

Reference: 20180225

27 June 2018



Dear 

Thank you for your Official Information Act request, received on 31 May 2018. You requested the following:

“Please provide any correspondence with or documents provided to the Government relating to its fees-free tertiary policy since January 1 2018.”

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	23/01/2018	FEC Briefing - Tertiary Education Package - 31 January 2018	Release in full
2.	20/02/2018	Email: URGENT - oral question	Release in part
3.	15/05/2018	FEC Briefing - Education - 6 June 2018	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

We have redacted the direct dial phone numbers of officials under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's own website.

Some information has been deleted because it is not covered by the scope of your request. This is because the documents include matters outside your specific request.

We have previously responded to OIA requests regarding the tertiary education package that was part of the 100 Day plan. Our response to these requests can be found at the links below on the Treasury website:

<https://treasury.govt.nz/publications/oia-response/tertiary-education-policy-changes-response-official-information-request-oia-20170386>

<https://treasury.govt.nz/publications/oia-response/tertiary-fees-free-policy-oia-20180027>

The Ministry of Education has also proactively released documents with substantive advice on the tertiary education package that was part of the 100 Day plan. The proactively released material is available on the Ministry of Education's website:

<https://www.education.govt.nz/ministry-of-education/information-releases/information-releases-from-past-years/100-days/>

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Andrew Rutledge
Manager, Labour Market, Immigration, and Tertiary Education

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Tertiary Education: FEC Briefing – 31 January 2018**Key messages**

- The Government has implemented both of its Tertiary Education 100-day policies of :
 - an increase of \$50 a week to student loans living costs and student allowances;
 - making the first year of tertiary education fees-free. (This Government proposes to make a second year fees-free in 2021, and a third in 2024.)
- Over 80,000 first year students will benefit from the fees-free policy and 130,000 students will benefit from the increases to student support.
- The costs of these policies are:

\$m	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Total	\$342	\$469	\$535	\$597	\$628	\$2,571

- We have not split the costings in the table above into two the two distinct policies mentioned above, as the factors are complex and require some explanation. We can provide a detailed breakdown of the numbers if required.

Background information on the costings

On 27 November, Cabinet agreed to the implementation from 1 January 2018 of one year of fees-free tertiary education for students who had not studied more than the equivalent of half a year of tertiary study previously, and raised the student support payments (both student allowance and student loan living allowance) by \$50 per week.

At the time the costings were only indicative and joint Ministers were delegated authority to finalise them within an envelope of \$2,846 m over the forecast period [CAB-17-MIN-0515 refers].

Ministers approved the final appropriations on 6th December at \$2,571 m over the forecast period (within the envelope). The key changes between the 27 November Cabinet paper costings and the 6 December figures approved by Joint Ministers were:

- Improved modelling of the impact of the changes on some students;
- The 27 November Cabinet paper which inappropriately included GST on some items and this was removed;

- There were additional flow-on costs for Jobseeker Student Hardship and Accommodation Assistance for extra demand.

The table below demonstrates the changes between the 27 Nov and 6 December:

\$000s	Opex total	Capex total	Net debt
Costings agreed by Cabinet on 27 Nov	\$2,846	-\$404	\$2,432
Updated costings as of 6 Dec paper	\$2,571	-\$434	\$2,143

Impact of the changes in costings on the HYEPU forecasts

The HYEPU forecasts include the higher fiscal impacts reflected in the 27 November Cabinet paper. The fiscal forecasts were not been updated to incorporate the changes as the fiscal forecasts were finalised prior to these updated costs being known. The changes do not materially impact key fiscal indicators across the forecast period and will be reflected in the next forecast update in March.

Implementation issues:

For the 2018 academic year, the fees free policy has been implemented through a 'provider payment' model, where the tertiary education provider will enrol the potential students and then cross reference their eligibility with the Tertiary Education Commission. Once verified, the Tertiary Education Commission will pay the student's fees to the provider on their behalf. No money is transferred to the student. This option had the highest chance of success and ease of implementation given the need to have the policy in place by 1 January 2018.

