 2023, the interest rate is 2.8 percent and this is predicted to remain close to 3 percent for a further two years.

Interest rates have risen over the 2021/22 year. As a result, we expect the interest for overseas-based borrowers to increase from 2025. However, the increase in interest rates has an immediate effect on the value of the Scheme to the Government – the fair value.

Fair value

The Scheme is valued on a fair value basis. This is the amount for which the student loan debt could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of the Student Loan Scheme is \$9,209 million (\$10,841 million last financial year).

The fair value calculation discounts expected repayments using a current view of future interest rates (the discount rates). The discount rates used to value the Scheme have risen this financial year and this has reduced the value of the Scheme by \$1,670 million.

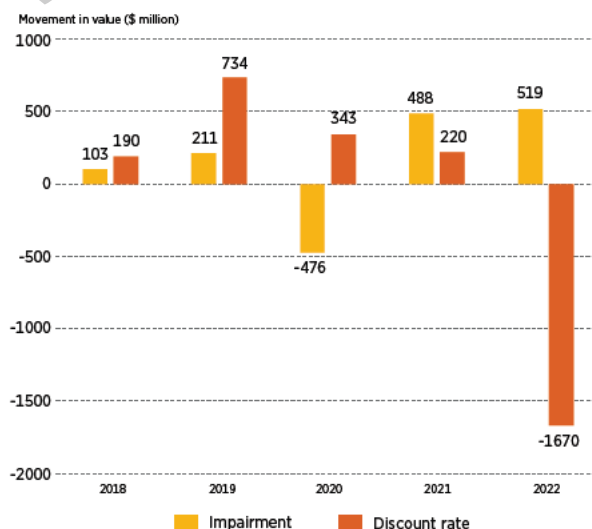
Other movements in value we call an 'impairment'. This is the result of changes in the expectation of future repayments and is independent of the effects of changing discount rates.

Figure 12 shows the movements in the fair value of the Scheme over the last five financial years due to impairments and changes in discount rates.

Over the last five years the value of the Scheme has increased by \$845 million due to an improved outlook for repayments²¹. Over the same period the value has decreased by \$183 million as a direct result of discount rate changes. Over the first four years discount rates fell, increasing the value of the Scheme, but in this last year rates have risen sharply – more than offsetting all these gains. Because rates have risen, the subsidy inherent in no interest for New Zealand-based borrowers has increased too, and this is what we are seeing in this movement in value.

It is important to note that the fair value is from a hypothetical markets perspective. As a result, a risk adjustment is used to adjust the value to represent the price for bearing uncertainty in the cash flows. Without this risk adjustment (that is, valuing at only the Government's risk-free discount rates) the Scheme's value would be 16 percent higher (\$1.5 billion).

Figure 12 Movement in the fair value due to impairment and discount rate changes over the last five years



Source: Ministry of Education.

Notes:

1. The Impairment shown applies to the fair value and so differs from the impairment of the carrying value reported in earlier Annual Reports.
2. Changes in value arising from changes in the collection expense assumptions have been attributed to Impairment.

²¹ See Note 3 to the accounts on page 39 for a full description of these movements for this valuation.

Cost of lending

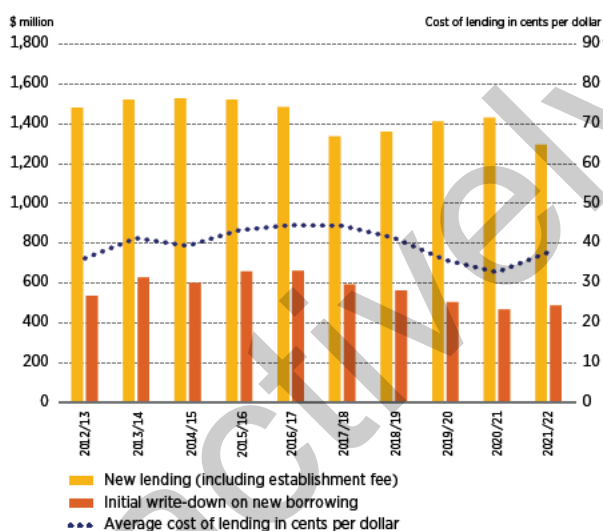
The key measure of the loan scheme's cost is the write-down on new borrowing, which estimates the long-term economic cost of lending (that is, the Government's implicit subsidy). The write-down value is the difference between the estimated value of future repayments using current discount rates²² and the amount lent. It enables full recognition of cost²³ at the time funds are lent to the borrower.

Figure 13 shows that in 2021/22 lending was \$1,294 million²⁴ and there was an initial write-down on new lending of \$489 million. This means that the best estimate of the life-time cost of this lending was \$489 million – or on average 37.79 cents for each dollar lent in 2021/22 (an increase over the 32.75 cents for each dollar lent in 2020/21)²⁵. The increased average cost of lending this year reflects increasing discount rates

There are several reasons why the cost of lending is large:

- » there is no interest on the loan for New Zealand-based borrowers, which means that the longer it takes to repay, the less value the Government receives from the repayments
- » borrowers in New Zealand are only required to make repayments when income exceeds the threshold (\$409 per week until April 2023), so time spent out of the workforce delays repayments
- » loans are written off by the Government when a borrower dies or becomes bankrupt
- » a large proportion of borrowers overseas do not meet their repayment obligation (see **Part One**)
- » the discount rate is higher than risk-free rates (a risk adjustment – 1.95 percent on average over the 2021/22 financial year – was added to risk-free rates to recognise future uncertainty).

Figure 13 Lending and initial write-down on this lending



Source: Ministry of Education.

22 The cost of lending is based on discount rates that applied at the time of lending.

23 This 'full cost' is an estimate limited by the accuracy of the projected repayments and the discount rates. Changes to the projections will change the value of the Scheme.

