

# The Treasury

## Budget 2012 Information Release

### Release Document

June 2012

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### Student Support Package for Budget 2012

**Portfolios:** Tertiary Education, Skills and Employment / Revenue

On 23 April 2012, following reference from the Cabinet Social Policy Committee, Cabinet:

#### Background

- 1 **noted** that a package of changes to the Student Loan Scheme and student allowances has been developed as part of Budget 2012 to improve the value of student support spending by:
  - 1.1 requiring a greater contribution to tertiary education costs from students who can most afford to pay, and who are more likely to receive higher levels of private return from their study;
  - 1.2 increasing personal responsibility for debt repayment;
  - 1.3 setting individual borrowing limits;
  - 1.4 targeting student allowances to those from low income families and initial qualifications;
- 2 **noted** that the student support package will enable the government to achieve its tertiary education priorities through Budget 2012 [CAB Min (12) 13/5];

#### Changes to the Student Loan Scheme

- 3 **noted** that consultation will take place in April and May 2012 on the National Party's manifesto commitment to set a borrowing limit of between 2 and 2.5 Equivalent Full-time Students (EFTS);
- 4 **agreed**, subject to the results of the consultation referred to in paragraph 3 above, that a borrowing limit of 2.0 EFTS per loan account (a manifesto commitment) apply for study starting on or after 1 January 2013;
- 5 **noted** that the Minister for Tertiary Education, Skills and Employment will report to Cabinet on the results of the consultation in May 2012;
- 6 **agreed** to increase the repayment rate for New Zealand-based borrowers to 12 cents in the dollar from 1 April 2013;

- 7 **noted** that in 2011, Cabinet agreed to broaden the definition of income for student loan repayment purposes to better align with that used for Working for Families purposes [CAB Min (11) 14/10];
- 8 **agreed** to broaden the definition of income for student loan repayments to include the following types of income from 1 April 2014:
- 8.1 attributed company income;
  - 8.2 attributed trust income;
  - 8.3 major fringe benefits received by shareholder-employees in closely held companies;
  - 8.4 unlocked portfolio investment entity income;
  - 8.5 tax-exempt salary and wages and certain overseas pensions;
  - 8.6 main income equalisation scheme deposits;
  - 8.7 50 per cent of non-taxable private pensions and annuities;
  - 8.8 distributions from superannuation schemes that relate to contributions made by a person's employer within the last two years, when the person has not retired (excluding KiwiSaver and locked-in superannuation schemes);
  - 8.9 distributions from a retirement savings scheme when the person has retired early;
  - 8.10 distributions from trusts, not being beneficiary income, where the recipient is not the settler of the trust;
- 9 **agreed** to implement a new information matching agreement between the New Zealand Customs Service and Inland Revenue for borrowers in serious default from the date of enactment (expected in early 2013);
- 10 **agreed** to repeal the voluntary repayment bonus from 1 April 2013;

### **Changes to the student allowances scheme**

- 11 **agreed** to remove student allowance eligibility for all level 8 and above postgraduate certificates and diplomas, Masters degrees, and doctorates for study starting on or after 1 January 2013;
- 12 **agreed** that, due to variation within and between providers, all bachelor degrees with honours retain eligibility for student allowances, providing that a student has not exceeded 200 weeks of allowance support;
- 13 **noted** that, depending on a student's individual circumstances, the amount that they can borrow for living costs through the Student Loan Scheme for postgraduate study may be less than the amount that they were previously receiving through the combined student allowance and accommodation benefit;

- 14 **noted** that it is recommended that there be a transition arrangement for allowance recipients with a spouse, partner and/or supported child who lose allowance eligibility due to undertaking postgraduate study, and continue to study, as these students are less likely to have the flexibility to respond to the changes as quickly as other students and will experience a greater drop in support;
- 15 **agreed** to grandparent allowance recipients who have a spouse, partner and/or supported child, have an allowance approved in 2012, and who are continuing to study the same qualification, until 31 December 2013, as long as they retain eligibility in all other respects;
- 16 **agreed** that, where grandparented allowance recipients cease to meet the criteria for having a dependent spouse and/or children at any time, they will lose eligibility for that student allowance;
- 17 [8]
- 18 **agreed** to remove the Long Programme exemption that allows students who are studying mainly postgraduate qualifications to exceed the 200 week limit to complete their study, effective for study starting on or after 1 January 2013;
- 19 **noted** that an exemption allows students to exceed 200 weeks when special circumstances exist, which may mean that students who were affected by the proposed changes would be eligible for a special circumstances exemption;
- 20 **agreed** to narrow the definition of the special circumstances exemption in regulation 20 (7) of the Student Allowance Regulations 1998 as it relates to tertiary study, to exclude student allowance policy changes;
- 21 **noted** that exemptions to the 200 week tertiary limit which are also inconsistent with the proposed new focus of allowances on initial years of study and those who most need additional support, exist for:
- 21.1 any particular case or class of case;
- 21.2 courses in the national interest (currently teaching qualifications);
- 22 **agreed** to remove the exemptions in paragraphs 21.1 and 21.2 above from the Student Allowance Regulations 1998, effective for study starting on or after 1 January 2013;
- 23 **agreed** that, for any exemption (as set out in paragraph 21 above) or Long Programme approved prior to 1 January 2013, a student will retain that exemption for the period approved;
- 24 **noted** that students who undertake postgraduate study may be eligible for the Accommodation Supplement available to people on low incomes, depending on their individual circumstances, potentially increasing Accommodation Supplement costs by an estimated \$7 million per annum;
- 25 **agreed** that the increased Accommodation Supplement expenditure in Vote Social Development be met from Budget 2012 student support savings;

- 26 **noted** that in February 2012, the Cabinet Business Committee agreed to maintain the student allowance parental income threshold without CPI adjustment from 1 April 2012 [CBC Min (12) 1/2];
- 27 **agreed** that the decision in paragraph 26 above should apply for the four-year Budget period, meaning that there will be no CPI adjustment before 31 March 2016;
- 28 **noted** that maximum student allowance weekly rates will continue to be adjusted for CPI, in line with benefits;

### Legislative implications

- 29 **invited** the Minister of Revenue to issue drafting instructions to the Parliamentary Counsel Office for a Student Loan Scheme Amendment Bill or Bills to give effect to the student loan decisions;
- 30 **invited** the Minister for Social Development to issue drafting instructions to the Parliamentary Counsel Office to draft amendments to the Student Allowances Regulations 1998 to give effect to the changes to student allowances;
- 31 **authorised** the Minister for Tertiary Education, Skills and Employment, the Minister for Social Development, and the Minister of Revenue to take any technical policy decisions necessary during the drafting process of the necessary legislation or relevant regulations to give effect to the student support package;

### Financial implications

- 32 **noted** that the financial implications of the student support package for 2011/12 to 2015/16 are \$517.545 million in operating impact, with a debt impact of \$387.375 million;
- 33 **noted** that the operating impact includes administration and IT costs for Inland Revenue of \$0.5 million, and for the Ministry of Social Development (MSD) of \$1.402 million;
- 34 **noted** that changes to appropriations, including administration and IT costs for MSD and Inland Revenue, will be made as part of the tertiary education package for Budget 2012;
- 35 **authorised** the Minister of Finance and the Minister for Tertiary Education, Skills and Employment to approve changes to the student support package and the resulting changes in appropriations by 26 April 2012;

### Publicity

- 36 **noted** that decisions on the student support package are proposed to be announced as part of Budget 2012.