The Government will be receiving advice on options for implementing this policy in subsequent years.

Potential Questions & Answers

What longer term options have been considered for the 2nd and 3rd years of fees-free?

Bringing in an entitlement to fees-free study is a major shift in policy for the New Zealand tertiary education system. In implementing the policy for 2018 the Government was unable to consider the full range of options, but design choices for subsequent years may have broader implications for the future design of current tertiary fee regulations, funding, and information systems, and for student loans and allowances. These changes will be worked through following implementation of this initial 2018 year.

Who is eligible for the policy? Are Australian citizens eligible?

To be eligible for fees-free study with a university, institute of technology or polytechnic, wānanga or private training establishment, you must:

1. be a New Zealand citizen, or
2. be ordinarily resident in New Zealand, and either:
 - have been living in New Zealand for at least 3 years while holding a residence class visa, or
 - be a refugee or protected person
3. not have previously undertaken more than 60 credits (half a year of equivalent full-time tertiary education or 0.5 ECTS) at level 3 or above on the NZQF, including tertiary education at an equivalent level in any other country. This excludes any tertiary education undertaken while enrolled in a secondary school.

Australian citizens are eligible for the fees-free policy, provided they have resided in New Zealand for over three years.

Furthermore, to be eligible for fees-free, a qualification, course or programme must be:

- recognised by either the New Zealand Qualifications Authority or Universities New Zealand
- funded by the Tertiary Education Commission
- recognised by either the New Zealand Qualifications Authority or Universities New Zealand
- at Level 3 or above on the New Zealand Qualifications Framework, and
- for industry training only, be at least 120 credits.
- starting in 2018

How will students know if they are eligible?

There is a clear and easy to use website that explains the eligibility criteria so that prospective students can check their eligibility: <https://www.feesfree.govt.nz/faqs/>
The website has received over 350,000 inquiries since it was set up.

Documents revealed under the OIA show the figures in the costings process jumping around significantly. Why is that?

When the policy was being developed, elements such as the scope of the policy, eligibility criteria, implementation methods and time constraints meant that the costings fluctuated as further decisions were made on a daily or weekly basis.

Why are there savings coming out of the tertiary education package? Are you reducing tertiary funding?

No, we are not reducing tertiary funding. The savings line in Table 2 of the Budget Policy Statement reflects reduced demand for student loans (which are capital costs), given that the first year of tertiary education is now fees-free.

Why does the costings increase over the forecast period? Have you accounted for the second year of fees-free in the costings?

The costings presented in the table above do not take into account the second year of fees-free. The funding profile increases over the forecast period as it takes into account an anticipated increase in participation in tertiary study and as potential students become aware of the policy.

What mechanisms do you have in place to ensure the policy remains within these costings and to prevent a budget blowout?

The Government controls the fees charged by almost all tertiary providers which means institutions have little ability to charge the Government more than it would have charged students.

The main risk is that there is an increase in enrolments beyond that anticipated in the policy costings. This is a major structural shift in New Zealand's education policy. This makes it difficult to be certain of how much enrolments will rise as a result of the changes.

Officials have been instructed to monitor performance of policy and delivery closely. The Minister of Education has directed officials to report to him and relevant Ministers after the February-March enrolment peak, on the performance of the interim 2018 systems for fees-free study.

Once initial data on 2018 uptake is analysed in June, there will be a report to Cabinet with short-term changes to the fees-free policy to improve delivery and manage any emerging risks, and set a plan for medium-term changes from 2019.

By October 2018, Ministry of Education and TEC officials are to report against that plan and ongoing performance of the delivery solution.