24 This lending is net of refunded course fees and included the establishment fee.

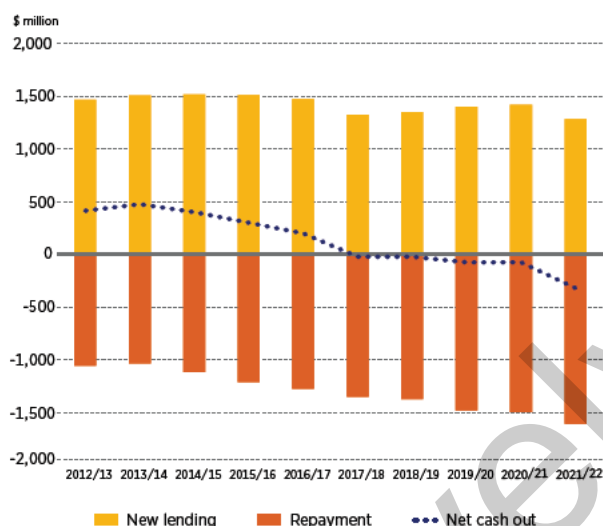
25 The cost of lending in cents per dollar lent can be found at: educationcounts.govt.nz/statistics/financial_support_for_students

Cash cost

An alternative measure of the cost of the Scheme is the annual net cash cost – the difference between the amount lent and the repayments received. Historically, the Government has lent more than it receives back, but over the last five years repayments have exceeded lending. This year total lending was \$1,287 million, while repayments to Inland Revenue were \$1,605 million, meaning the Scheme had a cash surplus of \$318 million.

Figure 14 shows lending and repayments in the financial years from 2012/13 to 2021/22 and the difference between them as a dotted line.

Figure 14 Lending and repayments



Source: Ministry of Education.

The net cash cost over the first five years shown in Figure 14 was \$1,804 million, while over the last five years there was a cash surplus of \$504 million.

There are three drivers for this fall in the cash cost:

- » The number of people borrowing in a year fell by 24 percent from 192,257 in 2013 to 146,994 in 2021. This offset the increase in average lending and kept total lending at around \$1,500 million until 2018.
- » The increase in the repayment rate from 10 cents to 12 cents from 1 April 2013 has inflated repayments. While this increase was some time ago, it is still generating increased repayments from lending which occurred before the change.
- » The first-year Fees Free study for first-time students from January 2018 has reduced lending for course fees by around \$200 million a year²⁶.

Cost of Crown ownership

The assets on the Crown's balance sheet, such as the Student Loan Scheme, have a cost associated with them which is the cost of capital.

Measuring the Crown's cost of capital is not straightforward. The Crown faces a direct and obvious cost of borrowing when it raises debt. This cost is almost always lower than that faced by the private sector, because sovereign borrowers normally have a higher credit rating than private companies.

The Crown's cost of capital reflects both the direct cost of borrowing and the risks associated with each of the Crown's investments.

The appropriate proxy that represents the associated capital costs of the Student Loan Scheme to the Crown is given by the discount rate of 7.36 percent, which is also the rate used to derive the fair value of the asset. This discount rate consists of the representative risk-free rate (3.85 percent), the risk adjustment (3.08 percent), and the costs of collection and administration of the Scheme (0.43 percent).

The proxy for the Crown's cost of holding the asset on 30 June 2022 is set out in Table 13.

Table 13 Government's cost of ownership of the Student Loan Scheme

Fair value of the asset	\$9,209 million
Discount rate for the asset	7.36%
Cost of capital associated with the Student Loan Scheme	\$678 million for the financial year 2022/23

Source: Ministry of Education.

26 Lending in 2020 was lifted by the temporary increase in the course-related cost entitlement as part of the Government's COVID-19 response.

Agency costs

The cost of administering the loan scheme varies from year-to-year, depending on the number of borrowers, the number of transactions, and any system changes required to implement new policies.

Table 14 shows the costs for the agencies who administer the Student Loan Scheme, which is a mix of estimated and actual costs. These costs differ by agency, depending on how their appropriations are structured.

Table 14 Student Loan Scheme administration costs

	2017/18	2018/19	2019/20	2020/21	2021/22
	\$ million				
Ministry of Social Development	16.5	16.8	18.0	22.7	24.5
Inland Revenue	29.2	30.2	31.7	28.8	27.7
Ministry of Education	0.9	0.8	1.0	0.9	0.9
Statistics New Zealand	0.8	0.9	0.9	1.0	1.0
Gross agency cost	47.4	48.7	51.6	53.4	54.1

Source: Ministry of Social Development, Inland Revenue, Ministry of Education and Stats New Zealand.

Notes:

1. All amounts exclude GST.
2. Inland Revenue's administrative costs have been restated to exclude business transformation costs.

The agency costs associated with administering the Scheme in 2021/22 are estimated to be \$54.1 million. Over this period \$1,287 million was lent by the Scheme and \$1,605 million in repayments were collected, meaning that the agency costs as a proportion of Scheme turnover were 1.87 cents in the dollar.

The increase in the Ministry of Social Development's administration costs compared with 2020/21 is the result of extra staff resources, mainly due to COVID-19 and remuneration increases across Service Delivery. Also, overhead costs have increased due to COVID-19 and the Ministry of Social Development's new Te Pae Tawhiti – Our Future associated costs, particularly within the IT area.

Inland Revenue administration costs have decreased in line with the reduction in overall Inland Revenue expenses. This is a result of productivity improvements arising from their recent Business Transformation programme.

The Ministry of Education is the lead agency for the Scheme, providing policy advice, the valuation of the Scheme and this report.

Stats New Zealand manages the IDI. Its costs associated with the Scheme cover the collation and management of data, including those directly attributed to these activities, plus overhead costs where appropriate.

Borrowers contribute to the cost of administering the loan scheme through a \$60 establishment fee charged to the borrower's account by the Ministry of Social Development when the loan is first drawn down. Borrowers are also charged an annual administration fee of \$40 if the establishment fee has not been charged in the same tax year.

