

The Treasury

Budget 2011 Information Release

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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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

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.

Budget 2011: Vote Revenue

On 11 April 2011, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2011 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)				
		2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
7088	Retaining the Student Loan Repayment Threshold Until 2014/15	(57.351)	(8.473)	(9.466)	(9.892)	(9.813)
7089	Restricting Loans for Those in Default for One or More Years	-	-	-	0.112	0.382
7090	Broadening the Income Definition for Student Loans	-	-	(1.400)	(1.400)	(0.140)
7091	Removing Course-Related Cost Component for Part-Time Full-Year Study	-	-	0.179	0.625	1.015
7092	Restricting Loans for People Ages 55 and Over to Tuition Fees Only	-	-	-	0.068	0.228
7093	Additional Equivalent Full-Time Students - Private Training Establishments	-	-	(0.187)	(0.438)	(0.672)
7094	Additional Medical Student Places*	-	-	(0.015)	(0.051)	(0.107)
7095	Student Loan Savings From The Education (Freedom Of Association) Bill 2009	-	-	0.426	0.976	1.461
7096	Improving Value for Money of the Government's Investment in Pilot Training	-	-	0.051	0.225	0.543
Total Operating		(57.351)	(8.473)	(10.412)	(9.775)	(7.103)

*See initiative 7094 for outyear implications

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
7088	Retaining the Student Loan Repayment Threshold Until 2014/15	-	-	(11.036)	(22.129)	(30.161)
7089	Restricting Loans for Those in Default for One or More Years	-	-	-	0.269	0.826
7090	Broadening the Income Definition for Student Loans	-	-	(11.000)	(11.000)	(1.000)
7091	Removing Course-Related Cost Component for Part-Time Full-Year Study	-	-	0.549	1.722	3.004
7092	Restricting Loans for People Ages 55 and Over to Tuition Fees Only	-	-	-	0.310	0.978
7093	Additional Equivalent Full-Time Students - Private Training Establishments	-	-	(0.303)	(0.731)	(1.148)
7094	Additional Medical Student Places	-	-	(0.018)	(0.066)	(0.145)
7095	Student Loan Savings from the Education (Freedom Of Association) Bill 2009	-	-	0.718	1.930	3.371
7096	Improving Value for Money of the Government's Investment in Pilot Training	-	-	0.059	0.241	0.618
Total Capital		-	-	(21.031)	(29.454)	(23.657)

- 2 **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
- 3 **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;
- 4 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 5 **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;
- 6 **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;

- 7 **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) 187; CAB (11) 190

Initiative No: 7088

Vote: Revenue

Title: Retaining the Student Loan Repayment Threshold Until 2014/15

Description: This proposal suspends the inflation adjustment to the student loan repayment threshold until 1 April 2015.

Appropriation Changes

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	(57.351)	(8.473)	(9.466)	(9.892)	(9.813)
Debt Impact	-	-	(11.036)	(22.129)	(30.161)
No Impact	-	-	-	-	-
Total	(57.351)	(8.473)	(20.502)	(32.021)	(39.974)

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Other Expenses to be Incurred by the Crown:					
Impairment of Debt Relating to Student Loans	(53.256)	-	-	-	-
Total Operating	(53.256)	-	-	-	-
Total Capital	-	-	-	-	-

Additional recommendations

8 **noted** the following changes as a result of the decision to retain the Student Loan repayment threshold until 2014/15:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	(4.095)	(8.473)	(9.466)	(9.892)	(9.813)
Capital Receipts:					
Student Loans - Receipts	-	-	(11.036)	(22.129)	(30.161)
Total Operating	(4.095)	(8.473)	(9.466)	(9.892)	(9.813)
Total Capital	-	-	(11.036)	(22.129)	(30.161)

9 **noted** that the corresponding initiative under Vote Social Development is initiative number 7102;

Initiative No: 7089

Vote: Revenue

Title: Restricting Loans for Those in Default for One or More Years

Description: Students in default of \$500 or more, where the age of that default is either one year or more, will be unable to access student loans. This will apply to borrowers who are in default from February 2012, and applies to new lending from 7 February 2013.

