

# The Treasury

## Budget 2013 Information Release

### Release Document

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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.

## **Budget 2013: Four-year Plan**

### **Vote Tertiary Education Student Support appropriated to**

- **Vote Revenue**
- **Vote Social Development**

**Four-year Plan**

Final Draft

5 February 2013

## **1.0 Strategic Direction**

### ***Purpose of the agencies in the tertiary education sector***

#### *Ministry of Education*

The Ministry of Education is the lead advisor to the Government on the education system, covering early childhood, primary, secondary education, tertiary education and international education.

In tertiary education, the Ministry advises the Government on policy and funding settings that influence access to tertiary education by learners and tertiary education offered by providers. It supports the cross-government approach to developing skills and supporting research and innovation. The Ministry is the lead agency for the Student Loan Scheme, and works with the Treasury, Inland Revenue and the Ministry of Social Development to improve the value for money of student loans.

In international education, the Ministry advises the Government on policy settings to support the development of the sector and the internationalisation of New Zealand's education system.

#### *Education New Zealand*

Education New Zealand was set up on 1 September 2011 to give effect to the Government's international education policies, through a range of marketing, promotion and representation functions. It promotes New Zealand education, training and services internationally, manages the Government's international education representative activities offshore, and assists and supports the international education industry.

#### *Tertiary Education Commission*

The Tertiary Education Commission (TEC) is a Crown Entity. Its principal legislated function, under the Education Act 1989, is to give effect to the Tertiary Education Strategy. The TEC does this by allocating government funding to tertiary education organisations through the Plan process, monitoring performance of tertiary education organisations; and providing advice to the Government (including ownership advice) on the tertiary education sector. The TEC allocates approximately \$2.7 billion a year on behalf of the Government to fund tertiary education provision.

#### *New Zealand Qualifications Authority*

The New Zealand Qualifications Authority's (NZQA) role in the education sector is to ensure that New Zealand qualifications are regarded as credible and robust, nationally and internationally, in order to help learners succeed in their chosen endeavours and to contribute to New Zealand society.

NZQA is responsible for managing the New Zealand Qualifications Framework, administering the secondary school assessment system, independent quality assurance of non-university education providers and qualifications recognition and standard-setting for some specified unit standards.

## **Outcome Framework**

### *Ministry of Education*

The Ministry is focused on ensuring the education system delivers on the Government's key goals – better public services that deliver improved outcomes for all New Zealanders, and stronger economic growth for New Zealand. The Ministry is taking the lead to achieve three of the Government's Better Public Services targets:

- 98% of children will participate in quality early childhood education by 2016
- 85% of 18 year olds will achieve NCEA Level 2 or equivalent by 2017
- 55% of 25-34 year olds will have a qualification at NZQF Level 4+ by 2017.

Outcomes related to Vote Tertiary Education are:

#### *Attainment of foundation- level qualifications:*

Foundation education provides opportunities for young people to take steps into employment, training, or higher-level education, and supports adults whose initial learning was not successful to re-engage in education.

#### *Ongoing development and attainment of skills:*

Vocational education and training is key to a skilled workforce. To improve its effectiveness, we have shifted the focus onto trades-level provision and significantly improved the structure and performance of workplace-based industry training. The Ministry is focused on improving the industry training policy framework and improving the links between qualifications and industry needs.

#### *Increasing the contribution of tertiary education to economic growth:*

Through the development of human capital and research, the tertiary sector is a driver of innovation, productivity, and growth. This contribution, along with the export education market, is critical to New Zealand's economy. The Ministry is focused on continuing to strengthen the contribution of these key education areas to the Government's economic growth priorities, in particular through ensuring that we meet the skill needs of industry.

#### *Increase the contribution of international education to New Zealand's economy:*

International education makes a significant contribution to New Zealand's economy. The Government's objective is to double the value of export education services to New Zealand to \$5,000 million over the next 15 years. The Ministry will lead policy work and help to formulate an implementation plan for achieving the Government's export growth objectives.

The above outcomes will contribute to the achievement of Better Public Services targets by improving the number of qualifications attained at level 4 and above and improving the overall skill level and value of research outcomes in the New Zealand economy, which in turn supports building a more competitive and productive economy.

### *Education New Zealand*

Education New Zealand is focused on delivering the three overarching goals for international education as detailed in the Government's Leadership Statement for International Education. These goals are that:

- New Zealand's education services delivered in New Zealand are highly sought after by international students
- New Zealand's education services in other countries are highly sought after by students, education providers, businesses and Governments overseas
- New Zealand makes the best possible use of its international education expertise to build skills in the New Zealand workforce, to grow research capability and to foster wider economic connections between New Zealand and overseas firms.

### *Tertiary Education Commission*

The TEC's primary strategic guidance comes from the Tertiary Education Strategy. The TEC's focus for the next three years is on the four key outcomes reflected in the Tertiary Education Strategy:

- Increasing tertiary education's contribution to economic recovery and growth.
- Doing better for Māori and Pasifika.
- Enhancing transitions from post compulsory to tertiary education.
- Improving system performance.

### **Better Public Services**

The Ministry of Education is leading work across the tertiary education and skills agencies, to increase the proportion of 25-34 year olds with a qualification at level 4 or higher to 55% by 2017.

An increase of approximately 7,750 New Zealand qualified people above currently projected levels is required in order to achieve the 55 percent target by 2017.

Achieving this result will require contributions from a number of different government agencies (including TEC, NZQA and MBIE) and close collaboration with the tertiary sector. In particular, this work will be closely aligned to the Government's Business Growth Agenda.

The specific actions that will be taken in order to achieve the target include supply actions: actions which influence the supply of tertiary provision purchased by the TEC and demand actions: actions which impact student demand for tertiary provision.

The Ministry is also leading work to increase the proportion of 18 year olds with NCEA Level 2 or equivalent to 85% by 2017. Tertiary education plays a key role in supporting young people who leave school with low or no qualifications through the provision of foundation education and pathways to higher education and employment or training.

The Government has introduced the Youth Guarantee, which aims to improve the pathways between compulsory, foundation and tertiary education. Other initiatives under the Youth Guarantee include fee-free tertiary places (10,000 from 2015), the development of trades academies, service academies and a review of career services.

### **Future state**

We are looking to tertiary education and research to more strongly drive growth in the economy, supporting innovation and the capability of our businesses and industries.

A system that does this would have:

- students completing tertiary education with skills and knowledge that match industry demand, in order to drive economic growth

- industry and employers being able to tap into the tertiary education and research system for quality labour, skills development, and knowledge transferred from research, to support productivity and innovation
- providers that are results-driven and efficient, that meet business needs and attract excellent students and staff internationally, with a focus on challenging and supporting students to achieve and move successfully into the system, through it, and into employment.

We have taken important steps towards this aim in the past four Budgets, but we need to further develop and steer improvement of the system to achieve these goals.

- a. Improving our contribution to economic growth by incentivising knowledge transfer in tertiary research to better link research with the economy, while ensuring performance is maintained or improved over time; and improving the contribution of international education to New Zealand's economy.
- b. Continuing to improve system performance and the value of the Government's expenditure on student support and tuition subsidies in order to identify further savings, primarily within lower-value student support or tuition subsidy funding to reprioritise to meet these goals.

## 1.1 Operating or Business Model

### *Ministry of Education*

The Ministry of Education is progressively implementing a new operating model to deliver on its strategic direction and better integrate its activities. The operating model will be based on the vision of "One Ministry". This reflects the need for the Ministry to be the strategic leader across the whole education system. It also reflects the collective contribution that ECE, schooling, tertiary education and life-long learning makes to a learner's life outcomes and in turn to society and the economy.

The new operating model will support horizontal as well as vertical integration. Its key elements are:

- active steering of the education system to strengthen student achievement
- effective use of data and evidence to inform all aspects of the sector's and the Ministry's work
- organisational design and methods that enable end to end planning and execution, from policy to service delivery
- support for quality teaching and effective leadership
- active stakeholder and community engagement.

The various elements are at different stages of development and implementation. The Ministry's intentions and current progress in each area is outlined below.

#### *Active steering of the education system to strengthen student achievement*

The Ministry has implemented an education sector governance structure and improved its internal governance arrangements, with new management boards and portfolio boards. The

new structure will monitor implementation and delivery performance against specified outcomes and accountabilities, both internally and across the sector.

The boards will monitor progress in relation to project/programme delivery and performance and hold responsible managers accountable for the achievement of progress.

The boards include:

- Ministry of Education Board (central governance board covering strategy, goals and results)
- Education Sector Leadership Board (education agency chief executives with chairs of the Crown Entity boards attending on a quarterly basis. The board will focus on sector wide strategy and delivery, the development of shared services and leadership development across the agencies)
- Regional Operations Board (still to be confirmed)
- Management Boards (oversee the operation of corporate functions)
- Portfolio Boards (focus on the different areas of the education sector and oversee policy, operational design, delivery and performance. The areas included are special education, early learning, infrastructure, student achievement, Ka Hikitia and tertiary and international education)

The Tertiary and International Portfolio Board oversees the Ministry of Education's work programme for tertiary and international education. Cross-agency representation from Education New Zealand, Ministry of Business, Innovation and Employment, New Zealand Qualifications Authority, and Tertiary Education Commission supports the Ministry to have line of sight from policy to implementation.

*Effective use of data and evidence to inform all aspects of the Sector's and the Ministry's work*

The Ministry is collating and disseminating transparent system performance information. This recognises that understanding and acting on student achievement data is central to lifting achievement, particularly for priority groups. Transparent data covers national standards in years 1-8, NCEA Level 2 achievement and tertiary education outcomes.

The Ministry is also increasing information sharing with other agencies. This is enabling identification of those who are at risk of disengaging from the education system, so that Government can respond with early interventions to place a learner on a path to achievement.

*Organisational design and methods that enable end to end planning and execution, from policy to service delivery*

There are five Taskforces and an inter-agency steering group for tertiary education matters, each under the direction of a Deputy Secretary and governed by a portfolio board. The focus of each Taskforce is slightly different, but all are action-orientated, data-driven project teams that bridge different policy and operational areas to deliver progress against the Better Public Services and other government priorities.

The Tertiary Education, Skills and Employment (TESE) Steering Group ensures that the Minister for Tertiary Education, Skills and Employment receives joined up advice across the portfolio. It does this through the development of a forward work programme across TESE agencies, joint development of content for important papers, and ongoing discussion of issues in which multiple agencies have an interest.