Table 15 Nominal and carrying value movements

		2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022
Notes		\$ million—Actual									
Nominal value											
Opening balance		12,969	13,562	14,235	14,837	15,340	15,735	15,869	16,034	16,134	16,260
New lending	3	1,470	1,511	1,518	1,512	1,475	1,328	1,351	1,404	1,422	1,287
Establishment fee	1	11	11	11	10	10	9	9	9	9	8
Administration fee	2	21	22	22	23	23	23	23	24	22	22
Repayment	3	-1,054	-1,032	-1,114	-1,209	-1,273	-1,348	-1,371	-1,477	-1,495	-1,605
Interest		156	151	141	135	120	111	110	87	93	69
Penalties		43	49	58	64	72	74	92	98	116	121
Voluntary repayment bonus		-32	-14	0	0	0	0	0	0	0	0
Death write-off		-13	-9	-19	-15	-13	-31	-26	-31	-37	-24
Bankruptcy write-off		-9	-15	-16	-18	-20	-32	-24	-14	-4	0
Closing balance		13,562	14,235	14,837	15,340	15,735	15,869	16,034	16,134	16,260	16,137
Carrying value											
Opening balance	4	8,291	8,288	8,716	8,864	8,982	9,197	9,929	10,731	10,395	10,841
New lending	3	1,470	1,511	1,518	1,512	1,475	1,328	1,351	1,404	1,422	1,287
Initial write-down on new borrowing		-536	-629	-602	-659	-662	-594	-563	-506	-469	-489
Establishment fee		11	11	11	10	10	9	9	9	9	8
Repayment		-1,054	-1,032	-1,114	-1,209	-1,273	-1,348	-1,371	-1,477	-1,495	-1,605
Interest unwind		590	579	604	603	602	604	394	331	235	280
Impairment		-484	-12	-269	-140	62	106	211	-476	488	519
Repayment collection allowance								36	36	37	38
Discount rate changes								734	343	220	-1,670
Closing carrying value		8,288	8,716	8,864	8,982	9,197	9,302	10,731	10,395	10,841	9,209
Average cost of lending in cents per dollar (headline)		36.19	41.35	39.35	43.31	44.56	44.43	41.40	35.82	32.75	37.79

Source: Ministry of Education and Inland Revenue.

Notes:

1. The establishment fee is the amount charged by the Ministry of Social Development to borrowers each time they take out a loan.
2. The administration fee is an annual fee added to loans on 31 March. This fee is only charged if an establishment fee has not been charged in the same tax year. This was first charged in 2011/12.
3. New lending is net of repayments made to the Ministry of Social Development, which were mostly refunded course fees. The repayments are those made to Inland Revenue only.
4. The closing carrying value at June 2018 differs from the opening value the next year by \$627 million. This uplift occurs because of the switch to fair value accounting on 1 July 2018.

Financial schedules

Financial schedules for the year ended 30 June 2022

The financial schedules for the Student Loan Scheme comprise schedules of revenue and expenditure, gains, losses, assets and cash flows. The Ministry of Social Development and Inland Revenue administer student loans on an agency basis within policy parameters set by the Ministry of Education on behalf of the Crown.

The financial information represents extracts from the non-departmental financial schedules of Vote Revenue and Vote Social Development to provide a consolidated view of the Student Loan Scheme.

Schedule of revenue and expenditure

Table 16 Schedule of revenue and expenditure for the year ended 30 June 2022

2020/21		2021/22	2021/22	2022/23
Actual \$ million		Budget \$ million	Actual \$ million	Forecast \$ million
Revenue				
9.0	Establishment fees	9.5	7.7	9.0
234.6	Interest unwind	194.0	279.6	398.0
243.6	Total revenue	203.5	287.3	407.0
Expenditure				
468.6	Fair value write-down on new borrowings	515.0	489.1	662.0
468.6	Total expenditure	515.0	489.1	662.0
-225.0	Net surplus/deficit	-311.5	-201.8	-255.0

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government for the year ended 30 June 2022*.

Schedule of gains and losses

Table 17 Schedule of gains and losses as at 30 June 2022

2020/21		2021/22	2021/22	2022/23
Actual \$ million		Budget \$ million	Actual \$ million	Forecast \$ million
745.0	Net gains/(losses) on student loans – fair value remeasurement	35.0	-1,113.0	37.0
745.0	Total net gains/(losses)	35.0	-1,113.0	37.0

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government for the year ended 30 June 2022*.

Schedule of assets

Table 18 Schedule of assets as at 30 June 2022

2020/21		2021/22	2021/22	2022/23
Actual \$ million		Budget \$ million	Actual \$ million	Forecast \$ million
Current assets				
1,355.0	Student loans	1,540.0	1,506.0	1,748.0
1,355.0	Total current assets	1,540.0	1,506.0	1,748.0
Non-current assets				
9,486.5	Student loans	9,074.6	7,702.5	7,931.5
9,486.5	Total non-current assets	9,074.6	7,702.5	7,931.5
10,841.5	Total assets	10,614.6	9,208.5	9,679.5

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government of New Zealand for the year ended 30 June 2022*.

Schedule of cash flows

Table 19 Schedule of cash flows for the year ended 30 June 2022

2020/21		2021/22	2021/22	2022/23
Actual \$ million		Budget \$ million	Actual \$ million	Forecast \$ million
Cash flows from investing activities				
Cash was provided from:				
1,494.7	Repayments received	1,508.0	1,604.7	1,665.0
132.5	Refunded course fees	107.7	113.0	126.7
Cash was disbursed for:				
-1,554.2	New borrowings	-1,674.0	-1,399.6	-1,766.2
0.1	Other	0.0	0.1	0.0
73.1	Net cash inflow from investing activities	-58.3	318.2	25.5
73.1	Net student loan cash inflow	-58.3	318.2	25.5

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government of New Zealand for the year ended 30 June 2022*.

Statement of accounting policies

These financial schedules are for the year ended 30 June 2022 and include forecast financial schedules for the year ended 30 June 2023. The financial information represents extracts from the non-departmental financial schedules of Vote Revenue and Vote Social Development to provide a consolidated view of actual and forecast information. Details of the consolidated movements are provided in **Note 2**.

References to the financial schedules incorporate the actual, budget and forecast financial schedules, unless otherwise stated.

Reporting entity

The Student Loan Scheme is a Crown activity which is reported as part of the consolidated Financial Statements of the Government of New Zealand for the year ended 30 June 2022. The Scheme has the elements of revenue, expenditure, gains, losses, assets and cash flows within the consolidated Financial Statements of the Government.

Statement of compliance

The financial schedules have been prepared in accordance with the accounting policies of the consolidated Financial Statements of the Government and Treasury Instructions. Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with generally accepted accounting practice (Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

The financial schedules are presented in New Zealand dollars rounded to the nearest \$100,000.

Statutory authority

The Scheme is administered jointly by the Ministry of Education, Inland Revenue and the Ministry of Social Development, under the Student Loan Scheme Act 2011. Also relevant to the administration of the Scheme is the Education and Training Act 2020.

Budgets and forecast figures

The budget figures for 2021/22 are those included in The Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2022.