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	-	0.112	0.382
Debt Impact	-	-	-	0.269	0.826
No Impact	-	-	-	-	-
Total	-	-	-	0.381	1.208

Additional recommendations

10 **noted** the following changes as a result of the decision to restrict loans for those in default for one or more years:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	-	-	-	0.112	0.382
Capital Receipts:					
Student Loans - Receipts	-	-	-	0.269	0.826
Total Operating	-	-	-	0.112	0.382
Total Capital	-	-	-	0.269	0.826

11 **noted** that the corresponding initiative under Vote Social Development is initiative number 7100;

Initiative No: 7090

Vote: Revenue

Title: Broadening the Income Definition for Student Loans

Description: Currently, business and investment losses are calculated into the definition of income for student loan purposes. From 1 April 2012, the definition of income for student loans will exclude (add-back) business and investment losses.

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	(1.400)	(1.400)	(0.140)
Debt Impact	-	-	(11.000)	(11.000)	(1.000)
No Impact	-	-	-	-	-
Total	-	-	(12.400)	(12.400)	(1.140)

Additional recommendation

12 **noted** the following changes as a result of the decision to broaden the income definition for Student Loans:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	-	-	(1.400)	(1.400)	(0.140)
Capital Receipts:					
Student Loans - Receipts	-	-	(11.000)	(11.000)	(1.000)
Total Operating	-	-	(1.400)	(1.400)	(0.140)
Total Capital	-	-	(11.000)	(11.000)	(1.000)

Initiative No: 7091

Vote: Revenue

Title: Removing Course-Related Cost Component for Part-Time Full-Year Study

Description: From 1 January 2012, eligibility to loans for course-related costs is removed for part-time full-year (PTFY) study. PTFY students would only be eligible for the compulsory fees component of the student loan scheme.

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	0.179	0.625	1.015
Debt Impact	-	-	0.549	1.722	3.004
No Impact	-	-	-	-	-
Total	-	-	0.728	2.347	4.019

Additional recommendations

13 **noted** the following changes as a result of the decision to remove course-related cost component for part-time full-year study:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	-	-	0.179	0.625	1.015
Capital Receipts:					
Student Loans - Receipts	-	-	0.549	1.722	3.004
Total Operating	-	-	0.179	0.625	1.015
Total Capital	-	-	0.549	1.722	3.004

14 **noted** that the corresponding initiative under Vote Social Development is initiative number 7097;

Initiative No: 7092

Vote: Revenue

Title: Restricting Loans for People Aged 55 and Over to Tuition Fees Only

Description: From 1 January 2013, borrowers over the age of 55 are only able to borrow for compulsory fees but are restricted from borrowing from the Student Loans Scheme for living and course-related costs.

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	-	0.068	0.228
Debt Impact	-	-	-	0.310	0.978
No Impact	-	-	-	-	-
Total	-	-	-	0.378	1.206

Additional recommendations

15 **noted** the following changes as a result of the decision to restrict loans for people aged 55 and over to tuition fees only:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	-	-	-	0.068	0.228
Capital Receipts:					
Student Loans - Receipts	-	-	-	0.310	0.978
Total Operating	-	-	-	0.068	0.228
Total Capital	-	-	-	0.310	0.978

16 **noted** that the corresponding initiative under Vote Social Development is initiative number 7098;

Initiative No: 7093**Vote:** Revenue**Title:** Additional Equivalent Full-Time Students - Private Training Establishments**Description:** Student support costs relating to the tertiary education initiative to purchase approximately 750 equivalent full-time students for new or high-performing Private Training Establishments. This will be implemented from 1 January 2012.