### *Support for quality teaching and effective leadership*

In the tertiary sector, the Government uses investment, monitoring and quality assurance to support providers to focus on promoting educational success for all students. The government expects tertiary education organisations to have in place the necessary systems and structures to ensure that:

- individuals are motivated to learn and have the skills and information needed to be effective students
- educators continually update their knowledge of their subject and of effective teaching and learning; are responsive to a diverse range of students and teach a rich set of competencies in the content of a course
- they foster professional learning communities, and offer the resources and support needed for teaching and learning.

Support is also provided to providers through Ako Aotearoa, an organisation funded by the Government to support best practice teaching in tertiary education organisations.

For some groups the government provides additional information for tertiary education organisations on its expectations of their contribution:

- *Ka Hikitia – Managing Success: The Māori Education Strategy 2008–2012* sets the direction for improving education outcomes for and with Māori learners
- the Pasifika Education Plan sets out specific expectations of the education outcomes for Pasifika peoples
- *Kia Ōrite: Achieving Equity* – sets out a New Zealand Code of Practice for an inclusive tertiary education environment for students with impairments.

Other work underway to support quality teaching and effective leadership includes a review of governance arrangements in tertiary providers, work to strengthen tertiary elements in the Pasifika Education Plan, and refreshing *Ka Hikitia – Managing Success*.

### ***Active stakeholder and community engagement***

The Ministry is developing a much more proactive and considered approach to stakeholder engagement including a strategy to manage relationships with key stakeholders in a way that maximises its influence on education outcomes. This includes new stakeholder relationships with the business community.

The Ministry has built solid foundations with iwi over recent years. It is continuing to strengthen iwi partnerships and is bringing these to the fore, for example in pursuing Better Public Services targets.

Since the Ministry has taken a lead advisor role in tertiary education policy, it has developed more direct links with the sector. The Ministry meets regularly with sector peak bodies from universities, polytechnics, wānanga and private training establishments.

### ***Performance Improvement Framework***

The Ministry was one of the first government agencies to take part in the Performance Improvement Framework review process, which is managed by the State Services Commission. The process, which is based on international best practice, gives the Ministry an independent view of its performance and identifies priority areas for action.



### **Key enabling strategies**

The Ministry of Education's operating model is underpinned by a number of key strategies that outline how it will achieve its outcomes. They are:

- *Success for all – every school, every child*
- *Ka Hikitia – the Māori Education Strategy*
- *The Pasifika Education Plan*
- The medium-term strategy for early childhood education
- The medium-term strategy for primary and secondary education
- *The Tertiary Education Strategy*
- *Leadership Statement for International Education.*

### **Strategic relationships, interagency/inter-sector work**

The Ministry of Education is a member of two sector groups - the Skilled and Safe Workplaces group and the Social Sector Forum.

The Skilled and Safe Workplaces group works to ensure that labour market and education outcomes deliver a higher quality of life and standards of living for all New Zealanders. To do this, high level results have been identified to ensure all New Zealanders have the skills they need to succeed; businesses have the skills they need; and, ultimately, that New Zealand's labour productivity growth is doubled.

Many of the initiatives and programmes identified in this Four Year Plan will contribute to these high level results and over the next four years agencies in the cluster will continue to work to achieve deeper levels of consistency and integration in both policy and service delivery.

The Social Sector Forum is a cross-agency leadership and governance forum tasked with understanding and tackling complex social challenges through collaborative working. The forum reports to the Social Policy Committee. The Forum has a number of priority work streams and cross-agency initiatives with Ministerial leads. The Forum focuses on providing strategic policy advice, implementing innovative cross-agency service delivery, and working to ensure robust and joined-up research, monitoring and evaluation. The Forum has developed a joint outcomes framework to align cross-agency outcomes and outcome evaluations.

Part of the Forum's mandate is to continually improve the integration of the social sector agencies work to achieve greater impact at the frontline. A cross-agency work programme has been established to design and implement programmes. Under the Better Public Services work programme, the forum is also working on shared targets.

## **1.2 Operating Environment and Strategic Challenges**

### **Government priorities**

The Government has identified four key priorities for the next three years. They are:

- responsibly managing government finances
- delivering better public services
- building a more competitive and productive economy

- rebuilding Canterbury.

The tertiary education system has a significant contribution to make to each of these priorities.

#### *Responsibly managing government finances*

Responsibly managing government finances requires a focus on returning New Zealand's economy to surplus by 2014/15. We expect to manage the tertiary budget with no additional funding over the four year period, as committed to in Budget 2011 and at my presentation to the Cabinet Committee on State Sector Reform and Expenditure Control (SEC) on 25 September 2012. To achieve this, expenditure will need to continue to be reprioritised from lower priority areas, and ongoing enhancements in efficiency will need to be achieved.

#### *Delivering better public services*

The Government is committed to providing better public services to New Zealanders. Over the next three to five years, there will be a focus on increasing skill levels and employment, reducing long-term welfare dependency, supporting vulnerable children, reducing crime, and improving interactions with Government. In the tertiary sector, we are committed to increasing the percentage of 25- to 34-year-olds who have a qualification at level 4 or above on the New Zealand Qualifications Framework.

#### *Building a more competitive and productive economy*

Tertiary education has a vital role in supporting workplace productivity, innovation and economic growth. A better-performing education system will contribute to the Government's programme of social reforms, reducing long-term and intergenerational welfare dependency and the associated poor outcomes that often accompany this.

Over the next four years, the focus will be on increasing the proportion of young people with higher-level qualifications and getting stronger alignment between the supply of skills from the education system and the needs of employers. We need to ensure that research and innovation play a stronger role in our future economy.

International education is one of New Zealand's most valuable services exports. In addition, improving New Zealand students' international knowledge will assist future social and economic development.

#### *Rebuilding Canterbury*

Significant investment, support and resources will be required and the rebuild will be challenging, not least because of ongoing seismic activity in the region. The Government is committed to rebuilding Christchurch as a vibrant and strong city.

Tertiary education has a large role to play in supporting the labour market to operate effectively in Canterbury. The tertiary and skills sectors must be responsive to the skills needed to rebuild Canterbury and the international education sector must be supported to recover and grow, which is vital for Canterbury's economic growth. In addition, Canterbury tertiary education organisations are significant employers and providers of international education in the region and should be supported to re-build.

#### ***Fiscal environment***

In periods of low-economic growth, employment pressures tend to increase the volume of tertiary education (and reduce participation in industry training). These pressures also increase the price paid due to more full-time study, students staying in the system for longer (and thus moving to higher levels, which are more expensive to fund). The global financial crisis has also reduced post-study earnings, which increases the cost to Government of student loans and increased the volume of student allowances.

## ***Demand forecast***

Changes to tertiary participation rates and to unemployment rates can have significant impacts on the demand forecast. Policy changes such as performance requirements for students taking out loans also have an impact on the forecast.

Overall demand for tertiary education is forecast to remain well within the 5% upper tolerance band. Forecast demand at levels 3 and above peaks in 2014 at 2.8% above funded baseline levels, and drops to 1.9% above funded baseline levels by 2017 due to a drop in the core tertiary education aged population and forecast unemployment rates reducing over time.

Tertiary education demand is forecast to be marginally higher over the next 5 years than as at March 2012. The key factors driving the higher forecast are that enrolments for 2012 have rebounded from an unusually low uptake in 2011, and an increase in Treasury's preliminary unemployment forecasts.

We have forecast demand for levels 1 and 2 tertiary education (which makes up about 7% of the system) separately because of the introduction of the new framework for funding provision at these levels from 2013. The initial forecast for levels 1 and 2 shows demand for these levels to be close to the estimated funded baseline. Demand for higher level tertiary education from students that had previously been eligible for levels 1 and 2 contributes to the pressure at levels 3 and above.

This forecast of demand for levels 1 and 2 should be treated with caution, as it is difficult to predict uptake from students who qualify for funding within the new fee-free policy framework focussed on meeting foundation learning needs. As more information becomes available to include in the model about uptake of courses under the new framework, this pattern may change in future forecasts.

There is forecast demand in the university and ITP sectors above the funded baselines from 2014, including a pipeline of degree-level students. Decisions about the extent to which to provide additional funding for these students would need to consider the mix of policy and funding responses required to achieve Better Public Services targets within a constrained funding environment.

## **Strategic challenges**

We need to build on our approach of making the tertiary education system more efficient, and continue to leverage significantly greater results from it. To do this, we have set a number of priorities that will challenge the system:

### ***Balancing investment in higher level and foundation skills***

Contributing to a more competitive and productive economy and the Business Growth Agenda requires more degrees and high-level specialist skills (as degree level provision and higher, and specialist provision such as engineering are funded at higher rates), and more effective research and knowledge transfer outcomes. This places pressure on costs and demand in the system by increasing the average price per student within the capped system.

Over the last four years, we have focussed the system on higher level study that has better employment outcomes through reinvesting in additional volume and increased incentives for higher level study and research.

Continuing the shift to higher levels helps to drive increases in the skill level of the workforce and supports productivity and innovation through industry and employers being able to tap into the tertiary education and research system for quality labour, skills development, and knowledge transferred from research.

However, increased demand for foundation level study from beneficiaries and increasing the proportion of young people with NCEA Level 2 requires more effective pathways into the system and greater progress of students through it, so students stay for longer, creating

additional demand over time. Fiscally, this may create a tension between the need to invest in high-end skills and promote innovation (in line with the Better Public Services target at level 4 and above and the Business Growth Agenda goals).

Many employers argue that foundation skills, including literacy, numeracy and the core competencies of self management and working in teams are just as important as technical skills. Foundation education provides opportunities for learners with low levels of previous educational success and young people generally. Vocational education at levels 4-6 is also likely to play an important role in the rebuilding of Christchurch and in the ongoing improvements to infrastructure that will underpin future economic performance.

It is important that we continue to improve the efficiency of the system within each type of provision (including foundation education, vocational education, and research-led degree and postgraduate study) through more active steering of the system and ensuring that we have the right performance incentives in place to support completion and progression at all levels of study.

### ***Delivering Better Public Services by increasing qualifications at NZQF level 4 and above***

Under current settings, roughly 45,000 people aged between 25-34 will achieve a level 4 or higher qualification by 2017. This creates a shortfall of approximately 11,250 people.