The forecast figures for 2022/23 are those included in The Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2023.

The budget and forecast figures have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements. The figures combine budgets and forecasts for Vote Revenue and Vote Social Development, as applicable.

The budget and forecast financial schedules are not subject to audit.

Forecast policies

The forecasts have been compiled on the basis of existing government policies and Ministerial expectations at the time the schedules were finalised and reflect all government decisions up to 11 April 2022.

The key assumption in the preparation of the fair value of student loans is based on a valuation model adapted to reflect current student loans policy. As such, the fair value over the forecast period is sensitive to changes in a number of underlying assumptions, including future income levels, repayment behaviour and macroeconomic factors, such as inflation and discount rates. Any change in these assumptions would affect the present fiscal forecast.

For other key fiscal forecasts assumptions, refer to the Budget Economic and Fiscal Update 2022 at: treasury.govt.nz/sites/default/files/2022-05/befu22.pdf



Variations to forecast

The actual financial results for the forecast period covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these Forecast Financial Schedules and the actual reported results include:

- » changes to the budget through initiatives or legislation approved by Cabinet
- » macroeconomic factors, including COVID-19 impacts affecting capital lending, borrower incomes, borrower repayments, inflation, discount rates and interest rates.

Any changes to budgets during 2022/23 will be incorporated into *The Supplementary Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2023*.

Accounting standard issued and not yet effective

The standard issued but not yet effective, and that has not been adopted early, is PBE IPSAS 41 Financial Instruments. The External Reporting Board issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods ending on or before 30 June 2023. Inland Revenue does not intend to adopt PBE IPSAS 41 early. When this standard is adopted, Inland Revenue does not expect any significant changes as the requirements are similar to PBE IFRS 9.

Comparatives

When presentation or classification of items in the financial schedules is amended or accounting policies are changed, comparative figures have been restated to ensure consistency with the current period, unless it is impracticable to do so.

Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial schedules. The accounting policies have been applied consistently throughout the year. The process to estimate the value of student loans is disclosed in **Note 3**.

Notes to the financial schedules

Note 1: Revenue

Fair value remeasurement

Fair value remeasurement is the change in the value in the student loan portfolio over the year. Student loans are initially measured at fair value. The changes to fair value between periods are recognised as a gain or loss in the net surplus or deficit of the Financial Statements of the Government of New Zealand. More information is provided in [Note 2](#).

Interest unwind

Student loans are initially discounted to fair value. This predominantly reflects the time value of money. As time moves on, student loans become closer to being repaid and are therefore worth more. This increase in value is recognised as interest unwind. The interest unwind has been calculated using the official cash rate plus a risk adjustment calculated by the consulting actuaries.

Note 2: Consolidated movements

Student loan nominal value

The nominal balance is the sum of all obligations that borrowers have including loan principal, interest, fees and penalties. The change in nominal value from year to year reflects the net growth of the portfolio through new lending less repayments and other adjustments, such as write-offs due to deaths and bankruptcies. The nominal balance is the basis for fair value.

Student loan fair value

Fair value is the amount for which the student loan debt could be exchanged between knowledgeable, willing parties in an arm's length transaction as at 30 June 2022. The fair value of the student loan debt as at 30 June 2022 has been determined to be \$9,209 million (2021: \$10,842 million).

Table 20 shows the nominal and fair values of student loans for the year ending 30 June 2022.

The impact of COVID-19 on the economy, employment prospects, overseas repayments and behaviours are still extremely uncertain. However, the uncertainty is now concentrated in the compliance of the overseas-based borrowers as the domestic economy has been very resilient to the pandemic.

The 30 June 2022 student loan valuation has considered the impacts of COVID-19. Details of the adjustments and sensitivities for the impact of COVID-19 are provided in [Note 3](#).

Table 20 Consolidated movements schedule for the year ended 30 June 2022

2020/21		2021/22	2021/22	2021/22
Consolidated		Consolidated	Inland Revenue	Ministry of Social Development
Actual \$ million		Actual \$ million	Actual \$ million	Actual \$ million
16,134.5	Opening nominal balance	16,260.5	16,260.5	0.0
1,554.2	New borrowings	1,399.6	0.0	1,399.6
0.0	Borrowings transferred	0.0	1,294.2	-1,294.2
-1,494.7	Repayments	-1,604.7	-1,604.7	0.0
-132.5	Refunded course fees	-113.0	0.0	-113.0
92.8	Interest	68.6	68.6	0.0
31.0	Administration and establishment fees	29.5	21.8	7.7
116.4	Penalties	120.7	120.7	0.0
-41.2	Deaths and bankruptcies	-23.9	-23.9	0.0
0.0	Other	-0.1	0.0	-0.1
16,260.5	Closing nominal balance	16,137.2	16,137.2	0.0
10,394.6	Opening fair value	10,841.5	10,841.5	0.0
-1,494.7	Repayments	-1,604.7	-1,604.7	0.0
-132.5	Refunded course fees	-113.0	0.0	-113.0
9.0	Establishment fees	7.7	0.0	7.7
1,554.2	New borrowings	1,399.6	0.0	1,399.6
-468.6	Fair value write-down on new borrowings	-489.1	-489.1	0.0
0.0	Borrowings transferred	0.0	1,294.2	-1,294.2
745.0	Fair value remeasurements	-1,113.0	-1,113.0	0.0
234.6	Interest unwind	279.6	279.6	0.0
-0.1	Other	-0.1	-0.0	-0.1
446.9		-1,633.0	-1,633.0	0.0
10,841.5	Student loans fair value	9,208.5	9,208.5	0.0
	Current and non-current apportionment			
1,355.0	Student loans – current	1,506.0	1,506.0	0.0
9,486.5	Student loans – non-current	7,702.5	7,702.5	0.0
10,841.5	Student loans fair value	9,208.5	9,208.5	0.0

Interest

For overseas-based student loan borrowers, interest is calculated on the nominal student loan account balance on a daily basis at a rate determined by the Government and was 3.0 percent per annum in the period 1 April 2021 to 31 March 2022.

Note 3: Financial instruments

StudyLink (Ministry of Social Development) administers the initial capital lending and issues student loans, which are then transferred to Inland Revenue. Inland Revenue holds the total nominal debt, administers the initial fair value write-down expense and any subsequent fair value adjustments, and is also responsible for the collection of debt.

