

The Treasury

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Minute of Decision

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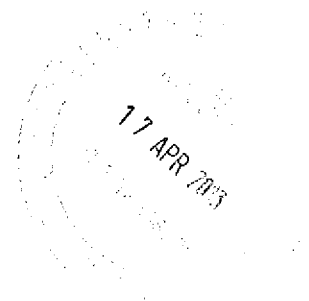
Tertiary Education Package for Budget 2013

Portfolio: Tertiary Education, Skills and Employment

On 15 April 2013, following reference from the Cabinet Business Committee, Cabinet:

Background

- 1 **noted** that the Vote Tertiary Budget 2013 package is focused on the following major objectives:
 - 1.1 strengthening vocational education;
 - 1.2 increasing the proportion of young people with higher-level qualifications;
 - 1.3 ensuring that New Zealand's skill base supports the needs of industry and encourages innovation;
 - 1.4 continuing to contribute to the rebuild of Canterbury;
 - 1.5 progressing further government manifesto commitments.
- 2 **noted** that Cabinet's decisions on the changes to student support for Budget 2013 are set out in CAB Min (13) 12/8;
- 3 [6]



Summary of initiatives

- 4 **approved** the Budget initiatives for Vote Tertiary Education for inclusion in the 2013 Budget package, as listed in the summary table below:

Operating Initiatives (Impact on Operating Balance)

Initiative name	\$m - increase/(decrease)					
	2012/13	2013/14	2014/15	2015/16	2016/17	Outyears
BPS - level 4+: extending unfunded over-delivery	-	5.648	9.534	8.874	8.329	8.329
Centres of Research Excellence	-	0.500	3.169	3.169	3.169	3.169
Tertiary Equity Funding	-	0.640	1.478	1.881	2.297	2.730
[6]						
Increased funding for engineering	-	1.270	2.590	2.690	2.790	2.840
Increased funding for science	-	2.525	5.075	5.125	5.175	5.200
Increased funding for Private Tertiary Establishments	-	4.100	8.200	8.200	8.200	8.200
Total spending initiatives	-	[6]				

- 5 **noted** that the Budget 2013 Tertiary Education package will generate costs of \$66.811 million between 2012/13 and 2016/17;
- 6 **noted** that the Minister of Revenue, the Minister of Finance, and the Minister for Tertiary Education, Skills and Employment (the Minister) have agreed to changes to the calculation of the cost of lending in the Student Loan Scheme [CAB Min (13) 12/8];
- 7 **noted** that projected savings from the changes referred to in paragraph 6 above are \$102.000 million between 2012/13 and 2016/17, with the following profile:

	2012/13	2013/14	2014/15	2015/16	2016/17	5-Year Total
Savings (\$m)	(41.900)	(33.900)	(18.000)	(7.400)	(0.800)	(102.000)

- 8 **noted** that on 26 March 2013, Budget Ministers agreed that the net cost of the Budget 2013 package reflect the changes;
- 9 **noted** that all communications relating to the 2013 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;

Improving vocational education provision

- 10 **agreed** that the industry training funding rates be \$3,200 per standard training measure (GST exclusive) for trainees, and \$5,200 per standard training measure (GST exclusive) for New Zealand Apprenticeships;
- 11 **approved** the transfer of \$35.037 million over four years from the Industry Training Fund to other appropriations within Vote Tertiary Education to pay for the expansion of the Maori and Pasifika trades training initiative;
- 12 [6]

- 13 **noted** that the 2012/13 underspend in the Industry Training Fund will be transferred to other appropriations within Vote Tertiary Education after the underspend is confirmed at the October Baseline Update;

Increasing the proportion of young people with higher-level qualifications

- 14 **agreed** to extend the change in delivery tolerance bands agreed in 2012 [CBC Min (12) 8/3] to 99 per cent to 105 per cent to 2014 and beyond;
- 15 **agreed** to extend the additional flexibility for highly performing Private Training Establishments (PTEs) to deliver 1,000 equivalent full-time students above plan-approved levels, as agreed in 2012 [CBC Min (12) 8/3], to 2014 and beyond;
- 16 **noted** that officials will report to the Minister later in 2013 with proposals to support increasing demand and improving system efficiency to achieve the level 4+ target;

Ensuring that New Zealand's skill base supports the needs of industry and encourages innovation

- 17 **agreed** to increase tertiary tuition subsidies for science by two per cent from 2014, at a cost of \$17.900 million over four years;
- 18 **agreed** to increase tertiary tuition subsidies for engineering by two per cent from 2014, at a cost of \$9.340 million over four years;
- 19 **noted** that the Minister is currently conducting a review of the Centres of Research Excellence (CoREs);
- 20 [6]
- 21 **agreed** that the additional CoREs funding be announced after the Minister takes the final decisions on the review (expected to be in June 2013), rather than on Budget Day 2013;
- 22 **agreed** to appropriate \$0.500 million in 2013/14 to allow for the operating costs for a new CoREs selection round (following the review);

Continuing to contribute to the rebuild of Canterbury

- 23 **noted** that, to assist with the building works necessitated by the earthquakes, Cabinet has agreed in principle to provide a capital contribution to the three Canterbury Tertiary Education Institutions (TEIs) (the University of Canterbury, the Christchurch Polytechnic Institute of Technology (CPIT), and Lincoln University) for selected capital projects, subject to a satisfactory Project Business Case that fully explores the building options [CAB Min (12) 42/3 refers];
- 24 **noted** that the level of the government's capital contribution for the University of Canterbury, Lincoln University and CPIT will be considered by Cabinet following consideration of the Project Business Cases, and will be sourced from the Future Investment Fund;