An additional 3,500 people are forecast to be gained through net migration, but we will also need an increase of approximately 7,750 New Zealand qualified people to achieve the target of 55% of 25-34 year olds achieving a qualification at NZQF Level 4+ by 2017. However, forecast demand declines from 2014 onwards, due to demographic factors and reduced unemployment rates forecast by Treasury.

Achieving this increase in the number of qualified people will require increased completion rates within currently funded volumes, but will also require providers and industry training organisations to stimulate additional demand. In other words, efficiency gains within the current system will by themselves be insufficient to achieve the target. These additional students may have experienced limited success in the education system, and may require higher levels of investment by providers to succeed.

On the supply side, initial steps to assist with the target include changing tolerance bands and an EFTS increase for over-delivery at levels 4 and above in targeted PTEs. There is room to absorb a significant proportion of the additional demand required within these initiatives. However, the extent to which the tolerance bands are used by providers depends on the incentives providers have to enrol students above their allocated funding levels.

[6]

### ***Supporting the Christchurch re-build***

To assist with the building works necessitated by the earthquakes, Cabinet has agreed in principle to provide a capital contribution to the three Canterbury TEIs for selected capital projects, subject to a satisfactory Project Business Case that fully explores the building options. At this stage the quantum of capital funding has not been agreed by Cabinet. The TEIs have been invited to submit Project Business Cases for Cabinet consideration in 2013, so the amount and timing of a Government contribution (and any terms relating to that contribution) can be determined.

[6]

Christchurch Polytechnic Institute of Technology (CPIT) is expected to finalise their Project Business Case in mid 2013. Lincoln University are expected to finalise their Project Business Cases towards the end of 2013 and the University of Canterbury in early 2014. The Project Business Cases will explore options on rebuilding or replacing the science and engineering facilities at the University of Canterbury, options on rebuilding the science facilities at Lincoln University, and options on expanding the delivery of trades training at the CPIT.

[9],[10]

The level of the Government's capital contribution for the University of Canterbury, Lincoln University and CPIT will be agreed by Cabinet following consideration of the final business cases and will be sourced from the Future Investment Fund.

### ***Supporting industry training***

I have reviewed the industry training system and am proposing to Cabinet changes that will encourage better outcomes for industry trainees and employers from the industry training system. To implement the changes, I propose to "re-boot" the industry training system. The "Apprenticeships Re-boot" will commence from 1 April 2013. It will provide apprentices in priority trades such as building and plumbing with up to \$2,000 towards tools and other apprentices up to \$1,000 towards purchasing tools, and be matched by equal payments to the employer, with some exclusions, e.g. for apprentices and employers already accessing MSD support. This will provide greater incentive to take up trade apprenticeships and support the labour force needs for the Christchurch rebuild. The "re-boot" will be available for the first 10,000 apprentices that enrol from 1 April 2013 and cost a total of \$28.200 million, funded from the Transitional Funding for Industry Training tagged contingency.

I also propose to introduce a consortium-based Maori and Pasifika Trades Training initiative to support the increase in demand for and outcomes of industry training required to meet our priorities, including the Christchurch rebuild and Better Public Services. This initiative will provide additional support and a clear pathway from initial tertiary education into employment and an apprenticeship. To do so, it will, where possible, utilise existing capacity in the industry training and EFTS systems. Depending on general levels of demand for lower-level tertiary education, funding for some additional tertiary places may be required.

### ***Supporting welfare reform***

As part of the welfare reforms led by the Ministry of Social Development, the Government is adopting a long-term investment approach to achieving better employment, social and financial outcomes through the welfare system.

[6]

[6]

### ***Provider costs***

There is a large number of providers in a relatively small skills and research system, some of which have relatively little capacity to absorb reductions in income or to generate more income through export education opportunities. We need to give time to providers to adjust to shifts in demand or priorities. We are encouraging good governance and greater efficiencies and collaboration in the industry training and vocational sectors in particular.

[9]

### ***Improving the information base of the tertiary system***

The Government is seeking to improve the information base of the tertiary education system. As a part of this, a trusted and accessible service for students, tertiary education organisations, government agencies, employers and the public is being created. This timely, useful and reliable information will relate tertiary activities to outcomes that students achieve, to enable insights and inform decisions.

[6] is currently set aside to cover costs of this transition over and above the contribution of agencies to the project. The approach to implementation is currently under discussion, with one possibility being to make changes to current systems and processes over the 2013-2016 period, so that the transition to the new systems and processes will be eased for the tertiary education sector.

***Increasing the contribution of international education to economic growth***

A cross-agency work programme to achieve the goals of the Leadership Statement for International Education is being put in place. This combines an examination of policies across agencies to identify possible trade-offs, operational initiatives, and evaluating the outcomes for international education.

***Baseline profile as at October Baseline Update (OBU) 2012***

<b>Baseline profile – OBU 2012</b>	<b>2012/13 (\$0.000m)</b>	<b>2013/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Operating expenditure – departmental	13.208	13.648	14.608	12.364	12.364
Operating expenditure – non-departmental	2,819.018	2,811.510	2,826.877	2,840.575	2,841.803
<b>Total Operating expenditure</b>	<b>2,832.226</b>	<b>2,825.158</b>	<b>2,841.485</b>	<b>2,852.939</b>	<b>2,854.167</b>

### 1.3 Decision Points and Trade-offs

Key fiscal pressures for the four-year period include delivering the Better Public Services target for qualifications in the 25-34 year age group, managing any flow-on costs from the move to a long-term investment approach to welfare provision, meeting out-year costs of the Budget 2012 package, and supporting the Christchurch rebuild.

A key challenge is to meet priorities in tertiary education with no additional funding over the next four years. In recent Budgets, we have used low value tertiary expenditure, particularly in student support, to fund priority provision and manage cost pressures. Tertiary education also returned savings to the centre of over \$500 million over four years from each of Budgets 2009 to 2011, and nearly \$300 million over 4 years in Budget 2012, although Budget 2012 created an out-years gap of \$23.446 million in 2015/16 (rising to \$29.696 million in 2016/17 and out-years).

Forecast demand for tertiary education is under better control, following a previous history of fiscal risks related to demand. Demographic factors and the expected economic recovery mean that demand pressures eased off prior to the adoption of Better Public Services targets, creating some room for the system adjustments required to achieve these.

In the short term, I anticipate that additional resourcing to meet pressures can be reprioritised from lower priority areas within tertiary education, aligning the resourcing for industry training with demand, and ongoing efficiency gains.

However, even if pressures are scaled back (e.g. no additional funding for CoREs, or a scaled back version of the Maori and Pasifika Trades Training initiative) and more aggressive savings options are taken, the savings generated in Budget 2013 in 2015/16 and 2016/17, would not be sufficient to address the funding gap from Budget 2012 occurring in 2015-2016.

From 2015 onwards, achieving priorities within current levels of funding will require strategic shifts in policy settings and more active steering of the system. For example, we may wish to consider using price or volume signals (i.e. through tuition subsidy changes or the allocation of EFTS) to ensure that provision is more closely aligned to Government's priorities and industry needs.

#### **Options to manage cost pressures down**

##### *Initiatives to support achievement of the Better Public Services target*

The key pressure is the actions required to achieve the Better Public Services target of 55% of New Zealanders aged 25-34 with a qualification at level 4 and above by 2017. To date we have been conservative in the estimated cost of achieving the target by assuming that a significant amount of the additional EFTS required will be achieved through unfunded tertiary provision.

It is possible that the reformed industry training system will contribute more additional qualifications to the achievement of the target than we assumed in our Better Public Services analysis. Currently it is assumed that 2,250 of the additional 11,250 qualifications required for the target will come from improvements in the performance of industry training<sup>1</sup>.

We are currently modelling the extent to which increased performance and demand from the reformed industry training system will contribute additional qualifications to the achievement of the target over and above the 2,250 we have already built into the modelling. This will include the impact of the proposed new Maori and Pasifika Trades Training initiative on the number of level 4 qualifications and above that will be achieved in the reformed industry training system.

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<sup>1</sup> 3,500 additional qualified people will be the result of a steady increase in net migration, leaving 5,500 required from tertiary education provision.



[6]

### *Māori Trades Training*

It is an option to scale down the expansion of the Māori Trades Training initiative or ensure that the tuition subsidy costs are found from within current baselines. If training can be managed within current baselines, approximately \$6.7 million per annum would be saved. However, the viability of this approach would depend on levels of demand from other students with foundation learning needs.

### *Out-years funding pressure*

As noted above, there is a cost pressure in out-years resulting from Budget 2012 decisions. The operating impact agreed by Cabinet in 2012 is \$23.446 million in 2015/16 (rising to \$29.696 million in 2016/17 and out-years). It is unclear whether or not the tertiary education Budget is expected to “make up” the operational impact from Budget 2012 as part of Budget 2013. Should the tertiary Budget package be required to do so, this would significantly increase the challenge of making the Budget 2013 package balance.

### **Generating further savings from the tertiary system**

[6]

However, increased demand for foundation level study from beneficiaries and increasing the proportion of young people with NCEA Level 2 requires more effective pathways into the system and greater progress of students through it, so students stay for longer, creating additional demand over time. Fiscally, this may create a tension between the need to invest in high-end skills and promote innovation (in line with the Better Public Services target at level 4 and above, and the Business Growth Agenda goals).

Student support changes in Budgets 2010, 2011 and 2012 have reduced the student support costs by targeting high risk lending and shifting more of the costs of tertiary study (either during or after study) to individuals. [6]

## Scaling up student support options

The options for student support savings presented are relatively low risk and driven from analysis of value in the student loan and allowance schemes. Student support options impact Votes Social Development and Revenue because student loans and allowances are administered by MSD (Studylink), and loans repayments are made via the tax system.

### *Student loans*

The major causes of loss of value in the loan scheme are slow repayment by borrowers who get little return from their study (as the time value of money erodes value), non-compliance (particularly by overseas-based borrowers), and deferred payments (as students may choose to take interest-free, income-contingent loans in preference to family or other sources of financing).

Successive Budget changes aimed to increase the performance of student support by targeting these causes through:

- increasing individual responsibility for loan repayment
- restricting eligibility and entitlements for high risk groups
- further targeting student support to need, including by personal income, initial qualifications/years of study, or age.