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	(0.187)	(0.438)	(0.672)
Debt Impact	-	-	(0.303)	(0.731)	(1.148)
No Impact	-	-	-	-	-
Total	-	-	(0.490)	(1.169)	(1.820)

Additional recommendations

17 **noted** the following changes as a result of the decision to increase full-time students to private training establishments:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	-	-	(0.187)	(0.438)	(0.672)
Capital Receipts:					
Student Loans - Receipts	-	-	(0.303)	(0.731)	(1.148)
Total Operating	-	-	(0.187)	(0.438)	(0.672)
Total Capital	-	-	(0.303)	(0.731)	(1.148)

18 **noted** that the corresponding initiative under Vote Social Development is initiative number 7104, and under Vote Tertiary Education is initiative number 7057;

Initiative No: 7094

Vote: Revenue

Title: Additional Medical Student Places

Description: The Vote Health package for Budget 2011 funds an additional 40 medical student places from 2012. This initiative relates to the student support costs of the additional places.

	\$m - increase/(decrease)								
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Operating Balance Impact	-	-	(0.015)	(0.051)	(0.107)	(0.182)	(0.276)	(0.372)	(0.465)
Debt Impact	-	-	(0.018)	(0.066)	(0.145)	(0.257)	(0.402)	(0.560)	(0.723)
No Impact	-	-	-	-	-	-	-	-	-
Total	-	-	(0.033)	(0.117)	(0.252)	(0.439)	(0.677)	(0.932)	(1.188)

Additional recommendations

19 **noted** the following changes as a result of the decision to increase medical student places:

	\$m - increase/(decrease)								
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Non-Tax Revenue:									
Student Loans - Interest	-	-	(0.015)	(0.051)	(0.107)	(0.182)	(0.276)	(0.372)	(0.465)
Capital Receipts:									
Student Loans - Receipts	-	-	(0.018)	(0.066)	(0.145)	(0.257)	(0.402)	(0.560)	(0.723)
Total Operating	-	-	(0.015)	(0.051)	(0.107)	(0.182)	(0.276)	(0.372)	(0.465)
Total Capital	-	-	(0.018)	(0.066)	(0.145)	(0.257)	(0.402)	(0.560)	(0.723)

20 **noted** that the corresponding initiative under Vote Social Development is initiative number 7103, and under Vote Tertiary Education is initiative number 7061;

Initiative No: 7095**Vote:** Revenue**Title:** Student Loan Savings from the Education (Freedom Of Association) Bill**Description:** Changes to voluntary student membership (subject to the enactment of the Education (Freedom of Association) Bill) will reduce student loan borrowing.

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	0.426	0.976	1.461
Debt Impact	-	-	0.718	1.930	3.371
No Impact	-	-	-	-	-
Total	-	-	1.144	2.906	4.832

Additional recommendations

21 **noted** the following changes as a result of Student Loan savings from the Education (Freedom Of Association) Bill:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	-	-	0.426	0.976	1.461
Capital Receipts:					
Student Loans - Receipts	-	-	0.718	1.930	3.371
Total Operating	-	-	0.426	0.976	1.461
Total Capital	-	-	0.718	1.930	3.371

22 **noted** that the corresponding initiative under Vote Social Development is initiative number 7106;

Initiative No: 7096

Vote: Revenue

Title: Improving Value for Money of the Government's Investment in Pilot Training

Description: Improving value for money of the Government's investment in pilot training, by excluding solo flight training costs from the tuition fees, which will reduce student loan borrowing. This will be implemented for new students starting on 1 January 2012.

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	0.051	0.225	0.543
Debt Impact	-	-	0.059	0.241	0.618
No Impact	-	-	-	-	-
Total	-	-	0.110	0.466	1.161

Additional recommendations

23 **noted** the following changes as a result of improving the value for money of the government's investment in pilot training:

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Tax Revenue:					
Student Loans - Interest	-	-	0.051	0.225	0.543
Capital Receipts:					
Student Loans - Receipts	-	-	0.059	0.241	0.618
Total Operating	-	-	0.051	0.225	0.543
Total Capital	-	-	0.059	0.241	0.618

24 **noted** that the corresponding initiative under Vote Social Development is initiative number 7105.