

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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[40]	Not in scope	

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# Cabinet

## Minute of Decision

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### Budget 2017: Vote Tertiary Education

On 18 April 2017, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2017 Budget package, as listed in the summary below and detailed in the attached initiative documents;

#### Summary of initiatives included in the attached initiative documents:

##### Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)					
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
9680	Performance-Based Research Fund Increase	-	7.500	15.000	15.000	15.000	15.000
9688	International Education – Supporting Growth	-	1.700	1.700	1.700	1.700	1.700
9691& 9700	Transfer Unspent 2016/17 Tuition and Training Funding to Contingencies	[33]	-	-	-	-	-
9677	Tuition Subsidy Increase	-	9.905	19.810	19.810	19.810	19.810
9698	Workplace Literacy and Numeracy	(3.500)	3.500	-	-	-	-
10070	Funding For Employment-Based Initial Teacher Education	-	(0.719)	(1.913)	(1.896)	(0.703)	-
<b>Total Operating</b>		[33]	<b>21.886</b>	<b>34.597</b>	<b>34.614</b>	<b>35.807</b>	<b>36.510</b>

- 2 **approved** changes to appropriations to the administering department to implement the initiatives, as set out in the attached initiative documents;
- 3 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 4 **agreed** that the changes to appropriations for 2016/17 above be included in the 2016/17 Supplementary Estimates;
- 5 **authorised** the Minister of Finance and the Appropriation Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2016/17 Supplementary Estimates, the 2017/18 Estimates and the fiscal forecasts;

- 6 **authorised** the chief executives of departments that monitor Crown entities directly affected by decisions in the minute under CAB-17-MIN-0185.28 to inform the chair and/or chief executive of a Crown entity, on a budget-in-confidence-until-budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent;
- 7 **noted** that all communications relating to the 2017 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;
- 8 **agreed** that the initiatives in the following table be set aside as contingency items, and that corresponding funding for them be set aside as a tagged contingency;

## Operating Contingency

Initiative Name	\$m - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Careers New Zealand Integration into the Tertiary Education Commission	-	4.000	-	-	-
<b>Total Operating</b>	-	<b>4.000</b>	-	-	-

[33]

Initiative Name	\$m - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
[33]	-	[33]	-	-	-
	-	-	-	-	-

**Careers New Zealand integration into the Tertiary Education Commission**

- 9 **noted** that in May 2016, Cabinet agreed to disestablish Careers New Zealand (CNZ) and create a refocused careers service within the Tertiary Education Commission (TEC) [CAB-16-MIN-0215 refers];
- 10 **noted** that enabling legislation (the Education (Update) Amendment Bill) currently before Parliament provides for the disestablishment of CNZ and the transfer of its functions and resources to the TEC effective from 1 July 2017;
- 11 **noted** that the expected cost of the integration of CNZ and the TEC is \$7.771 million;
- 12 **noted** that \$4 million of 2016/17 underspends in Vote Tertiary Education will be used to contribute towards the cost of the integration, and the balance will be met from within TEC's existing resources;
- 13 **noted** that this contingency funding will be appropriated to the TEC and consequential changes made to Vote Tertiary Education appropriations to recognise TEC's new careers role once the enabling legislation has been enacted;
- 14 **authorised** the Minister of Finance and Minister for Tertiary Education, Skills and Employment (the Joint Ministers) to draw down the 'Careers New Zealand Integration into the Tertiary Education Commission' contingency following the passage of the Education (Update) Amendment Bill;

- 15 **agreed** that the expiry date for the contingency referred to in paragraph 14 above will be 30 June 2018;

[33]

#### **Increased funding for Industry Training**

- 22 **noted** that Cabinet directed the Minister for Tertiary Education, Skills and Employment to report to Cabinet during the annual Budget process to advise of transfers made within the Tertiary Tuition and Training Multi-Category Appropriation (the MCA) established in 2016 and the outcomes expected from these transfers [EGI-16-MIN-0104 refers];
- 23 **noted** that, in addition to the initiatives outlined above, a transfer was made in the 2017 March Baseline Update (MBU) to provide additional funding of \$7 million (\$1 million in 2017/18 and \$2 million in 2018/19 to 2020/21) to the Industry Training Fund to meet growing demand for industry training, including apprenticeships;
- 24 **noted** that the above MBU transfer reprioritised funding from the Student Achievement Component to the Training for Designated Groups category of the MCA;