Work is underway on options that target high risk lending and/or result in increased borrower contributions. [6]

These options are scalable, for example greater savings would be generated from moderate risk options such as removing eligibility for younger age groups [6]

However, the moderate risk options are more likely to unduly affect people in the targeted group who will have strong repayment performance or loan value and may gain good labour market returns from study.

I will also extend efforts to increase collection from overseas-based student loan defaulters. The Vote Revenue Four Year Plan includes an initiative to continue funding for overseas initiatives, based on their early success. This will allow us to update address details from new passport applications, among other initiatives. I am also considering including further overseas-based borrower initiatives in the Budget 2013 student loan package.

### *Student allowances*

Expenditure on student allowances has increased by almost 69% from \$385 million in 2007/08 to \$649 million in 2011/12. This big increase is restricting our ability to invest elsewhere in tertiary education, in tough financial times. Student allowances have always been meant for students from low income families, over time this focus has been diluted so that students from families earning up to \$90,000 per year have qualified.

Apart from recent changes to eligibility for postgraduate study, student allowance policy settings have also not been updated to reflect the wide availability of interest free student loans. The impact of recent Budget changes that restrict eligibility for student support are not yet known, therefore the extent to which further restrictions are needed is not yet evident.

I am currently considering options that target student allowances based on age and residency. Examples include whether it is reasonable:

- that older people who are ineligible for New Zealand Super should be able to receive a student allowance as a means of living support

- that an age limit (similar to the limit of 55 for student loan living costs) should also apply to student allowances
- to consider increasing the stand down period for permanent residents in order to require a greater commitment from them to New Zealand's economy and society

However, although the labour market returns and student loan repayment performance of older people are lower than those for younger people, this option would completely remove access to living cost support while studying for older people (due to the Budget 2012 change to remove access to student loan living costs for those aged 55 and over). That is, it removes a safety net for older people from low income backgrounds who want to study and who can benefit from it.

[8]

It may be possible to establish a justified limitation under Part 5 of the BoRA based on the low economic return to the country of investing in the education of those over 55, and to ensure the fair distribution of resources. This is likely to be harder for the 55-plus age group than it would be for the 65-plus age group, restrictions to those over 55 have already been established within the student loan scheme and this limits alternative avenues of support.

Options that target residential status could also be challenged under BoRA on account of national origin. The options I am currently considering are not novel: they aim to extend policies that are already well established among the allowance and other schemes.

[6]

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<sup>2</sup> Based on available 2011 figures

[6]

### **Industry training underspend**

In the short term, additional resourcing to meet pressures can be reprioritised from the industry training system, due to weaker demand than forecast. However, it is assumed that the industry training fund will become fully subscribed later in the four-year period. The industry training reboot and the Maori and Pasifika Trades Training initiative will assist with increasing demand for industry training.

### **Medium term choices**

Over the four year period, funding more study at NZQF level 4 and above, and prioritising tertiary provision that contributes to business growth will require strategic shifts in policy settings and more active steering of the system, if the requirement remains to stay within current funding levels.

[6]

[6]

## 2.0 Medium-term Intentions

### 2.1 Summary of Medium-term Intentions – Intended Changes

<b>Intention</b> <i>(Name and brief description)</i>		<b>Type of Action</b> <i>(New/stop/change)</i>	<b>Success measures</b> <i>(Text)</i>
A	Initiatives to achieve Better Public Service target at level 4+	Change	Achievement of Better Public Services target
B	Māori and Pasifika trades training	New	TBC
C	Centres of Research Excellence	Change	Appropriate performance measures will be agreed as part of new CoREs contracts.
D	Other Pressures (equity funding)	Change	TBC
E	Tertiary contingencies	Change	Activities will have appropriate performance measures agreed as part of the proposals for drawing funding down from contingency.
F	Capital cases for Canterbury TEIs	New	Support for Canterbury TEIs provided
G	Student loans – change to approach to calculating cost of lending	Change	The improved performance of the student loan scheme will be measured by the extent to which the package reduces the cost of lending.
H	Student loan initiatives	Change	The improved performance of the student loan scheme will be measured by the extent to which the package reduces the cost of lending. Following Budget 2012 the cost of lending was reduced to 39.09 cents in the dollar and we can expect the Budget 2013 package to reduce the cost further.
I	Student allowance initiatives	Change	TBC
J	Foundation education	Change	Improved provision at level 1-2
K	Pressures related to other votes	Change	TBC
[6]			

## 2.1.1 Summary of financial implications from medium-term intentions – intended changes

<b>Proposed initiatives</b>	<b>2012/13 (\$m)</b>	<b>2013/14 (\$m)</b>	<b>2014/15 (\$m)</b>	<b>2015/16 (\$m)</b>	<b>2016/17 (\$m)</b>	<b>Four- year total</b>
[6]						
Continue 99-105% tolerance bands	-	1.250	3.500	3.500	3.500	11.750
Continue additional PTE over-delivery	-	3.250	7.000	10.000	10.000	30.250
Maori and Pasifika Trades Training	-	4.666	8.773	11.199	11.199	35.837
Centres of Research Excellence	-	0.500	3.169	3.169	3.169	10.007
Other Pressures	-	0.500	1.000	1.000	1.000	3.500
[6]						
Student loans – change to approach to calculating cost of lending	(64.000)	(36.000)	(16.000)	(1.000)	-	(117.000)
Student loan initiatives	(32.800)	(18.143)	(28.560)	(28.760)	(27.560)	(135.823)
Student allowance initiatives	-	-	(5.000)	(10.000)	(10.000)	(25.000)
Transfer from Industry Training Fund to fund Maori and Pasifika Trades Training	-	(4.666)	(8.773)	(11.199)	(11.199)	(35.837)
[6]						



## **2.2 Core Business, Continuous Improvement and Other**

The Ministry is undertaking other work to achieve our tertiary and international education priorities that may not require funding changes:

- continuing work to strengthen foundation education, including new criteria to better target level 1 and 2 provision and a new funding system for foundation education
- improving the coherence of secondary-tertiary education options through the development of a new funding system for secondary-tertiary programmes and the development of a new performance benchmark for fees-free Youth Guarantee provision
- implementing the new vocational pathways in tertiary education, including work with the Tertiary Education Commission and New Zealand Qualifications Authority to support providers to offer the vocational pathways.
- completing and implementing the comprehensive review of industry training using purchase mechanisms, including price, to shift the tertiary education system to respond to gaps in provision
- progressing work on governance arrangements and statutory interventions for publicly owned providers, including completing any legislative changes
- reviewing the Performance-Based Research Fund
- developing the New Zealand Benchmarking Tool and the Employment Outcomes of Tertiary Education dataset.
- supporting the New Zealand Qualifications Authority's targeted review of qualifications

In international education, policy advice will focus on:

- further developing the Government's strategy, the Leadership Statement for International Education.
- further developing New Zealand's pastoral care framework for international students
- New Zealand's bilateral and multilateral education relationships.

### **3.0 Organisational Capability and Workforce**

Vote Tertiary Education includes funding for an administrative workforce from three organisations:

- The Ministry of Education
- The Tertiary Education Commission
- Education New Zealand

The Ministry of Education holds a policy and research and analysis capability that covers tertiary education and student support. The Tertiary Education Commission leads the implementation of the tertiary education planning and funding system set out in Part 13A of the Education Act 1989. Education New Zealand gives effect to the Government's international education policies through a range of marketing, promotion and representation functions.

#### ***Ministry of Education***

The Ministry of Education's tertiary education group sits within the Tertiary, International and System Performance Group. The tertiary education group is funded out of Vote Tertiary. There are two main elements to that sub group; Policy, and Tertiary Sector Performance Analysis (TSPAR). The International Division is funded out of Vote Tertiary, with the exception of the Pastoral Care office, which is funded from the Export Education Levy.

#### ***Tertiary Education Commission***

##### *TEC Organisational and Capability Review*

A review in 2010/11 resulted in significant changes at the TEC increasing the organisation's focus on its core functions of funding and monitoring tertiary education organisations (TEOs). The changes were reported to Cabinet in September 2011 [ECC (11) 43] and the agreed changes in funding incorporated in the TEC's Statement of Intent 2012/13- 2014/15, being:

- a reduction in directorates from seven to three, and a reduction in the executive team members
- a reduction in establishment FTEs from 285 to 226
- a decline in forecast operating costs by nearly 22% from 2010/11 to 2013/14, returning savings of approximately \$9.1 million to the Crown.

These changes better positioned the TEC to administer a high-performing tertiary funding system providing good value to money.

Prior to the 2010/11 review, TEC underwent significant changes from two major reviews, in the four years after its establishment in 2003, and when the National-led government came to office in 2008. These changes included:

- the disestablishment of the regional office structure
- the transfer of the Tertiary Advisory Monitoring Unit from the Ministry of Education to the TEC
- shifting tertiary education policy back to the Ministry of Education
- the transfer of some Training Opportunities funding to the Ministry of Social Development and a reduction in TEC operating funding.

### *Organisational Capability (incorporating systems, processes and workforce)*

Tertiary education funding, together with the systems and metrics that support it, is based on course-level pricing and conditional bulk funding agreed in investment plans<sup>3</sup>. Planning and resourcing within the tertiary education system relies on the interaction between tertiary education organisations and their communities of interest to identify tertiary education needs and to respond to these with relevant and high quality provision.<sup>4</sup>

Recent policy changes have seen a general shift in the approach to tertiary funding, away from an arms-length, provider-centric approach to differential funding based on learner characteristics, fields of study and provider and student performance. This shift has occurred in advance of developments in TEC's systems, processes and associated workforce capability. As a result, TEC is highly reliant on interim solutions to translate between the key metrics of the bulk-funded approach (EFTS / courses) and specific requirements for targeted funding (learner eligibility, differential programme funding, enrolments, progress, completion and achievement at qualification level, etc.).

A key future requirement in supporting the TEC to deliver its core functions more effectively are the development of new tertiary education information systems that will deliver more timely and accurate information regarding the sector's performance. This will better support the new approach to tertiary funding and provide higher quality data to stakeholders.

These are sector wide systems and a programme of work, the Tertiary Information Future State (TIFS) programme, has been developed by the Ministry of Education, Tertiary Education Commission, New Zealand Qualifications Authority and StudyLink to address these requirements. It is managed through the Tertiary Information Governance Group.

To achieve internal alignment with the shift in the approach to tertiary funding, TEC is undertaking an end-to-end processes review of its payment management processes, with linkages to its investment and contract management processes.