Student loans are designated at fair value through surplus or deficit under PBE IFRS 9 Financial Instruments.

The difference between the amount of the student loan and the fair value on initial recognition is recognised as an expense. The initial fair value is lower than the amount of the initial student loan for a number of reasons including that:

- » some borrowers will never earn enough to repay their loans
- » some overseas borrowers will default on their payment obligations
- » because there is no interest charged on New Zealand-based borrowers' balances, the time value of money will erode the value of future repayments.

Financial instruments – fair value hierarchy disclosures

For financial assets recognised at fair value in the *Schedule of assets*, fair values are determined according to the following hierarchy:

- » quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
- » valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- » valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs is not observable.

Table 21 analyses the basis of the valuation of classes of financial instruments measured at fair value in the *Schedule of assets*.

At the end of the year, actuarial models are used to compare the carrying value with the fair value of the student loan portfolio and the difference is recognised in the surplus and deficit. Details of the models are provided later in this note.

Table 21 Valuation of classes of financial instruments

2020/21		2021/22
Actual \$ million	Valuation technique Level 3—Significant non-observable inputs	Actual \$ million
	Financial assets	
10,841.5	Student loans	9,208.5

Source: Inland Revenue.

The next section provides details on the model, and *Table 23* on page 42 outlines the significant assumptions and sensitivities for the level 3 valuation technique.

Student loan valuation model

At the end of the year, the student loan portfolio is revalued to fair value by an independent external valuer using actuarial models.

Statistics New Zealand collates most of the data for the actuarial valuation model from Inland Revenue, the Ministry of Education and the Ministry of Social Development. The data is made up of borrowings, repayments, income, educational factors and socio-economic factors. The current dataset is as at 31 March 2021. In addition, supplementary data from Inland Revenue and the New Zealand Customs Service about borrowers' cross-border movements is also included.

The fair value movement, recognised in the surplus and deficit, relates to changes in discount rate and a reassessment of the expected repayments of loans.

The fair value movement at 30 June 2022 is a decrease of \$1,113 million. This decrease incorporates the following changes to the fair value:

- » The discount rate adjustments have decreased the value of the Scheme by \$1,670 million (2021: \$221 million increase), largely due to risk-free rate and risk adjustment changes. The discount rates used for determining the fair value are equal to the Treasury's prescribed risk-free rates for accounting valuations plus a risk adjustment. Since 30 June 2021, the forecasted risk-free rates have increased, which has decreased the fair value of the student loan portfolio by \$993 million. The risk adjustment increased from 1.65% to 3.08%, which is in line with market data, decreasing the fair value by \$653 million.
- » The non-COVID-19-related expected repayment adjustments have increased the value of the student loan portfolio by \$443 million (2021: \$257 million increase). They are:
 - » Updated macroeconomic assumptions (non-COVID-19-related) – these have increased the fair value by \$242 million (2021: nil). Salary inflation assumptions have increased this year, resulting in higher projected domestic incomes, domestic borrower obligations and repayments. Updated salary inflation assumptions have increased the fair value by \$269 million.
 - » The experience variance – this has increased the value by \$89 million (2021: \$80 million), largely due to expected negative impacts from COVID-19 not eventuating over the year and write-offs being lower than expected.
- » Updates to the expense assumption – these have increased the value by \$68 million (2021: \$4 million). This is largely due to Inland Revenue restating product costs in for prior years to exclude Business Transformation costs. These costs were not meant to be included and so expenses in previous years have been overstated.
- » Other modelling changes, including the roll forward of data – these have increased the impaired value by \$44 million (2021: \$173 million).
- » Expected payment adjustments for the impact of COVID-19 increase the fair value by \$76 million (2021: \$230 million increase). It is now expected that fewer domestic borrowers will be adversely impacted by COVID-19. However, we now expect more overseas-based borrowers to be impacted.
- » From 1 April 2021 to 31 March 2022, repayment levels have been positive for domestic borrowers, indicating little COVID-19 impacts. We now expect fewer domestic borrowers will be underemployed or unemployed than originally expected. This increased the fair value by \$35 million.
- » The 2021 valuation included a provision for deterioration in value as a result of COVID-19 for domestic and overseas-based borrowers. As the economic outlook is looking favourable for domestic borrowers, and in recognition of this positive experience, we have released half of the domestic COVID-19 allowance. This has increased the fair value by \$41 million. The remaining \$35 million of the domestic COVID-19 allowance is no longer required, and has now been transferred to the COVID-19 allowance for overseas-based borrowers, resulting in a total provision of \$135 million. This transfer had no impact on the fair value.
- » There were no experience and macroeconomic changes specifically identified as relating to COVID-19 this year (2021: \$128 million).

A breakdown of the fair value remeasurement – student loans reported in the *Schedule of gains and losses* is set out in *Table 22*.

Table 22 Breakdown of fair value remeasurement

2020/21		2021/22
Actual \$ million		Actual \$ million
-391.0	Risk-free rates	-1,017.0
612.0	Risk adjustment	-653.0
221.0	Discount rate adjustment	-1,670.0
0.0	Macroeconomic effects	242.0
80.0	Experience variance	89.0
4.0	Expense assumption	68.0
173.0	Data and modelling changes	44.0
257.0	Expected repayment adjustment	443.0
54.0	COVID-19 impacts – model changes	76.0
48.0	Experience variance	0.0
128.0	Macroeconomic effects – impacts of COVID-19	0.0
230.0	Expected repayment adjustment – impacts of COVID-19	76.0
37.0	Repayment collection allowance	38.0
745.0	Total fair value remeasurement – student loans	-1,113.0

Source: Inland Revenue.

The student loan valuation model reflects current student loan policy and macroeconomic assumptions.