Progressing the government's manifesto commitments

- 25 **agreed** to close the existing difference between the current Student Achievement Component (SAC) funding rates for PTEs and TEIs from 2014, at a cost of \$28.700 million over four years;

Other items

- 26 **agreed** to establish a new Non-Departmental output expense appropriation entitled "Apprenticeships Re-boot" in Vote Tertiary Education;
- 27 **agreed** that the scope of the appropriation be "This appropriation is limited to payments to eligible apprentices towards their tools and other training related costs";
- 28 **approved** the following fiscally-neutral changes to the appropriation to provide a tools allowance to eligible apprentices, with no impact on the operating balance or debt:

Vote Tertiary Education Minister for Tertiary Education, Skills and Employment	\$m – increase/(decrease)				2016/17 & Outyears
	2012/13	2013/14	2014/15	2015/16	
Non-Departmental Output Expense: Training for Designated Groups	(1.600)	(12.500)	-	-	-
Benefits and Other Unrequited Expenses: Apprenticeships Re-boot	1.600	12.500	-	-	-

Structure of the Adult and Community Education appropriation

- 29 **agreed** to change the name of the non-departmental output expense appropriation Adult and Community Education in Vote Tertiary Education to Community Education from 1 July 2013;
- 30 **agreed** that the scope statement for the Community Education appropriation be: "This appropriation is limited to funding for adult and community education and literacy, numeracy and English language provision";
- 31 **agreed** to transfer \$5.0 million per annum from the Training for Designated Groups appropriation into the Community Education appropriation to purchase specialist literacy and numeracy training in workplaces;
- 32 **agreed** to transfer the entire \$0.397 million of the Educator Study Grants programme from the Tertiary Education Grants and Other Funding appropriation into the proposed new Literacy and Numeracy fund within the Community Education appropriation;

Developing a youth option in the Literacy and Numeracy for Adults Assessment Tool

- 33 **agreed** to create a new option for young people within the Literacy and Numeracy for Adults Assessment Tool, at a cost of \$0.500 million in capital and \$0.588 million operating expenditure over five years;

- 34 **agreed** to establish a New Non-Departmental Capital Expenditure appropriation entitled “Literacy and Numeracy Assessment Tool” in Vote Tertiary Education;
- 35 **agreed** that the scope of the appropriation be: “This appropriation is limited to development of the online assessment tool for adult literacy and numeracy”;
- 36 **agreed** to increase expenditure to provide for developing a youth option in the Literacy and Numeracy for Adults Assessment Tool, with the following impact on the operating balance and debt:

Vote Tertiary Education	\$m – increase/(decrease)				2016/17 & Outyears
	2012/13	2013/14	2014/15	2015/16	
Operating Balance Impact	-	0.093	0.165	0.165	0.165
Debt Impact	0.250	0.250	-	-	-
No Impact	-	-	-	-	-
Total	0.250	0.343	0.165	0.165	0.165

Tertiary equity funding

- 37 **noted** that higher than forecast participation by Maori, Pasifika, and Special Needs students (particularly in the PTE sector) means that current funding levels are not sufficient to maintain current rates per student;
- 38 **agreed** to a four per cent increase to the equity funding pool from 2014, in order to maintain current rates per student, at a cost of \$6.296 million over four years;

[6]

[6]

Additional medical student places

- 52 **noted** that the Vote Tertiary Education package for Budget 2013 includes \$5.952 million over four years for the tuition subsidy costs of an additional 20 medical student places from 2014, funded from the Health allocation for Budget 2013;
- 53 **noted** that there are increasing costs for the additional 20 medical student places in outyears (\$15.2 million from 2016/17), which will be funded by Vote Health;

Ngarimu VC and 28th (Maori) Battalion Memorial Scholarship Fund

- 54 **noted** that the Vote Tertiary Education package for Budget 2013 includes \$0.25 million for the Ngarimu VC and 28th (Maori) Battalion Memorial Scholarship Fund for 2013/14, which will be transferred from the Education allocation for Budget 2013;

Additional funding for Education New Zealand

- 55 **noted** that the Internationally Focussed Growth Package for Budget 2013 includes \$10.0 million per annum to scale up Education New Zealand's marketing and industry capability-building activities, which will be transferred from the operating allowance to Vote Tertiary Education;

Budget management rules for Vote Tertiary Education

- 56 **authorised** the Minister of Finance and the Minister (joint Ministers) to determine whether or not an underspend within the SAC appropriation can be carried forward to the next financial year, in response to proposals from the Tertiary Education Commission (TEC) to preserve the total amount of funding available to providers and to allow additional student places to be purchased;
- 57 **agreed** that the joint Ministers can shift funding in the SAC appropriation in 2013/14 between the sub-funds for levels 1 and 2, and for level 3 and above, in response to demand;

Foundation-focused Training Opportunities

- 58 **noted** that the Vote Tertiary Education package for Budget 2013 includes \$6.661 million from 2013/14 for TEC to deliver foundation-level programmes to meet the needs of beneficiaries, funded from Vote Social Development;

Further decisions

- 59 **noted** that on 26 March 2012, Budget Ministers agreed that the savings from the cost of lending change be treated as a technical change through the March Baseline Update, with an allocation of \$102.0 million over ten years provided to Vote Tertiary Education (which amounts to \$10.2 million per annum across the five years of the Budget period);
- 60 **authorised** the joint Ministers, where appropriate, to approve any detailed changes to the Vote Tertiary Budget 2013 package and the resulting changes in appropriations;
- 61 **noted** that decisions on the proposals in the paper under CAB (13) 194 are proposed to be announced as part of Budget 2013.

Secretary of the Cabinet

Reference: CB (13) 194