### ***Education New Zealand***

Education New Zealand was set up on 1 September 2011 to support the international education industry to give effect to the Government's international education policies, through a range of marketing, promotion and representation functions.

#### *Building the organisation to meet its goals and objectives*

Education New Zealand highlighted in its 2012 -2015 Statement of Intent the risks that could arise from the misalignment of management and staff capability and capacity with the role of the new organisation. One of its challenges is to build a high performance culture, merging staff from three other organisations along with a high proportion of newly recruited staff. To mitigate these risks and to meet the goals and objectives above it has:

- recruited most of the permanent and long term fixed term staff in its new structure to replace contractors
- developed a staff induction process that incorporates input from partner agencies

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<sup>3</sup> While 'investing in a plan' was introduced as part of the 2002 tertiary reforms, the underlying (EFTS-based) funding system was introduced in 1999, based on the university funding allocation system operated by the (former) University Grants Committee.

<sup>4</sup> During 2009, TEC discontinued its stakeholder engagement activities as government no longer wished to purchase these. Instead, Government policy was that providers would be held accountable for interacting with business (notably, employers) to identify tertiary education needs.

- created HR, Finance and Communications policies that reflect the needs of the new organisation
- started to build networks with partner agencies to ensure it is taking an NZ Inc. approach to its work.

## Workforce

### Tertiary Workforce capacity and capability impacts – intended changes

#### *Ministry of Education*

The capability gap table below identifies potential pressure points given the internal and external influences facing the tertiary sector, and provides the basis for future workforce planning. Each identified gap will need resource allocation, recognition of the capacity and capability pressures this brings, and will need forward-planning and resourcing.

Capability Gaps	Reason for capability gap
Recruitment of resources with appropriate analytical, research, modelling, and forecasting skill sets.	<p>Specific skills are required to lead projects for specialists to:</p> <ul style="list-style-type: none"> <li>• Lead the analyses of key and emerging trends in the tertiary education system that increases understanding of the dynamics and performance of the system.</li> <li>• Lead the analyses of how the tertiary education system interacts with the wider education sector and how it contributes to Government's social and economic outcomes.</li> <li>• Lead the production of forecasts and costings for the student support system and disseminate these to internal and external clients.</li> <li>• Grow our understanding of what makes a difference to improving the tertiary education sector and achieving results.</li> </ul>
Project management skills	<p>A programme of upskilling is required because of:</p> <ul style="list-style-type: none"> <li>• An increased Ministry wide focus on application of specific project methodologies to formulate policy analysis.</li> <li>• A Ministry drive for consistency of analysis and business approach, underpinned by articulating clearer and better policy choices.</li> </ul>
Capability Pressures	Reason for capability pressure
A culturally aware and skilled workforce capable of advancing the policy agenda on the Tertiary Education Strategy, which includes goals for priority learner groups. Complementing the	<p>Pressures on the level of resourcing are due to:</p> <ul style="list-style-type: none"> <li>• Expectations about engaging across the Ministry and different parts of the education system to achieve whole-of-system</li> </ul>

<p>Tertiary Education Strategy is the Government's Māori Education Strategy, <i>Ka Hikitia – Accelerating for Success</i>, that identifies “Māori achieving educational success as Māori” as an overarching goal and specific Tertiary goal, and the Pasifika Education Plan 2013 – 2017.</p> <p>Improving achievement among priority learner groups is a major area of focus for the Ministry of Education, as reflected in the Ministry's Statement of Intent.</p>	<p>responses to priority groups.</p> <ul style="list-style-type: none"> <li>• Expectations for engagement with the sector and stakeholders with a key stake in boosting achievement of priority learner groups.</li> </ul>
<p>Reaching the Better Public Service Targets and advancing the Government's business growth agenda:</p>	<p>Pressures on the level of resourcing are due to:</p> <ul style="list-style-type: none"> <li>• A multi-faceted policy and implementation response is required across different parts of the tertiary and education systems.</li> </ul>

### ***Tertiary Education Commission***

<b>Capability Pressures</b>	<b>Reason for capability pressure</b>
<p>Capability required to respond to Canterbury earthquakes</p>	<p>TEC has responded to earthquake-related issues by supporting the Canterbury TEIs to prepare their business cases for government capital support and respond to Canterbury's changing skill needs. Additional capability has been required to achieve this work that is on-going.</p>
<p>Implementing Budget 2012</p>	<p>Changes to Vote Tertiary Education introduced in Budgets 2011 and 2012 were implemented by the TEC within its reduced operating baselines.</p> <p>The increasing focus on targeted initiatives e.g. priority trades and engineering volumes will continue to present challenges going forward.</p>
<p>Budget 2013 initiatives</p>	<p><u>BPS targets</u></p> <p>BPS represents a fundamental change in performance metrics – from inputs to attainment levels (the percentage of the working age population with qualifications) in the expectation that a more highly qualified workforce will yield economic benefits. This requires TEC to focus on the education pipeline (from ECE - school – tertiary – employment) and the key momentum points. It also requires TEC to better understand the utilisation of skills in the labour market as well as ensuring that business and industry have access to the skills they need.</p> <p><u>Welfare Reform</u></p>

Greater clarity around the proposed changes is required before the impact on existing systems can be considered in detail.
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### ***Education New Zealand***

The key elements for Education New Zealand's capability development are in place but it has more to do. It is currently:

- finalising its offshore footprint and recruiting for three offshore Regional Managers
- reviewing its back office staff requirements
- building the culture of the organisation, by working on embedding its values into its work practices and by focusing on internal communications.

Education New Zealand's steady-state full-time equivalent staff number (from 2014/15) is 55. The initial structure is higher as the organisation implements processes and systems, develop relationships and strategies and build its culture. A number of staff have been recruited on fixed-term contracts to facilitate the changing requirement. Staff numbers are expected to remain constant from that point.

In order to meet its goals and objectives Education New Zealand also needs to ensure its Information and Communication Technology (ICT) systems operate reliably and enable it to operate efficiently. ENZ inherited an ICT infrastructure that was not suitable for its needs. It has developed a phased approach to introducing a new ICT infrastructure. The first phase that will shortly be introduced will stabilise the system to ensure reliability. The second and third phases – due for implementation in the first half of 2013 will provide an appropriate ICT infrastructure for its requirements until 2016/17.

### **3.3.1 Total Workforce Costs**

The Ministry of Education's workforce costs for Tertiary Group currently include staffing costs associated with the roll-out of the Youth Guarantee network up until 2014/2015. As this is a time-limited initiative, these costs will be absorbed into baselines from 2014/2015.

A breakdown of the Ministry of Education's departmental costs for Vote Tertiary is provided in Section 4.0 below. These costs do not include workforce costs for TEC and Education New Zealand.

### ***Ministry of Education***

<b>Tertiary Groups</b>	<b>FTE (at 20/11/2012)</b>
Policy	28
TSPAR	9
<b>Total</b>	<b>37</b>

<b>International Division</b>	<b>FTE (at 20/11/2012)</b>
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Policy and International Engagement*	13
Pastoral Care office	5
<b>Total</b>	<b>18</b>

\* 3 FTEs from the policy and engagement team provide secretariat services to the UNESCO National Commission.

### ***Tertiary Education Commission***

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Total FTE numbers</b>	226	226	226	226	226

### ***Education New Zealand***

	2012/13	2013/14	2014/15	2015/16	2016/17
On shore	37	37	30	30	30
Off shore	25	25	25	25	25
<b>Total FTE numbers</b>	<b>62</b>	<b>62</b>	<b>55</b>	<b>55</b>	<b>55</b>

### **Tertiary Sector Workforce**

Tertiary education organisations (TEOs) are either independent Crown entities or privately-owned. The Government's expectation is that workforce planning is the responsibility of tertiary providers.

The strategic direction for tertiary education is articulated in the Tertiary Education Strategy 2010-15 and the funding of most tertiary education institutions is based on the goals and priorities of the Strategy. Providers are required to develop investment plans which give effect to the priorities in the Strategy.

Due to the structure and level of independence of the tertiary education sector, the Government has no direct tertiary sector workforce costs. The Government provides student-based tertiary education funding as tuition subsidies that are primarily supply-driven but steered by Government's investment priorities (with decisions on quantity and mix of provision made by providers and Government) and loans and allowances (which are primarily demand-driven and follow the student to courses offered by providers).

### **Key trends in the tertiary sector workforce**

#### *Ageing academic workforce*

The academic workforce in universities is substantially older than the total New Zealand workforce. The 2006 population census shows that nine percent of the total New Zealand workforce was aged 60 years and over, compared to over 12 percent of academic staff in technical and higher education. In relation to academic staff eligible for the Performance-based Research Fund, 15 percent were aged 60 years and over in 2006. Single Data Return

information (provided by tertiary education organisations) shows that in 2012, 20 percent of the academic workforce in universities was aged 60 and over.

A similar ageing workforce trend exists in polytechnics. Based on the age profile of the academic staff in technical and higher education from the 2006 population census, it is estimated that close to one-quarter of the polytechnic staff will be aged 65 years and over in 2016. In addition, 2012 Single Data Return data shows that staff aged 50 years and over, already represented almost 50 percent of the academic workforce.

A similar trend exists at wānanga, although the aging workforce trend is less pronounced at wānanga than at universities and polytechnics.

The trend of an aging academic workforce is not unique to New Zealand. The Netherlands, Sweden, Germany, Australia, and the United Kingdom all have an aging academic workforce.

#### *Decrease of lecturers and increase of research-only staff at universities*

Three substantial compositional changes took place in the academic workforce at New Zealand's universities between 2001 and 2011: a one-third reduction in the number of lecturers (excluding senior lecturers), steady growth in the number of professors, and a doubling in the number of research only staff. This reflects both the 'drag' effect of an aging workforce and a strategic decision by universities to employ academics with greater research profile.

These shifts in the academic workforce were most significant following the introduction of the PBRF in 2004, which was established to ensure that excellence in research in the tertiary education sector is encouraged and rewarded.

#### *A trend towards part-time staffing*

In the academic workforce, there is a trend towards part-timers in universities, while in wānanga the trend is away from part-timers. In polytechnics, the full-time to part-time ratio among the academic staff decreased slightly from 2001 to 2011.