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From: Andrew Rutledge [TSY]
Sent: Tuesday, 20 February 2018 12:04 PM
To: Udayan Mukherjee [TSY] <Udayan.Mukherjee@treasury.govt.nz>; ^EXT: Alastair Cameron <Alastair.cameron@parliament.govt.nz>
Cc: Caroline Wahid [TSY] <Caroline.Wahid@treasury.govt.nz>; Diana Cook [TSY] <Diana.Cook@treasury.govt.nz>; Katren Rogers [TSY] <Katren.Rogers@treasury.govt.nz>; Abbas Nazari [TSY] <Abbas.Nazari@treasury.govt.nz>; Grace Campbell-Macdonald [TSY] <Grace.campbell-macdonald@treasury.govt.nz>
Subject: RE: URGENT - oral question

[IN-CONFIDENCE]

Hi there

Context:

- The Ministry of Education had responsibility for undertaking the policy costings for the fees-free policy, and the changes to student support.
- The Treasury provided quality assurance of the methodology and assumptions underpinning the costings.
- The costings were undertaken at pace, and as a range of detailed design decisions were being agreed with Ministers, and therefore naturally moved around a bit as the process unfolded.
- The major discrepancy between costings occurred between the Cabinet decision on 27 November (which agreed an upper parameter based on the costing at the time and delegated authority to joint ministers to agree final changes to appropriations) and the changes to appropriations paper. As the appropriations changes were being finalised, the costing were amended to reflect a number of factors.
- The final costings as presented in the appropriation changes paper, and which fed into HYEPU, therefore differ to those presented in the 27 November Cabinet paper [CAB-17-MIN-0515]
- Mr Joyce submitted a written PQ to Minister Robertson, seeking an explanation for the discrepancy in costing between what is presented in the 27 November Cabinet paper and what is recorded in HYEPU. The written PQ and the draft response we prepared are provided below.
- Treasury put a comment in the 27 November Cabinet paper noting that it was unusual for Cabinet to take a large fiscal decision without final costings. This received media attention.

What the initial advice was to Ministers about costings?

- Ministers received a number of indicative costings through the policy development process ahead of taking the major fiscal decision at Cabinet.
- On 27 November 2017, Cabinet authorised the Minister of Finance, Minister of Education, Minister for Social Development and Minister of Revenue jointly to determine the final detailed changes to appropriations subject to the net debt and operating impact not exceeding \$2,432 million and \$2,846 million respectively, over the forecast period.

Why the costings were incorrect?

- The costings were developed over a number of weeks as Ministers made policy decisions regarding the tertiary package.
- As these decisions were being made, agencies worked to calculate the final figures.

- There were some costing changes following Cabinet's decisions, as the appropriations changes paper was being prepared, largely stemming from the treatment of GST. Parts of the costings had incorrectly accounted for GST and this had to be fixed (see the appropriations paper).
- The final costing resulted in \$2,571 million of operating expenditure and -\$434 million of capital expenditure.

What the updated advice said?

- In the final appropriations paper that was signed by Joint Ministers in December (sent on 6 December), the Ministry of Education noted the difference in costings and highlighted that they were still within the bounds agreed to by Cabinet in November.
- The Ministry advised Ministers of this change as follows 'The figures are lower than that presented in the 27 November Cabinet paper [CAB-17-MIN-0515 refers]. This issue arose because under the current fiscal management approach some figures (e.g. student allowances) do not need GST applied while others (e.g. fees payments) should be presented as GST exclusive, in light of the chosen delivery model. We had presented fee payments as GST inclusive and have now identified this was not the correct treatment. The approach in this paper has been approved by Treasury.'
- Other changes to the costing following Cabinet decisions include the addition of flow-on costs for Jobseeker Student Hardship and Accommodation Assistance for extra demand.

What, if any, information has been released publicly showing that the initial costings were wrong and needed to be updated.

- The November Cabinet paper [CAB-17-MIN-0515], the financial appropriations paper are all in the public domain. We provided a PQ response to Steven Joyce regarding the change in costings [as below]

<http://www.education.govt.nz/assets/Documents/Ministry/Information-releases/100-days/1094149-ER-Final-financial-implications-for-the-100-days-tertiary-educ....pdf>

PQ draft response

1210. Steven Joyce to the Minister of Finance (8 February 2018):

Why is the estimated fiscal impact of the government's tertiary education package over the forecast period stated in the Half-Year Economic & Fiscal update as \$2,571 million of operating expenditure and -\$434 million of capital expenditure, different to the "Making tertiary education more affordable: fees-free education in 2018" Cabinet paper which states the estimated fiscal impact of this policy as \$2,846 million of operating expenditure and -\$404 million of capital expenditure?