#### **Flexible funding for Vote Tertiary Education**

- 25 **noted** that in 2015, the Minister for Tertiary Education, Skills and Employment made changes to enable tertiary education grants funding to flow more quickly around the system to better respond to changes in demand;

- 26 **noted** that in September 2015, Cabinet appropriated \$15 million in the Student Achievement Component as a temporary mechanism to manage the risk that this more flexible approach would overspend appropriations, with the expectation that from Budget 2016 the TEC would manage any risks in the timing of expenditure from its balance sheet [SOC-15-MIN-0015 refers];
- 27 **noted** that the \$15 million was transferred to 2016/17 through the 2016 MBU to manage the risk of overspending before the balance sheet mechanism was in place;
- 28 **agreed** to treat the \$15 million appropriated in the Tertiary Tuition and Training Multi-Category Appropriation as an underspend in 2016/17, so it can be drawn onto the TEC's balance sheet at the end of the 2016/17 financial year;

Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**

Prime Minister  
Minister of Finance  
Minister for Tertiary Education, Skills and Employment

## Initiative No: 9680

**Vote:** Tertiary Education

**Title:** Performance-Based Research Fund Increase

**Description:** This funding provides an increase to the Performance-Based Research Fund. The fund rewards research performance and funds research-led teaching in tertiary education. It contributes to government's goal of strengthening our research system to drive innovation, as well as the government priority to strengthen research-based institutions. This will increase funding for high performing providers offering study at degree-level and above.

### Appropriation Changes

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Operating Balance Impact	-	7.500	15.000	15.000	15.000
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>7.500</b>	<b>15.000</b>	<b>15.000</b>	<b>15.000</b>

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
<b>Non-Departmental Output Expense:</b>					
Tertiary Education Research and Research-Based Teaching	-	7.500	15.000	15.000	15.000
<b>Total Operating</b>	-	<b>7.500</b>	<b>15.000</b>	<b>15.000</b>	<b>15.000</b>

### Additional Recommendations

- 29 **noted** that the Performance-Based Research Fund (PBRF) is the principal way in which the government encourages and rewards world-class research and research-based teaching;
- 30 **noted** that Budget 2012 progressively increased the size of the PBRF to \$300 million per annum from 2016;
- 31 **noted** that investment in the PBRF complements contestable research funding allocated through Vote Business, Science and Innovation;
- 32 **noted** that the initiative will increase the PBRF to a total of \$315 million per annum from 2018;
- 33 **noted** that, in 2014, Cabinet agreed to changes in the way in which research results were to be reported from the next Quality Evaluation, including reporting the Average Quality Score (AQS) at provider and subject level [SOC Min (14) 2/3 refers];

- 34 **noted** that, due to changes in reporting systems since that decision, the Average Quality Score will only be reported at provider level in the next Quality Evaluation;
- 35 **agree** that the primary measure for reporting future Quality Evaluation results will be average research quality based on the number of full-time equivalent teaching and research staff (AQS(S)) in tertiary education organisations;

**Vote:** Tertiary Education

**Title:** International Education – Supporting Growth

**Description:** This funding will enable Education New Zealand to continue its current level of activity in three core areas: the Regional Partnership Programme to grow and support international education in New Zealand’s regions, marketing New Zealand as a destination for quality education, and improve the international student experience.

### Appropriation Changes

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Operating Balance Impact	-	1.700	1.700	1.700	1.700
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>1.700</b>	<b>1.700</b>	<b>1.700</b>	<b>1.700</b>

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
<b>Non-Departmental Output Expenses:</b>					
International Education Programmes	-	1.700	1.700	1.700	1.700
<b>Total Operating</b>	-	<b>1.700</b>	<b>1.700</b>	<b>1.700</b>	<b>1.700</b>

### Additional Recommendation

36 **noted** that this funding is necessary to maintain Education New Zealand’s current level of activity supporting the sustainable growth of international education in New Zealand, including its contribution to regional development;



## Initiative No: 9691&amp; 9700

**Vote:** Tertiary Education

**Title:** Transfer Unspent 2016/17 Tuition and Training Funding to Contingencies

**Description:** This initiative reallocates unused 2016/17 tertiary tuition and training funding from existing appropriations to support spending priorities in 2017/18.