Fifty-nine percent of the academic staff in universities worked full-time in 2011, compared to 66 percent in 2001. The part-time academic staff increased in number by 48 percent from 2001 to 2011 compared to an increase of 9.5 percent for the full-time academic staff.

These trends in the part-time academic staff in universities suggest both a casualisation of the academic workforce, as well as an increase in the number of joint appointments providing staff the opportunity to job-share.

### **Challenges for the sector in responding to government's priorities**

#### *Ageing academic workforce*

In order to ensure long term capability in the academic workforce it is important to manage the average age of the academic workforce. This will require continuing to attract suitable and appropriately qualified staff into the academic workforce and to retain these staff. A report on workforce planning from Universities New Zealand recommended investigating the



demographics and dynamics of casual and 'other' academic staff at universities as a possible source of recruits from which the ageing workforce might be replenished<sup>5</sup>.

### *Cost pressures*

As noted in section 1.2 above, cost pressures on providers (including staffing costs) will increase during the four year period, and much of this will need to be absorbed by providers themselves. [9]

[9]

To absorb cost pressures, providers will need to become more efficient and find more external revenue. However, there are a large number of providers in a relatively small skills and research system, some of which have relatively little capacity to absorb reductions in income or to generate more income through export education opportunities.

[9]

## 4.0 Summary of Total Financial Impact

*This is a summary of total financial impact derived from other sections of the framework as indicated in the table below.*

### ***Operating – Departmental***

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)	Four Year Total
<i>Current operating expenditure baseline</i>	13.208	13.648	14.608	12.364	12.364	52.984
<b>Financial Implication of Planned Changes and Cost Pressures</b>						
Operating impact – departmental						
Direct employment cost pressures <b>(copy from table in Section 6.2.1.1)</b>	-	-	-	-	-	-
Operational cost pressures arising from capital <b>(copy from table in Section 6.2.1.2)</b>	-	-	-	-	-	-
Other operational operating cost pressures <b>(copy from table in Section 6.2.1.3)</b>	-	-	-	-	-	-
<i>Total of all changes and</i>	-	-	-	-	-	-

<sup>5</sup> Berl Economics (2010) *Report to the Universities New Zealand Human Resources Committee Steering Group: academic workforce planning – towards 2020*, Wellington: Business and Economic Research Limited.

<i>pressures on operating expenses</i>						
<b>Funding for Changes and Cost Pressures Available From</b>						
Operational efficiencies/reprioritisation	-	-	-	-	-	-
Changes to third-party revenue <b>(copy from table in Section 6.2.2.2)</b>	-	-	-	-	-	-
Transfers to/from other Votes <b>(copy from table in Section 6.2.2.3)</b>	-	-	-	-	-	-
<i>Total funds available</i>						
Operational efficiencies/reprioritisation	-	-	-	-	-	-
Savings required but not yet identified	-	-	-	-	-	-
Savings required as % of baselines	-	-	-	-	-	-
<b>New Funding Sought from the Centre</b>						
Total new funding sought <b>(copy from table in Section 2.1.1)</b>	-	-	-	-	-	-
<i>Savings required if new funding received</i>	-	-	-	-	-	-

### **Operating – Non-departmental**

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
<i>Current operating expenditure baseline</i>	2,819.018	2,811.510	2,826.877	2,840.575	2,841.803
<b>Financial Implication of Planned Changes and Cost Pressures</b>					
Financial implication arising from changes to outputs, services or deliveries <b>(copy from table in Section 2.1.2)</b>	(96.800)	(7.452)	(27.347)	(7.503)	3.034
Direct employment cost pressures <b>(copy from table in Section 6.2.1.1)</b>	-	-	-	-	-
Operational cost pressures arising from capital <b>(copy from table in Section 6.2.1.2)</b>	-	-	-	-	-
Other operational operating cost pressures <b>(copy from table in Section 6.2.1.3)</b>	-	-	-	-	-
Total of all changes and pressures on operating expenses	(96.800)	(7.452)	(27.347)	(7.503)	3.034
<b>Funding for Changes and Cost Pressures Available from</b>					
Operational efficiencies/reprioritisation <b>(copy</b>	-	-	-	-	-

<b>from tables in Section 6.2.2.1)</b>					
Changes to third-party revenue (copy from table in Section 6.2.2.2)	-	-	-	-	-
Transfers to/from other Votes (copy from table in Section 6.2.2.3)	-	-	-	-	-
Total funds available	-	-	-	-	-
Savings required but not yet identified	-	-	-	-	-
Savings required as % of baselines	-	-	-	-	-
<b>New Funding Sought from the Centre</b>					
Total new funding sought (copy from table in Section 2.3)	-	-	-	-	-
Savings required if new funding received	-	-	-	-	-

## Capital

### Capital expenditure

Departmental Expenditure	Increase/(Decrease)				
	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Opening balance funding available	-	-	-	-	-
Depreciation funding	-	-	-	-	-
Sale of assets	-	-	-	-	-
Other (please specify)	-	-	-	-	-
<b>Total baseline funding available (a+b+c+d)</b>					
Capital investments funded from baselines	-	-	-	-	-
New capital funding sought from the centre (copy from table in Section 2.1.2)	-	-	-	-	-
<b>Closing baseline funding available</b>	-	-	-	-	-

Non-departmental Expenditure	Increase/(Decrease)				
	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Baseline funding available for the purchase or development of Crown capital assets	-	-	-	-	-
New capital funding sought from the centre (copy from table in Section 2.1.2)	-	-	-	-	-
Capital investment in organisations other than departments	-	-	-	-	-
<b>Total</b>	-	-	-	-	-



## 5.0 Key Operational Risks

### *Tertiary Education Commission*

Risk	Description	Likelihood	Consequences	Exposure	Financial Impact and timing by year (where applicable)	Treatment/ Mitigation
1	<p><b>Delivery of the Government's priorities</b>            Failure to deliver on the Government priorities, as set out in the Tertiary Education Strategy and the Better Public Services</p>					<ul style="list-style-type: none"> <li>• Work with other government agencies to deliver on the Tertiary Education Strategy and Better Public Service priority areas.</li> <li>• Effective engagement with our key stakeholders.</li> <li>• Provide clear expectations on Government priorities through Plan Guidance and the Investment Plan process.</li> <li>• Monitor use of performance targets in Investment Plans for TEOs to deliver priorities.</li> <li>• Publication of performance information by sub-sector and by individual TEO.</li> <li>• Work with government agencies and TEOs to meet the need for the Canterbury rebuild programme.</li> </ul>
2	<p><b>Organisational performance</b>            Not having the internal capability and capacity to deliver on the work programme</p>					<ul style="list-style-type: none"> <li>• Adoption of sound business and management practices to manage operating model and capability pressures, identified in this four-year plan, within baselines</li> <li>• Implementation and operation of sound management practices for major cross organisation systems and processes.</li> <li>• Prudent financial</li> </ul>

						<p>management policies and procedures in operation.</p> <ul style="list-style-type: none"> <li>• Use of sound security and business continuity policies and procedures in place to maintain the integrity and resilience for TEC's information systems.</li> </ul>
<b>3</b>	<p><b>Fund management</b></p> <p>Failure to properly manage the Crown funds for which the TEC is responsible for</p>					<ul style="list-style-type: none"> <li>• Operate an effective and efficient tertiary education organisation monitoring system to ensure that funds are being used for its intended purpose. This includes the alignment with other educational agencies monitoring systems such as NZQA.</li> <li>• Take appropriate action to recover Crown funding where necessary.</li> </ul>
<b>4</b>	<p><b>Evidence-based decisions</b></p> <p>Inadequate evidence base to substantiate cross organisational and agency decisions</p>					<ul style="list-style-type: none"> <li>• Good validation processes to ensure the reliability and integrity of the data that is used to inform the decision making process.</li> <li>• Transparency of decision making process.</li> <li>• Improving the timelines and quality of tertiary information across the sector to inform better decision making.</li> </ul>
<b>5</b>	<p><b>Legal</b></p> <p>Our actions create legal risks</p>					<ul style="list-style-type: none"> <li>• Development of consistent and agreed investment framework.</li> <li>• Operate effective legal compliance framework and process.</li> <li>• Legal advice sought and acted on.</li> </ul>

## Education New Zealand

Risk	Description	Likelihood	Consequences	Exposure	Financial Impact and timing by year (where applicable)	Treatment/ Mitigation
1	<p>External factors that reduce New Zealand's competitiveness to international students</p> <ul style="list-style-type: none"> <li>• High value of NZ dollar compared with other competing countries</li> <li>• NZ Immigration and NZQA policies that reduce NZ's student attractiveness</li> <li>• Immigration policies of other competing countries that reduce NZ's student attractiveness</li> <li>• Loss of agent support for NZ</li> <li>• Weaker economic climate in Europe and USA that may have adverse economic impact on key target markets for international student enrolments</li> </ul>	Unlikely	Severe	Moderate		<ul style="list-style-type: none"> <li>• Memorandum of Understanding has been signed with NZ Immigration to speed up the processing of student visa applications</li> <li>• Memorandum of Understanding is being developed with NZ Immigration for processing of student visa applications from NZ Specialist Agents</li> <li>• NZ Immigration is moving to centralised processing of visa applications on-line by the end of 2013 that will improve consistency and timeliness in making decisions</li> <li>• ENZ is working collaboratively with NZ Immigration and NZQA to ensure that visa and regulatory policies are balanced with maintaining and improving NZ's competitive edge in international education</li> <li>• NZQA is developing a one year Masters Post-Graduate course that aligns with similar programmes from other competing countries</li> <li>• NZQA is developing courses for overseas institutions for students wanting to study in their home countries</li> <li>• Code Office is enhancing its regulatory function to improve the effectiveness of the education regulations</li> </ul>
2	<p>Reputational damage to New Zealand's International Education Brand</p> <ul style="list-style-type: none"> <li>• Natural disaster in Auckland</li> </ul>	Rare	Major	Moderate		<ul style="list-style-type: none"> <li>• Response and support systems including communication protocols with institutions and government agencies</li> </ul>

<ul style="list-style-type: none"> <li>• International student death, abuse or assault</li> <li>• Poor student experience with specific providers widely reported</li> </ul> <p>Non-compliance of ENZ Code of Ethics by NZSA agents</p>				<p>have been implemented</p> <ul style="list-style-type: none"> <li>• Work with NZQA, and, Code Office to review and improve Code of Practice</li> <li>• Regular communication and updates on agents' performance and compliance</li> </ul>
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## 6.0 Detailed Activity and Financial Planning

