

The Treasury

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Release Document

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
- [14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

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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.



Cabinet Business Committee

CBC Min (13) 2/3

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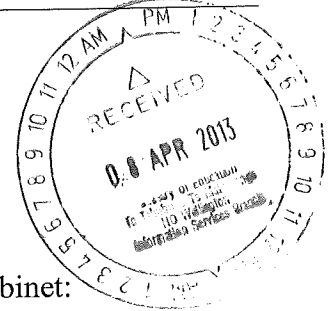
Minute of Decision

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

Student Support Package for Budget 2013

Portfolio: Tertiary Education, Skills and Employment

On 2 April 2013, the Cabinet Business Committee **agreed** to recommend that Cabinet:



Background

- 1 note that a package of changes to the Student Loan Scheme and Student Allowances Scheme has been developed as part of Budget 2013 to improve the value of student support spending by:
 - 1.1 improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment;
 - 1.2 targeting student allowances more tightly on the basis of returns to study;
- 2 note that this student support package will enable the government to achieve its tertiary education priorities through Budget 2013, as set out in the accompanying paper entitled *Tertiary Education Package for Budget 2013* [CBC (13) 18];

Improving repayments from overseas-based borrowers

- 3 agree:
 - 3.1 to extend the current student loan and student allowances stand-down period for permanent residents and Australians from two years to three years from 1 January 2014, but to continue to exempt people who are refugees, protected persons, or sponsored into New Zealand by a family member who is entitled to reside indefinitely in New Zealand under refugee or protected persons policy;
 - 3.2 to grandparent permanent residents who would have become eligible for student loans and allowances in 2014 under the existing two year stand-down policy. These permanent residents will be able to access student loans and allowances from the date that they would have become eligible in 2014;
- 4 agree that an information-matching agreement be established between Inland Revenue and the Department of Internal Affairs (DIA) from 1 April 2014 to obtain contact information from the passport renewal process, to identify non-compliant overseas-based borrowers and child support debtors (subject to operational details and the outcome of discussions with the Office of the Privacy Commissioner);

- 5 agree:
- 5.1 to introduce a fixed repayment obligation for overseas-based borrowers that is set at no less than their annual obligation from the time that they become an overseas-based borrower;
- 5.2 that if the borrower is already overseas, their repayment obligation will be set at the rate that they face at 1 April 2014;
- 6 agree to introduce two additional repayment thresholds for overseas-based borrowers with larger student loans from 1 April 2014, which will result in the following overseas-based borrower regime:

Loan Balance	Amount due per year
<= \$1,000	The whole balance
>\$1,000 and <= \$15,000	\$1,000
>\$15,000 and <= \$30,000	\$2,000
>\$30,000 and <= \$45,000	\$3,000
>\$45,000 and <= \$60,000	\$4,000
>\$60,000	\$5,000

- 7 agree to make it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013;
- 8 note that Inland Revenue is currently working through the policy details of arrest warrants for the most non-compliant borrowers but that these are intended to mirror, where appropriate, border controls already in place for child support debtors;
- 9 note that the New Zealand Police will consult border agencies and will provide Ministers with advice on how to reduce inefficiency in the border alert system;

Targeting student allowances more tightly on the basis of returns to study and initial years of study

- 10 agree to introduce an upper age restriction for student allowances eligibility which is linked to the age of eligibility for New Zealand Superannuation¹, currently 65 years of age, for study starting on or after 1 January 2014;
- 11 [6]
- 12 agree that those affected by the proposals in paragraphs 10 or 11 above:
- 12.1 who begin their student allowance application period in 2013 and this period carries on into 2014, will be assessed under the 200-week limit for the period of that application²;

¹ This would mean that if the age for New Zealand Superannuation increases so too would the age at which student allowance eligibility is removed.

² An application period means an approved student allowance application for an approved enrolment period up to a maximum of 52 weeks.