The fair value is sensitive to changes in a number of underlying assumptions, including future income levels, repayment behaviour and macroeconomic factors, such as wages inflation and discount rates. As noted by the valuer, it is not possible to assess with any certainty the implications of COVID-19 on the fair value of the Scheme or the economy as a whole in terms of the length or degree of impact. There is a small amount of data available to determine the impact of COVID-19, and the modelling adjustments made involve significant judgement and were based on input from The Treasury. For these reasons, the valuation has a high degree of inherent uncertainty and there is a significant risk of material adjustment to the fair value in future accounting periods. The key risks are:

- » The proportion of overseas-based borrowers making a repayment is an important metric for the Scheme, as the value of overseas borrowers hinges on their compliance. We have seen some deterioration in the proportion of overseas borrowers making a repayment in recent data and this has been reflected in the model. We have also allowed for a further deterioration through the COVID-19 allowance of \$135 million. The duration and severity of this deterioration is still uncertain, as the impact of COVID-19, subsequent variants and other global factors on overseas countries remains extremely uncertain. There is therefore a risk that the deterioration is underestimated or overestimated in the valuation.
- » There is uncertainty in the domestic and global economies as the COVID-19 pandemic progresses and economies around the world experience high inflation. For overseas-based borrowers, this has been accounted for in the COVID-19 allowance, the limitations of which are discussed in the above risk. For the domestic economy, the Treasury do not currently expect any large increases in unemployment in the short to medium term. There is a risk that this expectation may change, which could decrease expected future payments from domestic borrowers and hence decrease the value of the Scheme.
- » Migration in and out of New Zealand has been severely impacted by the government response to the COVID-19 pandemic. With the borders recently fully reopened there is uncertainty around whether net migration will return to pre-pandemic levels for student loan borrowers, or whether there may be a spike in the number of borrowers leaving New Zealand due to pent-up demand. No allowance has been made at this valuation as there is too much uncertainty about future net migration. There is a risk that experience may differ significantly from our assumptions.
- » There have been substantial changes in key data sources as a result of the Inland Revenue Business Transformation programme and a number of issues were identified at this valuation. All identified issues have either been resolved or had workarounds applied. There is a risk that applied workarounds are not sufficient to correct the data, placing additional uncertainty on our results. There is also a risk that further errors in the data used in this valuation could be identified in the future.

The student loan portfolio is exposed to a variety of financial instrument risks, including credit risk and interest rate risk.

Changes in interest rates could also impact on the Government's return on loans advanced. The interest rate and the interest write-off provisions attached to student loans are set by the Government. The significant assumptions and sensitivities behind the fair value are:

Table 23 Significant assumptions and sensitivities: fair value

June 2021		June 2022
10,841.5	Fair value (\$ million)	9,208.5
3.95%	Discount rate	7.36%
2.40%-5.00%	Interest rate applied to loans for overseas-based borrowers	2.80%-5.20%
1.16%-2.38%	Consumer Price Index	1.76%-6.56%
2.43%-4.49%	Future salary inflation	3.00%-6.12%
109.0	Impact on fair value of a 1% increase in average wage earnings inflation over five years (\$ million)	102.0
-113.0	Impact on fair value of a 1% decrease in average wage earnings inflation over five years (\$ million)	-106.0
153.0	Impact on fair value of a 2.5% increase in overseas borrowers making repayments (\$ million)	130.0
-160.0	Impact on fair value of a 2.5% decrease in overseas borrowers making repayments (\$ million)	-99.0
-598.0	Impact on fair value of a 1% increase in discount rate (\$ million)	-404.0
668.0	Impact on fair value of a 1% decrease in discount rate (\$ million)	444.0
67.0	Impact on fair value of 1% increase in borrowers going overseas (\$ million)	24.0
-38.0	Impact on fair value of 1% decrease in borrowers going overseas (\$ million)	-19.0
46.0	Impact on fair value of 1% increase in borrowers returning to New Zealand (\$ million)	51.0
-53.0	Impact on fair value of 1% decrease in borrowers returning to New Zealand (\$ million)	-56.0
71.0	Impact on fair value of 1% increase in borrowers moving from low earner to high earner (\$ million)	53.0
-65.0	Impact on fair value of 1% decrease in borrowers moving from low earner to high earner (\$ million)	-56.0

Source: Inland Revenue.

Credit risk

Credit risk is the risk that borrowers will default on their obligation to repay their loans or die before their loan is repaid, causing the Scheme to incur a loss. The risk of death or default cannot be quantified.

The Student Loan Scheme does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the Student Loan Scheme does not have any material individual concentrations of credit risk.

The credit risk is reduced by the collection of compulsory repayments through the tax system. This is less effective with overseas-based borrowers. Many New Zealand-based borrowers earning over the income threshold have compulsory deductions from salary and wages to repay their loans. Overseas-based borrowers are required to make repayments twice a year based on their loan balance. Inland Revenue uses a variety of communications and campaigns to reduce the risk of non-payment of obligations.

Loans are written off on death, bankruptcy and in other special circumstances.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates.

Changes in interest rates impact discount rates. The risk is that if interest rates rise the value of the Scheme will significantly decrease as the discount rates applied to the expected future repayments will be higher, decreasing their value.

Auditor's Report

Proactively Released

Independent Auditor's Report

To the readers of the Student Loan Scheme financial schedules for the year ended 30 June 2022

The Auditor-General is the auditor of the Student Loan Scheme (the Scheme). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit of the financial schedules of the Scheme on his behalf.

Opinion

We have audited the financial schedules of the Scheme on pages 33 to 42, that comprise the schedule of assets as at 30 June 2022, the schedule of revenue and expenditure, schedule of gains and losses, schedule of cash flows, and statement of accounting policies for the year ended on that date and notes to the financial schedules that include other explanatory information.

In our opinion, the financial schedules of the Scheme on pages 33 to 42 are prepared, in all material respects, in accordance with the accounting policies of the Scheme.

Our audit was completed on 11 November 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to certain matters. In addition, we outline the responsibilities of the Secretary of Education and our responsibilities relating to the financial schedules, we comment on other information, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Boards. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the financial schedules section of our report*.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosures:

Basis of accounting

The statement of compliance section on page 35 outlines the basis of accounting applied to prepare the financial schedules. The financial schedules represent extracts from the non-departmental financial schedules of Vote Revenue and Vote Social Development and are prepared to provide a consolidated view of actual and forecast information. As a result, the financial schedules may not be suitable for another purpose.

Significant uncertainties in estimating the fair value of the student loan portfolio

Note 3 on pages 39 to 42 outlines the significant uncertainties, assumptions, and sensitivities in estimating the fair value of the student loan portfolio as at 30 June 2022. The fair value is based on expected future income levels and debt repayments. The expected future income levels and debt repayments are uncertain because they are dependent on macroeconomic factors and the behaviour of borrowers.