### 6.1 Medium-term Intentions – Intended Changes

<b>Intention name: Increasing the proportion of 25-34 year olds with a qualification at level 4 or higher</b>	
<p>Note strategic outcome(s) related to this intention:          Achieving better public services          Building a more competitive and productive economy</p>	
Type of action (Insert : New/stop/change)	Change
Motivation for change (circle)	Generating funds for reprioritisation
	Seeking greater efficiency/performance from current spending
	<b>Responding to government priorities</b>
	Other.....
<p>Describe the intended change including timeframes of the intended implications:</p> <p>The Ministry of Education is leading work across the tertiary education and skills agencies, to increase the proportion of 25-34 year olds with a qualification at level 4 or higher to 55% by 2017.</p> <p>Under current settings, roughly 45,000 people aged between 25-34 will achieve a level 4 or higher qualification by 2017. This creates a shortfall of approximately 11,250 people.</p> <p>An additional 3,500 people are forecast to be gained through net migration, but we will also need an increase of approximately 7,750 New Zealand qualified people to achieve the target of 55% of 25-34 year olds achieving a qualification at NZQF Level 4+ by 2017. However, forecast demand declines from 2014 onwards, due to demographic factors and reduced unemployment rates forecast by Treasury.</p> <p>Achieving this increase in the number of qualified people will require increased completion rates within currently funded volumes, but will also require providers and industry training organisations to stimulate additional demand. In other words, efficiency gains within the current system will by themselves be insufficient to achieve the target. These additional students may have experienced limited success in the education system, and may require higher levels of investment by providers to succeed.</p> <p>On the supply side, initial steps to assist with the target include changing tolerance bands and an EFTS increase for over-delivery at levels 4 and above in targeted PTEs. There is room to absorb a significant proportion of the additional demand required within these initiatives. However, the extent to which the tolerance bands are used by providers depends on the incentives providers have to enrol students above their allocated funding levels.</p> <p>[6]</p>	
<p>Describe and quantify the financial impacts of the intended change: (Includes cost of continuing 99-105% tolerance bands, continuing additional PTE over-delivery and low and high scenarios for</p>	



additional EFTS subsidy/student support).

<b>Financial impact of intended change</b>	<b>2012/13 (\$0.000m)</b>	<b>2013/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Operating contingency	-	-	-	-	-
[6]					
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-
Describe any implications for workforce capacity and capability of the intended change: n/a					
Describe any other significant capability implications of the intended change (eg, IT): n/a					
Describe how the success of the intended change will be known or measured, including the value of spending: Progress towards achievement of the BPS target. (i.e. whether the target of 55% of 25-34 year olds achieving a qualification at NZQF Level 4+ is achieved by 2017)					

**Intention name: Māori and Pasifika Trades Training**

Note strategic outcome(s) related to this intention:  
Building a more competitive and productive economy

Type of action (Insert : New/stop/change)	New
Motivation for change (circle)	Generating funds for reprioritisation
	Seeking greater efficiency/performance from current spending
	<b>Responding to government priorities</b>
	Other.....

Describe the intended change including timeframes of the intended implications:

The introduction of a consortium-approach to Maori and Pasifika Trades Training initiative is designed to increase the number of Māori and Pasifika learners gaining higher vocational and trade qualifications, and entering into employment. This approach seeks to improve on the current apprenticeship and industry outcomes for Māori and Pasifika by providing a training model which prioritises workplace training, culturally responsive learner support, and responses to employer demands. This initiative will provide additional support and a clear pathway from initial tertiary education into employment and an apprenticeship. To do so, it will, where possible, utilise existing capacity in the industry training and EFTS systems.

Describe and quantify the financial impacts of the intended change:

<b>Financial impact of intended change</b>	<b>2012/13 (\$0.000m)</b>	<b>2013/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Operating contingency	-	-	-	-	-
Operating impact – non-departmental	-	4.666	8.773	11.199	11.199
Capital impact – departmental	-	-	-	-	-

Capital impact – non-departmental	-	-	-	-	-
Describe any other significant capability implications of the intended change (eg, IT): n/a					
Describe how the success of the intended change will be known or measured, including the value of spending: At present, completion rates for Māori and Pasifika learners in Industry Training and apprenticeships re significantly lower than the overall completion rate. Using the best elements of two successful Māori and Pasifika programmes as a basis, the aim is to ensure completion rates approaching 60%.					

<b>Intention name: Centres of Research Excellence</b>					
Note strategic outcome(s) related to this intention: Building a more competitive and productive economy					
Type of action (Insert : New/stop/change)	Change				
Motivation for change (circle)	Generating funds for reprioritisation				
	Seeking greater efficiency/performance from current spending				
	<b>Responding to government priorities</b>				
	Other.....				
Describe the intended change including timeframes of the intended implications: The Ministry of Education is currently conducting a policy review of the Centres of Research Excellence (CoREs) fund. Following the CoREs review, there is also a choice about the extent to which additional funding is applied to CoREs in order to increase activity or reflect increasing costs and complexity of research activity. We have factored into the plan a 10% increase to CoREs.					
Describe and quantify the financial impacts of the intended change: Based on 10% increase in current CoREs funding from next contracts (July 2015). Also includes funding to deliver the next selection round for CoREs.					
<b>Financial impact of intended change</b>	<b>2012/13 (\$0.000m)</b>	<b>2013/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Operating contingency	-	-	-	-	-
Operating impact – non-departmental	-	0.500	3.169	3.169	3.169
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-
Describe any implications for workforce capacity and capability of the intended change: n/a					
Describe any other significant capability implications of the intended change (eg, IT): n/a					
Describe how the success of the intended change will be known or measured, including the value of spending: Appropriate performance measures will be agreed as part of new CoREs contracts.					

<b>Intention name: Other pressures (equity funding)</b>					
Note strategic outcome(s) related to this intention: Building a more competitive and productive economy					

Type of action (Insert : New/stop/change)	Change				
Motivation for change (circle)	Generating funds for reprioritisation				
	Seeking greater efficiency/performance from current spending				
	<b>Responding to government priorities</b>				
	Other.....				
Describe the intended change including timeframes of the intended implications: Equity funding is a top-up payment made to providers to incentivise them to enrol Māori and Pasifika students and students with disabilities. Payments are based on enrolments, with a fixed rate paid per student. Higher than forecast participation is expected from Maori, Pasifika and students with disabilities (particularly in the PTE sector). Higher funding of \$1.0m per calendar year is needed to maintain current rates per student.					
Describe and quantify the financial impacts of the intended change:					
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Financial impact of intended change</b>	<b>(\$0.000m)</b>	<b>(\$0.000m)</b>	<b>(\$0.000m)</b>	<b>(\$0.000m)</b>	<b>(\$0.000m)</b>
Operating contingency	-	-	-	-	-
Operating impact – non-departmental	-	0.500	1.000	1.000	1.000
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-
Describe any implications for workforce capacity and capability of the intended change: n/a					
Describe any other significant capability implications of the intended change (eg, IT): n/a					
Describe how the success of the intended change will be known or measured, including the value of spending: This is an increase in existing funding, so existing performance measures will be used.					

[10]

<b>Intention name: Student loans: change to approach to calculating cost of lending</b>	
<p>Note strategic outcome(s) related to this intention:          Responsibly managing government finances          Improving the financial performance of the Student Loan Scheme without compromising its main objective of reducing financial barriers to study for all those who can benefit from it.</p>	
Type of action (Insert : New/stop/change)	Change
Motivation for change (circle)	<b>Generating funds for reprioritisation</b>
	<b>Seeking greater efficiency/performance from current spending</b>
	<b>Responding to government priorities</b>
	Other.....
<p>Describe the intended change including timeframes of the intended implications:          The current approach to the calculation of the cost of lending in the Student Loan Scheme is not strictly correct in terms of the accounting standard – it is a proxy for the true cost.          It is a proxy because the cost of lending is set for each borrower in the scheme, taking account of the interest rate</p>	

in the year the borrower first entered the scheme, even if the borrower draws from the scheme in subsequent years. But the accounting standard assumes that each year's lending will be costed taking account of the interest rates that applied in that year.

The current approach is used because it was thought too difficult in 2006 to calculate the cost of lending in the correct way. But it is now possible to shift to calculating a true cost of lending. The alternative approach would make the cost of lending more sensitive to future changes in interest rates.

This change is subject to the auditor's agreement.

Describe and quantify the financial impacts of the intended change:

This is the estimated savings from the change to the methodology used to calculate the student loan write-down.

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental	-	-	-	-	-
Operating impact – non-departmental	(64.000)	(36.000)	(16.000)	(1.000)	-
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-

Describe any implications for workforce capacity and capability of the intended change: n/a

Describe any other significant capability implications of the intended change (e.g., IT): n/a

Describe how the success of the intended change will be known or measured, including the value of spending:

The improved performance of the student loan scheme will be measured by the extent to which the package reduces the cost of lending.

**Intention name: Student loan initiatives**

Note strategic outcome(s) related to this intention:

Responsibly managing government finances  
Building a more competitive and productive economy

Improving the financial performance of the Student Loan Scheme without compromising its main objective of reducing financial barriers to study for all those who can benefit from it.

Type of action (Insert : New/stop/change)	Change
Motivation for change (circle)	<b>Generating funds for reprioritisation</b>
	<b>Seeking greater efficiency/performance from current spending</b>
	<b>Responding to government priorities</b>
	Other.....

Describe the intended change including timeframes of the intended implications:

The student loan initiatives included as a placeholder are:

- Increasing the 2-year stand down period for new permanent residents to 3 years
- [6]
- 
- 
- 
-

[6]

<b>Intention name: Student allowance changes</b>					
Responsibly managing government finances Building a more competitive and productive economy					
Type of action (Insert : New/stop/change)	Change				
Motivation for change (circle)	<b>Generating funds for reprioritisation</b>				
	<b>Seeking greater efficiency/performance from current spending</b>				
	<b>Responding to government priorities</b>				
	Other.....				
Describe the intended change including timeframes of the intended implications: The student allowance initiatives included as a placeholder are:					
<ul style="list-style-type: none"> <li>o Removing allowances eligibility for over 65s</li> <li>o [6]</li> <li>o Increasing the permanent resident stand down (3 years)</li> <li>o [6]</li> </ul>					
The options presented are those which are expected to have the least significant impact on the access objectives of the allowances scheme.					
Describe and quantify the financial impacts of the intended change:					
<b>Financial impact of intended change</b>	<b>2012/13 (\$0.000m)</b>	<b>2013/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Operating impact – departmental	-	-			

Operating impact – non-departmental	-	-	(5.000)	(10.000)	(10.000)
Capital impact – departmental	-				
Capital impact – non-departmental	-				
Describe any other significant capability implications of the intended change (e.g., IT): Options 1 and 2 would have a medium level of administrative complexity requiring detailed transition rules.					
Describe how the success of the intended change will be known or measured, including the value of spending: The improved performance of the student allowance scheme will be measured by the extent to which the package reduces the amount of spending.					