Hon Grant Robertson (Minister of Finance) replied:

On 27 November 2017, Cabinet authorised myself and the Minister of Education, Minister for Social Development and Minister of Revenue to jointly determine the final changes to appropriations subject to the net debt and operating impact of the policy not exceeding \$2,432 million and \$2,846 million respectively, over the forecast period. Through this process there were some revisions to the final costings, relating to GST treatment, student loan impacts, updated industry training costs, and some flow-on impacts to the Jobseeker Student Hardship benefit and Accommodation Assistance, resulting in an overall package of \$2,571 million of operating expenditure and -\$434 million of capital expenditure. These final costings were within the bounds approved by Cabinet and were reflected in the HYEPU.

Andrew Rutledge | Manager | Labour Market, Immigration and Tertiary Education | **The Treasury**

s9(2)(k)

| Andrew.Rutledge@treasury.govt.nz

From: Udayan Mukherjee [TSY]

Sent: Tuesday, 20 February 2018 11:34 AM

To: ^EXT: Alastair Cameron <Alastair.cameron@parliament.govt.nz>; Katren Rogers [TSY]

<Katren.Rogers@treasury.govt.nz>; Abbas Nazari [TSY] <Abbas.Nazari@treasury.govt.nz>

Cc: Caroline Wahid [TSY] <Caroline.Wahid@treasury.govt.nz>; Diana Cook [TSY] <Diana.Cook@treasury.govt.nz>;

Andrew Rutledge [TSY] <Andrew.Rutledge@treasury.govt.nz>

Subject: RE: URGENT - oral question

Cc'ing in Abbas and Andrew, as this is likely more in their patch as a Tertiary Ed issue.

Udayan Mukherjee | Office of the Executive |

s9(2)(k)

From: Alastair Cameron [<mailto:Alastair.Cameron@parliament.govt.nz>]

Sent: Tuesday, 20 February 2018 11:09 a.m.

To: Katren Rogers [TSY] <Katren.Rogers@treasury.govt.nz>

Cc: Udayan Mukherjee [TSY] <Udayan.Mukherjee@treasury.govt.nz>; Caroline Wahid [TSY] <Caroline.Wahid@treasury.govt.nz>; Diana Cook [TSY] <Diana.Cook@treasury.govt.nz>

Subject: URGENT - oral question

Hi Katren,

The Minister of Finance has the following oral question in the House today:

Does he have confidence in the policy advice he receives?

One topic we thought might come up is the costings of the tertiary package, and the changes that occurred quite late in the piece.

Can you please send me a few bullet points on what:

- What the initial advice was to Ministers about costings?
- Why the costings were incorrect?
- What the updated advice said?
- What, if any, information has been released publicly showing that the initial costings were wrong and needed to be updated.

I need this information by **midday today**. Can you please respond to let me know you've received this email and have the work underway.

Regards,
Alastair

Alastair Cameron, Economic Advisor

Office of Hon Grant Robertson, Minister of Finance

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s9(2)(a)

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Education Portfolio: FEC Briefing – 6 June 2018

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Question: What impact has fees-free had on enrolments and what is the future of the scheme?

Answer: It is too early to tell what impact the policy has had. Officials are collating enrolment data for the first part of the 2018 academic year. However, student loan borrowing has dropped by \$150 million in the first three months of 2018 compared to the same time last year. The implementation method used to deliver fees-free for 2018 was an interim measure. Work is beginning on the expansion of fees-free from 2021. *[Note that the Tertiary Education Commission and the Ministry of Education have briefed the Minister of Education on enrolments but this information is not publicly available yet].*

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