

The Treasury

Budget 2011 Information Release

Release Document

June 2011

www.treasury.govt.nz/publications/informationreleases/budget/2011

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

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

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [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)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 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
- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [8] appearing where information has been withheld in a release document refers to section 9(2)(h).

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



Cabinet

Amended Minute
CAB Min (11) 14/11

Copy No:

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.

Tertiary Education Package for Budget 2011

Portfolio: Tertiary Education

On 4 April 2011, Cabinet:

Background

- 1 **noted** that the tertiary education package for Budget 2011 continues the direction the government established in Budget 2010 of making the tertiary education funding system more responsive to changes in demand and improving the value of the government's investment in student support;
- 2 **noted** that the tertiary education package generates a five-year saving (2010/11 to 2014/15) of \$232 million (operating) and \$183 million (capital);

Student support

- 3 **noted** that on 4 April 2011, Cabinet approved a student loan package for Budget 2011 that includes operating savings of \$276 million and capital savings of \$170 million over five years [CAB Min (11) 14/10];

Industry Training Fund

- 4 **agreed** to reduce the Industry Training Fund baseline by \$23 million per annum from 2013 onwards, reflecting the current best estimate of demand for substantive, well-performing and valued industry training;
- 5 **noted** that:
 - 5.1 in October 2010, Cabinet agreed that Industry Training funding be no longer available for short duration health and safety and regulatory compliance programmes from 2012 [CAB Min (10) 36/5];
 - 5.2 this will reduce the Industry Training Fund baseline by \$9.5 million from the 2012 calendar year;

- 6 **agreed** to establish a contingency of \$42 million (operating) and \$6 million (capital) in the 2011/12 year to respond to demand for trades training that is expected to arise from the Christchurch earthquake recovery, as set out in the following tables, with corresponding funding set aside in the between-Budget contingency, to be submitted to the Cabinet Social Policy Committee for consideration at a later stage:

Operating Contingency

Initiative Name	\$ million			
	2011/12	2012/13	2013/14	2014/15 & Outyears
Trades training in response to the Christchurch earthquake	42.000	-	-	-

Capital Contingency

Initiative Name	\$ million			
	2011/12	2012/13	2013/14	2014/15 & Outyears
Trades training in response to the Christchurch earthquake	6.000	-	-	-

- 7 **agreed** in principle to the carry forward of underspends from Industry Training, Modern Apprenticeships, and the Student Achievement Component in 2010/11 (expected to total approximately \$12 million) to 2011/12 to partially offset the cost of the contingency for trades training in response to the Christchurch earthquake;

Improving value for money of the government's investment in pilot training

- 8 **noted** that the Tertiary Education Commission will be reallocating funding in 2012 to better align the provision of pilot training with industry needs;
- 9 **agreed** to prevent students on pilot training programmes from being able to borrow through the student loan scheme for their solo flying hours;
- 10 **agreed** to set a pilot-training fee limit through the Annual Maximum Fee Movement by:
- 10.1 clarifying that fees for solo flight training are excluded from the costs that are subject to the Annual Maximum Fee Movement, and are, therefore, not to be paid for through student loans;
- 10.2 setting an explicit limit of \$39,273 (GST exclusive) on the amount that providers may charge for aviation training funded within the equivalent full-time student (EFTS) cap in 2012;
- 11 **agreed** that existing students in 2011 will continue to be able to borrow through the student loan scheme for their solo flight costs;
- 12 **noted** that these decisions will result in savings of \$27.9 million (operating) and \$16.1 million (capital) over four years through reduced student loan borrowing;

Student loan savings from the Education (Freedom of Association) Bill 2009

- 13 **noted** that changes to voluntary student membership (subject to the enactment of the Education (Freedom of Association) Bill 2009) are expected to save approximately \$8.5 million capital per annum from 2012 in the cost of new borrowing through the Student Loan Scheme;

Reprioritisation of tertiary education departmental expenditure

14 **noted** that:

14.1 in August 2010, Cabinet agreed that the Ministry of Education be designated the principal advisor to the government on tertiary education policy [CAB Min (10) 30/4A];

14.2 as a result of the decision referred to in paragraph 14.1, \$0.303 million in 2010/11 and \$0.500 million from 2011/12 was returned to the Crown for use in non-departmental tertiary education funding;

15 **agreed** that this funding be put towards the tertiary education package for Budget 2011;

Responding to demand for tertiary education

16 **agreed** to increase Student Achievement Component (SAC) funding for new or high performing Private Training Establishments by \$5.25 million a year from 2012 onwards, which will purchase an estimated 750 additional EFTS per year, with a total cost (including student support) of \$34.6 million (operating) and \$13.9 million (capital) over four years;

Targeted tuition subsidy increase for higher-level study

17 **agreed** to a 2 per cent increase in the SAC-funded tuition subsidy for degree-level and postgraduate study from 2012 onwards, with the following changes to appropriations, and a corresponding impact on the operating balance:

Vote Tertiary Education Minister for Tertiary Education	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Departmental Output Expenses: Tertiary Education Student Achievement Component	-	13.410	26.820	26.820	26.820

and with the following proposed split across tertiary education subsectors in 2011/12 and outyears:

	\$million – increase(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Universities					
<i>Student Achievement Component</i>	-	10.800	21.600	21.600	21.600
Institutes of Technology and Polytechnics					
<i>Student Achievement Component</i>	-	1.900	3.800	3.800	3.800
Wananga					
<i>Student Achievement Component</i>	-	0.400	0.800	0.800	0.800
Private Training Establishments					
<i>Student Achievement Component</i>	-	0.310	0.620	0.620	0.620
Total Operating	-	13.410	26.820	26.820	26.820

Equalising subsidy rates for post-graduate study

- 18 **agreed** to equalise the SAC-funded subsidy for postgraduate study between universities and other subsectors from 2012 onwards, at a cost of \$1.6 million in 2011/12 and \$3.3 million in 2012/13 and outyears;

English for Speakers of Other Languages (ESOL) for migrants and refugees

- 19 **agreed** to fund up to 700 new ESOL places from 2012 as a stream within the existing Intensive Literacy and Numeracy fund to meet the needs of refugees and migrants with low levels of English, at a cost of \$3.4 million per annum;
- 20 **agreed** to cover the fees of 400 refugees a year studying at higher levels in mainstream tertiary education from 2012, at a cost of \$1.6 million per annum;

Youth Guarantee

- 21 **agreed** to provide more fees-free places for 16 and 17 year olds in tertiary education, and to simplify how the government funds this provision by merging the current Youth Guarantee and Youth Training programmes into a new combined programme;
- 22 **noted** that this decision is fiscally neutral and, at current baselines, the provisional rates will purchase approximately 7,500 places in the new programme;
- 23 **noted** that provisional funding rates have been set, which incorporate pastoral care funding;
- 24 **authorised** the Minister of Education and the Minister for Tertiary Education to make final decisions about funding rates following communication with the sector;
- 25 **noted** that transport assistance will be provided as a separate rate for a capped number of learners allocated on a needs basis;
- 26 **noted** that the Minister of Education and the Minister for Tertiary Education will consider detailed policy on how needs-based transport funding will be allocated before it is incorporated into the Minister for Tertiary Education's funding determination for the programme;
- 27 **agreed** that the new programme be phased in through the 2012 academic year to give existing Youth Training providers time to adapt;
- 28 **agreed** that the Vote Tertiary Education costs associated with the Youth Guarantee - Trades Academies initiative - \$33.0 million over four years - be funded from Vote Education's Budget 2011 allocation;

[2]

29 [2]

30

31 [2]

32

International education

33 **noted** that in October 2010, Cabinet agreed to increase the funding for international education promotions by \$10 million per annum, as part of the budget for the new Crown Agent for International Education, from \$3.45 million in 2010/11 to \$13.45 million in 2011/12 and outyears [CAB Min (10) 36/6];

Additional medical student places

34 **noted** that the Vote Tertiary Education package for Budget 2011 includes \$11.750 million over four years for the tuition subsidy costs of an additional 40 medical student places from 2012, funded from the Health allocation for Budget 2011;

Annual Maximum Fee Movement for 2012

35 **agreed** to maintain a four percent Annual Maximum Fee Movement for 2012, using the funding that was appropriated under Budget 2010;

Budget management rules

36 [2]

37

38 **noted** that, as a result of the introduction of performance-linked funding for Industry Training Organisations and SAC-funded providers from 2011, there will be residual funding of up to five per cent of the Industry Training Fund and Student Achievement Component appropriations each year from 2012;

- 39 **agreed** that the residual funding that will arise due to performance-linked funding remain within Vote Tertiary Education to assist with the management of cost and demand pressures within the Vote;

Proposals agreed to in the Cabinet paper “Christchurch Earthquake: Responding to Tertiary Education Issues”

- 40 **noted** that on 7 March 2011, the Ad Hoc Cabinet Committee on Canterbury Earthquake Recovery agreed to establish a \$2 million fund to cover, where necessary:
- 40.1 the costs incurred by families to repatriate the bodies of international students deceased in the Christchurch earthquake, where those costs are not covered by insurance, the ACC, or other support;
 - 40.2 other residual costs incurred by families of international students, determined on a case-by-case basis, and only where this is deemed strictly necessary;
 - 40.3 immediate full refunds to families of all tuition and other fees paid to education providers by international students now deceased or seriously injured (these sums are expected to be largely recoverable by the Crown, over time, from fee protection trusts and the Export Education Levy Trust fund);

[ACE Min (11) 4/7]

- 41 **agreed** that the \$2 million referred to in paragraph 40 be funded from within the savings from Vote Tertiary Education;

Financial implications of the tertiary education package

- 42 **noted** that the remaining financial recommendations for the tertiary education package for Budget 2011, including those for the student support package, will be included in the final Budget Cabinet paper;
- 43 **agreed** that the changes to appropriations and/or projected balances of net assets for 2010/11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 44 **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2010/11 Supplementary Estimates, the 2011/12 Estimates and the fiscal forecasts;
- 45 **authorised** the chief executives of departments that monitor Crown entities directly affected by decisions in this minute 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;

- 46 **noted** that all communications relating to the 2011 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.

Secretary of the Cabinet

Reference: CAB (11) 163

Secretary's note: This minute has been reissued to amend the figures in paragraphs 2 and 16 to reflect corrected costings provided by the Minister for Tertiary Education's office.