<b>Intention name: Supporting the Christchurch re-build</b>					
Note strategic outcome(s) related to this intention: Supporting the Christchurch re-build Building a more competitive and productive economy					
Type of action (Insert : New/stop/change)	New				
Motivation for change (circle)	Generating funds for reprioritisation				
	Seeking greater efficiency/performance from current spending				
	<b>Responding to government priorities</b>				
	Other.....				
Describe the intended change including timeframes of the intended implications: To assist with the building works necessitated by the earthquakes, Cabinet has agreed in principle to provide a capital contribution to the three Canterbury TEIs for selected capital projects, subject to a satisfactory Project Business Case that fully explores the building options. At this stage the quantum of capital funding has not been agreed by Cabinet. The TEIs have been invited to submit Project Business Cases for Cabinet consideration in 2013, so the amount and timing of a Government contribution (and any terms relating to that contribution) can be determined. [10]					
The level of the Government's capital contribution for the University of Canterbury, Lincoln University and CPIT will be agreed by Cabinet following consideration of the final business cases [10]					
Christchurch Polytechnic Institute of Technology (CPIT) is expected to finalise their Project Business Case in mid 2013. Lincoln University are expected to finalise their Project Business Cases towards the end of 2013 and the University of Canterbury in early 2014.					
Describe and quantify the financial impacts of the intended change:					
<b>Financial impact of intended change</b>	<b>2012/13 (\$0.000m)</b>	<b>2013/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Operating contingency	-	-	-	-	-

Operating impact – non-departmental	-	-	-	-	-
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-
Describe any implications for workforce capacity and capability of the intended change: n/a					
Describe any other significant capability implications of the intended change (eg, IT):					
Describe how the success of the intended change will be known or measured, including the value of spending:					

<b>Intention name: Foundation education</b>					
Note strategic outcome(s) related to this intention: Building a more competitive and productive economy					
Type of action (Insert : New/stop/change)	Change				
Motivation for change (circle)	Generating funds for reprioritisation				
	Seeking greater efficiency/performance from current spending				
	<b>Responding to government priorities</b>				
	Other.....				
Describe the intended change including timeframes of the intended implications: As part of the welfare reforms led by the Ministry of Social Development, the Government is adopting a long-term investment approach to achieving better employment, social and financial outcomes through the welfare system. The impacts of these reforms on the tertiary education sector are still being assessed by the Ministry of Social Development (MSD). Until there is clarity around these requirements, it is difficult to assess the impacts. However, it is expected to involve foundation-level tertiary education such as literacy, numeracy and English for Speakers of Other Languages (ESOL) courses as beneficiaries are up-skilled and positioned to enter the workforce. We have not built additional capacity into the foundation education programmes to absorb welfare recipients. The tertiary system is therefore likely to require additional funding in order to meet this increased demand and meet our other priorities. [6]					
Describe and quantify the financial impacts of the intended change:					
	<b>2012/13</b> <b>(\$0.000m)</b>	<b>2013/14</b> <b>(\$0.000m)</b>	<b>2014/15</b> <b>(\$0.000m)</b>	<b>2015/16</b> <b>(\$0.000m)</b>	<b>2016/17</b> <b>(\$0.000m)</b>
<b>Financial impact of intended change</b>					
Operating contingency	-	-	-	-	-
Operating impact – non-departmental	-	-	-	-	-
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-



Describe any implications for workforce capacity and capability of the intended change: n/a

Describe any other significant capability implications of the intended change (eg, IT): n/a

Describe how the success of the intended change will be known or measured, including the value of spending:

**Intention name: Professional Masters programmes**

Note strategic outcome(s) related to this intention:  
Building a more competitive and productive economy

Type of action (Insert : New/stop/change)	Change
Motivation for change (circle)	<b>Generating funds for reprioritisation</b>
	<b>Seeking greater efficiency/performance from current spending</b>
	<b>Responding to government priorities</b>
	Other.....

Describe the intended change including timeframes of the intended implications:  
Fee policy settings for professional Masters programmes – TBC.

Describe and quantify the financial impacts of the intended change:

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating contingency	-	-	-	-	-
Operating impact – non-departmental	-	-	-	-	-
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-

Describe any implications for workforce capacity and capability of the intended change: n/a

Describe any other significant capability implications of the intended change (eg, IT): n/a

Describe how the success of the intended change will be known or measured, including the value of spending:

**Intention name: Improving the information base of the tertiary system**

Note strategic outcome(s) related to this intention:  
Building a more competitive and productive economy

Type of action (Insert : New/stop/change)	Change
Motivation for change (circle)	Generating funds for reprioritisation
	Seeking greater efficiency/performance from current spending
	<b>Responding to government priorities</b>
	Other.....

Describe the intended change including timeframes of the intended implications:  
The Government is seeking to improve the information base of the tertiary education system. As a part of this, a

trusted and accessible service for students, tertiary education organisations, government agencies, employers and the public is being created. This timely, useful and reliable information will relate tertiary activities to outcomes that students achieve, to enable insights and inform decisions.

[6]

Describe and quantify the financial impacts of the intended change:

<b>Financial impact of intended change</b>	<b>2012/13 (\$0.000m)</b>	<b>2013/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Operating contingency	-	-	-	-	-
Operating impact – non-departmental	-	-	-	-	-
Capital impact – departmental	-	-	-	-	-
Capital impact – non-departmental	-	-	-	-	-

Describe any implications for workforce capacity and capability of the intended change: n/a

Describe any other significant capability implications of the intended change (eg, IT): n/a

Describe how the success of the intended change will be known or measured, including the value of spending:

## 6.2 Fiscal Implications

### 6.2.1 Cost pressures

#### 6.2.1.1 Direct employment costs

Consider factors such as negotiated settlements, other forms of pay adjustment (eg, competency/service/performance-based) and changes to FTE levels.

It is noted that the figures provided below will be based on assumptions at the time of preparing the Four-year Plan but should be best estimates.

#### Summary of direct employment cost pressures (summary of white boxes below)

	2012/13 (\$0.000m) %	2013/14 (\$0.000m) %	2014/15 (\$0.000m) %	2015/16 (\$0.000m) %	2016/17 (\$0.000m) %
Total departmental direct employment cost pressures	-	-	-	-	-
Total non-departmental direct employment cost pressures	-	-	-	-	-

Please copy and paste more white boxes as appropriate.

Cost pressure as a result of (eg, negotiated settlements):					
Describe pressure in further detail:					
	2012/13 (\$0.000m) %	2013/14 (\$0.000m) %	2014/15 (\$0.000m) %	2015/16 (\$0.000m) %	2016/17 (\$0.000m) %
<b>Value of cost pressure</b>					
Departmental					
Non-departmental					

6.2.1.2 Operational cost pressures arising from capital

**Summary of capital/property-related cost pressures (summary of white boxes below)**

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental depreciation/capital charge cost pressures	-	-	-	-	-
Total non-departmental depreciation/capital charge cost pressures	-	-	-	-	-

Please copy and paste more white boxes as appropriate.

Cost pressure as a result of:					
Describe pressure in further detail:					
Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental					
Non-departmental					

6.2.1.3 Other cost pressures

Please detail all other significant cost pressures (eg, from rates increases). Copy and paste more white boxes as appropriate.

**Summary of other operating cost pressures (summary of white boxes below including residual box)**

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental other operating cost pressures	-	-	-	-	-
Total non-departmental other operating cost pressures	-	-	-	-	-

Please copy and paste more white boxes as appropriate.

Cost pressure as a result of:					
Describe pressure in further detail:					
<b>Value of cost pressure</b>	<b>2012/13 (\$0.000m)</b>	<b>13/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Departmental					
Non-departmental					

Residual, from all other items not significant enough to list above

Summarise residual cost pressures:					
	<b>2012/13 (\$0.000m)</b>	<b>13/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Departmental					
Non-departmental					

## 6.2.2 Offsetting operational funding from reprioritisation/third-party revenue/vote transfers

### 6.2.2.1 Reprioritisation

Where savings are generated from significant changes to services/outputs/delivery, please record these in Section 6.1. Any other reprioritisation of funding should be captured here (eg, from building rationalisation).

#### Summary of funding available from reprioritisation (summary of white boxes below)

	<b>2012/13 (\$0.000m)</b>	<b>13/14 (\$0.000m)</b>	<b>2014/15 (\$0.00m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Total departmental reprioritised funding	-	-	-	-	-
Total non-departmental other operating cost pressures	-	-	-	-	-

Please copy and paste more white boxes as appropriate.

Reprioritised funding available as a result of:					
Describe reprioritisation in further detail:					
<b>Value of available reprioritised funding</b>	<b>2012/13 (\$0.000m)</b>	<b>13/14 (\$0.000m)</b>	<b>2014/15 (\$0.000m)</b>	<b>2015/16 (\$0.000m)</b>	<b>2016/17 (\$0.000m)</b>
Departmental					
Non-departmental					

### 6.2.2.2 Third-party revenue

#### Summary of third-party revenue changes (summary of white boxes below)

	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental third-party revenue changes	-	-	-	-	-
Total non-departmental third-party revenue changes	-	-	-	-	-

Please copy and paste more white boxes as appropriate.

Appropriation name and type affected:					
Describe third-party revenue changes in further detail:					
Value of change in third-party revenue increase/(decrease)	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental					
Non-departmental					

### 6.2.2.3 Transfers from/to other votes

	\$m Increase/(Decrease)				
	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total transfers	-	-	-	-	-

Please copy and paste more white boxes as appropriate.

	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
From/to:					
Vote, appropriation name and type affected:					

[6]

[6]