### Appropriation Changes

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Operating Balance Impact	[33]	-	-	-	-
Debt Impact		-	-	-	-
No Impact		-	-	-	-
<b>Total</b>		-	-	-	-

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
<b>Multi-Category Expenses and Capital Expenditure</b>	[33]				
Tertiary Tuition and Training					
<b>Non-Departmental Output Expenses:</b>					
Community Education		-	-	-	-
Tertiary Education: Student Achievement Component		-	-	-	-
Training for Designated Groups		-	-	-	-
<b>Total Operating</b>		-	-	-	-

### Additional Recommendations

37 **noted** that this re-allocation is being used to establish two tagged contingencies in 2017/18 as part of the Tertiary Education Budget package:

37.1 Careers New Zealand Integration into the Tertiary Education Commission [refer to recommendations 9 to 15 above];

[33]

**Vote:** Tertiary Education

**Title:** Tuition Subsidy Increase

**Description:** This funding provides a one percent increase to tuition subsidy rates at qualification Level 3 and above. The increase will support providers to maintain quality and innovate when demand is falling due to the strong economy. The funding directly supports two key government priorities for tertiary education: delivering skills for industry, and strengthening research-based institutions.

### Appropriation Changes

	\$m - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Operating Balance Impact	-	9.905	19.810	19.810	19.810
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>9.905</b>	<b>19.810</b>	<b>19.810</b>	<b>19.810</b>

	\$m - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
<b>Multi-Category Expenses and Capital Expenditure</b>					
Tertiary Tuition and Training					
<b>Non-Departmental Output Expense:</b>					
Tertiary Education: Student Achievement Component	-	9.905	19.810	19.810	19.810
<b>Total Operating</b>	-	<b>9.905</b>	<b>19.810</b>	<b>19.810</b>	<b>19.810</b>

### Additional Recommendations

- 38 **noted** that this initiative increases tuition subsidy rates for courses of study funded by the Student Achievement Component at qualification Level 3 and above by one percent;
- 39 **noted** that this increase balances the current low level of inflation with signalling that providers need to continue managing cost growth;

**Vote:** Tertiary Education

**Title:** Workplace Literacy and Numeracy

**Description:** This funding is to meet increased demand for workplace literacy and numeracy programmes.

### Appropriation Changes

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Operating Balance Impact	(3.500)	3.500	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>(3.500)</b>	<b>3.500</b>	-	-	-

	Sm - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
<b>Multi-Category Expenses and Capital Expenditure</b>					
Tertiary Tuition and Training					
<b>Non-Departmental Output Expenses:</b>					
Community Education	-	3.500	-	-	-
Training for Designated Groups	(3.500)	-	-	-	-
<b>Total Operating</b>	<b>(3.500)</b>	<b>3.500</b>	-	-	-

### Additional Recommendations

- 40 **noted** that an additional \$2.0 million was allocated in Budget 2016 to the Workplace Literacy and Numeracy Fund to meet increased demand for employer-led delivery [EGI-16-MIN-0078 refers];
- 41 **noted** that it was also agreed that the funding rate for tertiary education organisation-led delivery would be reduced, with savings transferred to help meet higher demand for employer-led delivery;
- 42 **noted** that this initiative will assist in making the transition to a higher proportion of employer-led delivery as smooth as possible;

## Initiative No: 10070

**Vote:** Tertiary Education

**Title:** Funding For Employment-Based Initial Teacher Education

**Description:** This initiative will enable the continuation and expansion of employment-based initial teacher education. Graduates will be specifically trained to teach in schools with a high proportion of Māori and Pasifika students, and students from lower socio-economic backgrounds.

### Appropriation Changes

	\$m - increase/(decrease)					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Operating Balance Impact	-	-	-	-	-	-
Debt Impact	-	-	-	-	-	-
No Impact	-	(0.719)	(1.913)	(1.896)	(0.703)	-
<b>Total</b>	-	<b>(0.719)</b>	<b>(1.913)</b>	<b>(1.896)</b>	<b>(0.703)</b>	-

	\$m - increase/(decrease)					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
<b>Multi-Category Expenses and Capital Expenditure</b>						
Tertiary Tuition and Training						
<b>Non-Departmental Output Expense:</b>						
Tertiary Education: Student Achievement Component	-	(0.719)	(1.913)	(1.896)	(0.703)	-
<b>Total Operating</b>	-	<b>(0.719)</b>	<b>(1.913)</b>	<b>(1.896)</b>	<b>(0.703)</b>	-
<b>Total Capital</b>	-	-	-	-	-	-

### Additional Recommendation

43 **noted** that this initiative offsets the cost of Initiative 9533 in Vote Education.