- 12.2 will continue to receive a student allowance up until 31 December 2014 or until they reach the (previous) 200 week entitlement, whichever comes first, if they received a student allowance in 2013;

Changes to the calculation of the cost of lending in the Student Loan Scheme

- 13 note that, in consultation with the Minister of Finance and with the agreement of the loan scheme auditors, it has been decided to change the basis of calculating the cost of lending in the Student Loan Scheme;
- 14 note that the treatment of savings from this initiative is addressed in the accompanying paper entitled *Tertiary Education Package for Budget 2013* [CBC (13) 18];

Putting in place changes to loan eligibility for entry-level tertiary education

- 15 note that StudyLink is seeking administration costs of \$0.082 million in 2012/13, \$0.448 million in 2013/14, \$0.130 million in 2014/15, \$0.132 million in 2015/16 and outyears to deliver changes to loan eligibility for entry-level education agreed to by Cabinet in 2012 [CAB Min (12) 21/5A];

New Zealand Bill of Rights Act 1990 implications

- 16 [8]

17

Legislative implications

- 18 authorise the:
- 18.1 Minister for Tertiary Education, Skills and Employment (the Minister) and the Minister of Revenue to make any necessary technical policy decisions needed during drafting to give effect to the student loan proposals in the paper under CBC (13) 17;
- 18.2 Minister and the Minister for Social Development to make any necessary technical policy decisions needed during drafting to give effect to the student allowance proposals in the paper under CBC (13) 17;

19 agree that:

EITHER [*required for a 1 July 2013 implementation of border restrictions*]

19.1 amendments to the Student Loan Scheme Act 2011 be contained in a Budget night Bill;

OR

19.2 amendments to the Student Loan Scheme Act 2011 be contained in a separate mid-year Bill that would need to be passed by 1 April 2014;

20 invite the Minister of Revenue to issue drafting instructions to the Parliamentary Counsel Office (PCO):

20.1 for a Student Loan Scheme Amendment Bill or Bills to give effect to the student loan proposals in the paper under CBC (13) 17;

20.2 to prepare an Order in Council approving a new information sharing agreement between DIA and Inland Revenue;

21 invite the Minister for Social Development to issue drafting instructions to PCO to draft amendments to the Student Allowances Regulations 1998 to give effect to the above proposed changes to student allowances;

Financial implications

22 note that the financial implications of the preferred package for 2013/14 to 2016/17 are \$109.569 million in operating impact savings, with a debt impact saving of \$7.436 million;

23 note that changes to appropriations, including Ministry of Social Development and Inland Revenue administration and information technology costs, will be made as part of the tertiary education package for Budget 2013;

Administration costs

24 note that:

24.1 Inland Revenue has requested permanent funding for the Overseas-based Borrower Initiative (OBBCI) as part of Vote Revenue for Budget 2013;

24.2 Inland Revenue will fund the information match for passport renewal contact information with DIA and the implementation of the border restrictions (excluding any communications costs) through the permanent OBBCI appropriation;

25 note that Inland Revenue will self-fund the costs of \$0.350 million for 2012/13 as well as the continued costs of \$0.110 million for administering the border restrictions and increasing the repayment thresholds for overseas-based borrowers for 2014/15 onwards;

26 note that Inland Revenue will request funding of \$3.841 million for 2013/14 for the communications strategy for border restrictions and for implementing the increase in the repayment thresholds for overseas-based borrowers;

- 27 note the indicative cost of administration costs for StudyLink of \$2.248 million over four years (2013/14 to 2016/17) to deliver the permanent resident stand-down extension for student loans and allowances, the initiatives that reduce student allowances eligibility for older people, and changes to student loan eligibility for entry-level education referred to in paragraph 15 above;

Further decisions

- 28 authorise the Minister of Finance, the Minister, and the Minister of Revenue, where appropriate, to approve any detailed changes to the Student Support Package and the resulting changes in appropriations;
- 29 note that the decisions on the proposals in the paper under CBC (13) 17 are proposed to be announced as part of Budget 2013.

Martin Bell
Committee Secretary

Reference: CBC (13) 17

Secretary's note: This item will be referred to Cabinet on 15 April 2013.