Responsibilities of the Secretary for Education for the financial schedules

The Secretary for Education is responsible on behalf of the Scheme for the preparation of the financial schedules in accordance with the accounting policies of the Scheme; this includes determining that the accounting policies are an acceptable basis for the preparation of the financial schedules in the circumstances. The Secretary of Education is responsible for such internal control as is determined is necessary to enable the preparation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Responsibilities of the auditor for the audit of the financial schedules

Our objectives are to obtain reasonable assurance about whether the financial schedules are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial schedules.

For the forecast information reported in the financial schedules, our procedures were limited to checking that the information agreed to the amounts reflected in the accounts of the Ministry of Social Development and Inland Revenue Department.

We did not evaluate the security and controls over the electronic publication of the financial schedules.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control; and
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with the Secretary for Education regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information in the document containing the audited information

The other information comprises the information included on pages 2 to 32 and 47 to 54 but does not include the financial schedules and our auditor's report thereon.

The Secretary for Education is responsible for the other information.

Our opinion on the financial schedules does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial schedules, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Scheme.



Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Appendices

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Appendix 1: Resources to support study choices

Information/service	Provided by	Overview
Resources to inform study decisions		
Career information and tools Key information for students careers.govt.nz	Tertiary Education Commission	<p>Users of careers.govt.nz and the Careers Facebook page can access a wide range of information and tools about learning and work options, and how these connect and apply to different skills and interests.</p> <p><i>Key Information for Students</i> is a service with information about government-funded Level 5 and above qualifications. Tertiary education organisations publish <i>Key Information for Students</i> on their websites.</p>
Vocational Pathways youthguarantee.education.govt.nz/	Ministry of Education	Vocational Pathways connects educational requirements to employment needs across six sectors of the economy: Primary Industries, Construction and Infrastructure, Manufacturing and Technology, Social and Community Services, Service Industries and Creative Arts.
Resources to inform financial decisions		
Sorted sorted.org.nz/guides/planning-and-budgeting/studying	Commission for Financial Capability	The Sorted website has a Studying guide , which provides information on choosing a qualification, student costs and income while studying. Information is also provided on repayments, including what happens if a borrower goes overseas.
Managing your student loan ird.govt.nz/student-loans/tracking-my-student-loan-balance/see-my-student-loan-balance	Inland Revenue	<p>Self-service options make it easier to borrowers to manage their student loan. Through their online account they can:</p> <ul style="list-style-type: none"> » see what you owe » make repayments » apply for special deduction rates, instalment arrangements, concessions for hardship and exemptions.
Student loan repayment calculator https://www.ird.govt.nz/student-loans/tracking-my-student-loan-balance/student-loan-repayment-calculator	Inland Revenue	The student loan repayment calculator works out repayment obligations, how long it will take to pay off a student loan if borrowers stay in New Zealand or go overseas, and how much of a difference extra payments can make.
StudyLink studylink.govt.nz	Ministry of Social Development	The StudyLink website provides prospective tertiary students with information to help them with their study choices and options for funding their study. It includes how to work out living expenses, with examples of what it could cost to live in various areas in New Zealand, and links to the Sorted budgeting tool. Students can apply for and manage their student finances online.
Fees Free eligibility feesfree.govt.nz	Tertiary Education Commission	Find out whether you are eligible for Fees Free education and training.

Appendix 2: Student Loans Integrated Model (SLIM)

Table 24 Student Loans Integrated Model assumptions

Area	Assumption
Economic assumptions	<p>The Treasury publishes a central table of Consumer Price Index (CPI) inflation assumptions which are to be used in major accounting valuations for reporting to the Crown. These figures have been adopted for the valuation.</p> <p>The remaining economic assumptions are set by the consulting actuaries in consultation with the Treasury, Inland Revenue, the Ministry of Social Development and the Ministry of Education. These assumptions are summarised in <i>Table 23</i> on page 42.</p>
Discount rates	The discount rates used in the valuation incorporate a risk-free component and a risk adjustment. As with the CPI, the risk-free rates are as prescribed by the Treasury. The risk adjustment was determined by the consulting actuaries as 3.08 percent.
Repayment threshold	<p>\$21,268 until 31 March 2023 and increasing by annual CPI thereafter.</p> <p>Repayment obligations are based on pay periods rather than total annual earnings. This means that some borrowers earning below the annual threshold of \$21,268 may still end up having repayment obligations.</p>
Transitions between being a student, employment and overseas	Modelled from the recent experience of the loan scheme's participants.
Income of borrowers	Personal income growth from 'career advancement' is modelled from the experience of the loan scheme and from Census data for longer durations. Salary inflation is imposed on top of this 'career advancement' analysis as an economic assumption.
In-study repayments	For current students there is a model of the probability of a repayment occurring, and should there be a repayment, a model of the repayment amount.
Repayments from former students in New Zealand	A similar approach is taken for New Zealand-based former students, but with separate pairs of models for those with incomes under \$25,000 (in 2015 dollars) and for those with higher income.
Repayments from overseas-based borrowers	Overseas-based borrowers have a repayment obligation based on the size of their loan when they left New Zealand. The modelling approach starts with the probability of a repayment being made and after this there are models based on underpaying, meeting or exceeding the repayment obligation.
Bankruptcy	Age-specific, graduated rates were constructed based on the experience of the Scheme. For example, the rate of bankruptcy at age 40 is 2.7 per 1,000 borrowers each year. There is an indication that the incidence of bankruptcy has recently increased and to account for this rates have been increased by 40 percent.
Mortality	Mortality rates are based on the experience of the Scheme and have not been updated this year. Mortality is assumed to be 100 percent of the New Zealand Life Tables 2012-14 up to age 34, 110 percent for ages 35-39, 120 percent for ages 40-44, 125 percent for ages 45-49 and 140 percent from age 50 onwards.

Source: Ministry of Education.

Appendix 3: Glossary

Academic year

The academic year is from 1 January to 31 December.

Active borrower

Someone who is currently studying and borrowing from the Scheme.

Administration fee

A \$40 fee charged by Inland Revenue for each year a borrower has a loan balance. This fee is not charged in those tax years that the borrower is charged an establishment fee by the Ministry of Social Development.

Approved qualification

A formally assessed qualification approved by Universities New Zealand (Committee on University Academic Programmes – CUAP) or the New Zealand Qualifications Authority (NZQA).

Borrower

Any person who has drawn from the Student Loan Scheme and not yet repaid in full.

Carrying value

The value of the Student Loan Scheme asset, which is maintained in the Scheme's accounts. It increases during the year as new loans are issued and decreases as repayments are made.

Adjustments are made each year following an annual valuation of the asset to reach a fair value. Valuations are made in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Cohort

A group of people with a common statistical factor. For example, a cohort could be a group of students for whom 2020 is their first year of tertiary education.

Compulsory fees

Tuition fees (sometimes referred to as compulsory course fees) and student service fees charged by tertiary education providers.

Course

A component of education. A paper/module/unit standard may all be different types of courses. A course or collection of courses forms a programme of study which, if completed successfully, results in the award of a qualification.

Course-related costs

Additional expenses associated with tertiary study that are not compulsory for all students.

Debt

The total amount borrowed by an individual under the Student Loan Scheme, including any fees or interest, less any repayments they have made. This amount is also referred to as 'loan balance'.

Default

The amount of the repayment obligation not paid by the due date. This is also referred to as overdue debt.

Discount rates

The interest rates used in discounted cash flow analysis to determine the present value of future cash flows.

Equivalent full-time student (EFTS)

A measure of the amount of study or the workload involved in undertaking a course. A student taking a normal year's full-time study generates one 'equivalent full-time student' unit. Part-time or part-year study are fractions of a unit.

Establishment fee

A \$60 fee charged by the Ministry of Social Development every time a borrower establishes a new loan account.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fees Free tertiary education and training policy

The policy introduced from 1 January 2018 made the first year of tertiary education or training fees-free for new students and trainees.

Financial year

The Government's accounting year – starting on 1 July and ending on 30 June.

First-time borrower

A borrower who entered the loan scheme for the first time in a given year.

Full-time

Any programme of study undertaken by a student that is either:

- » 32 weeks or more and at least 0.8 EFTS (this is designated full-time, full-year), or
- » 12 weeks or more and at least 0.3 EFTS or the equivalent on a pro rata basis (for example, 24 weeks and 0.6 EFTS is designated full-time, part-year).

This definition is used to determine eligibility for the living costs and course-related cost components of the student loan and for student allowances.

Impairment

A decrease in the value of a long-term asset. When a valuation results in an increase in the value, the resulting change is called a negative impairment.

Integrated Data Infrastructure (IDI)

A large research database managed by Stats New Zealand. It holds deidentified data about people and households.

Interest

The interest charged on loans. Interest is adjusted annually on 1 April.

Interest-free student loans

Student loans are interest-free for borrowers deemed to be New Zealand-based, or who are exempt from interest.

Interim due dates

The dates partial payment is due to be paid to a borrower's account. The interim payments go towards reducing the borrower's end-of-year obligation.

Late payment interest

Charges on overdue amounts if repayment obligations are not met by the due date.

Loan balance

The total amount borrowed by an individual under the Student Loan Scheme, including any fees or interest, less any repayments they have made. This amount may also be referred to as 'debt'.

New Zealand-based borrower

A borrower is New Zealand-based if they are not defined as overseas-based. New Zealand-based borrowers qualify for an interest-free student loan. Repayments are generally made through the tax system based on income earned over a threshold set by the Government.

Non-degree

Non-degree level applies to programmes of study and qualifications that are not at degree or postgraduate level.

Overseas-based borrower

A borrower becomes overseas-based if, after 184 days, they have been out of New Zealand for at least 153 days of those 184 days. The interest applies to a loan from the day after the borrower leaves New Zealand. The repayment obligation for overseas-based borrowers is set at a fixed repayment threshold. For compliant borrowers the threshold is based on their balance when they left New Zealand. Further details on the definition and examples are available at:

ird.govt.nz/student-loans/living-overseas-with-a-student-loan

Part-time

A programme of study that is less than full-time.

Pay As You Earn (PAYE)

The tax system used when income is from salary, wages, benefits or taxable pensions. Tax is deducted automatically by employers. Employees who are taxed through PAYE and have a student loan must advise their employer. This ensures that borrowers make the correct repayments on their student loan, according to their level of income.

Pay period repayment threshold

The amount which New Zealand-based borrowers can earn in a pay period before student loan repayments need to be made from salary or wages.

Private training establishments (PTEs)

Private providers of tertiary education registered with the New Zealand Qualifications Authority.

Programme of study

A collection of courses, classes or work that leads to a qualification.

Qualification

An official award given in recognition of the successful completion of a recognised programme of study.

Repayment deductions

Amounts deducted by employers from salary or wages when a borrower's income exceeds the pay period repayment threshold.

Repayment obligation

The amount a borrower must repay towards their loan in any given tax year, unless they are exempt.

Repayment threshold

The amount a New Zealand-based borrower can earn before having to make repayments on their loan. This is adjusted on 1 April each year.

Student allowances

Income-tested weekly payment provided to help with living expenses while studying.

Student Loan Integrated Model (SLIM)

A model using predictive variables used to provide an annual valuation of the loan scheme and price policy options. Refer to **Appendix 2** for more details.

Targeted Training and Apprenticeship Fund (TTAF)

An initiative to support learners to undertake Fees Free vocational education and training in specific workplace-based training programmes affected by the COVID-19 pandemic.

Tax year

From 1 April to 31 March the following year.

Te Pūkenga (New Zealand Institute of Skills and Technology)

From 1 April 2021 polytechnics began to merge into a new entity called Te Pūkenga, which provides on-the-job, on-campus and online vocational education and training through a unified public network of regionally accessible education.

Tertiary education

All involvement in post-school learning activities, including industry training and community education. It also includes in-school programmes such as Gateway and the Secondary Tertiary Alignment Resource (STAR).

Tertiary education organisations (TEOs)

All institutions and organisations that provide or facilitate tertiary education. They include tertiary education providers and transitional industry training organisations.

Tuition fees

Compulsory fees charged for tuition by public and private tertiary education providers.

Wānanga

A public tertiary institution that provides programmes with an emphasis on the application of knowledge of ahuatanga Māori (Māori traditions) according to tikanga Māori (Māori custom).

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The data for all tables and figures in this report are available online educationcounts.govt.nz/statistics/financial_support_for_students. This source also contains the following additional material to support the high-level data in this report.

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