

The Treasury

Budget 2021 Information Release

August 2021

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Cabinet Document Details

Title: **Cabinet Minute: CAB-21-MIN-0116.29: 2021 Budget Package: Vote Tertiary Education**

Date: **16 April 2021**

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Cabinet

Minute of Decision

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2021 Budget Package: Vote Tertiary Education

On 12 April 2021, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2021 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)					Outyears
		2020/21	2021/22	2022/23	2023/24	2024/25	
13272	Continued Support to the Wānanga Sector	-	4.000	7.250	10.500	10.500	10.500
13287	Cost Adjustment to Tertiary Tuition and Training Subsidies	-	16.345	31.892	31.254	31.256	31.256
13359	Ensuring the Viability of Vocational Education and Training	-	18.420	67.022	97.321	96.745	96.745
13358	Extending the Temporary Hardship Fund for Learners in Tertiary Education	-	5.803	-	-	-	-
13537	Holidays Act Remediation for School and Ministry Payroll	0.221	-	-	-	-	-
13350	Reform of Vocational Education - Transition and Integration Phase	-	12.932	9.078	1.710	1.710	1.710
13532	Reinstating the Training Incentive Allowance for levels 4 to 7 on the New Zealand Qualifications Framework	-	-	-	5.517	4.861	-
13466	Savings - International Education Strategic Recovery: Immediate Targeted Support for Private Training Establishments	(1.817)	-	-	-	-	-
13519	Transfer of Unspent Workforce Development Councils Funding to the Industry Training Fund	(42.000)	21.000	21.000	-	-	-
Total Operating		(43.596)	78.500	136.242	146.302	145.072	140.211

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
13350	Reform of Vocational Education - Transition and Integration Phase	-	7.300	4.550	2.000	-
Total Capital		-	7.300	4.550	2.000	-

- 2 **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
- 3 **approved** changes to appropriations 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 for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 6 **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 2020/21 Supplementary Estimates, the 2021/22 Estimates and the fiscal forecasts;
- 7 **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;
- 8 **noted** that all communications relating to the 2021 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;
- 9 **agreed** that the initiative in the following table and as detailed in the attached initiative documents be a contingency item and that the corresponding funding be a charge against the Operating Allowance:

Summary of contingency initiative included in the attached initiative document:

Operating Contingency

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
13356	[38]	[38]				
Total Operating						

- 10 **approved** the additional recommendations relating to the contingency initiative, as set out in the attached initiative documents.

Michael Webster
Secretary of the Cabinet

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: Continued Support to the Wānanga Sector

Description: This initiative will continue support for wānanga to undertake research and educational delivery that protects and advances mātauranga Māori.

New appropriation approval

Name	Period	Type	Scope
Support for Wānanga	Annual	Non-Departmental Output Expenses	This appropriation is limited to supporting wānanga in the tertiary education system to maintain, advance and disseminate mātauranga Māori according to tikanga Māori.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	-	4.000	7.250	10.500	10.500
Total	-	4.000	7.250	10.500	10.500

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-Departmental Output Expenses:					
Support for Wānanga	-	4.000	5.000	6.000	6.000
Tertiary Education Research and Research-Based Teaching	-	-	2.250	4.500	4.500
Total Operating	-	4.000	7.250	10.500	10.500

Additional recommendation

11 **noted** that this initiative is led by Associate Minister of Education (Māori Education);

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: [38]

Description: [38]

Tagged contingency

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Contingency	[38]				
Total					

Additional recommendations

[38]

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: Cost Adjustment to Tertiary Tuition and Training Subsidies

Description: This initiative provides funding for a 1.2% increase in tertiary education tuition and training subsidies to support providers to maintain quality and ensure their delivery remains relevant and responsive to students' and employers' needs. The increase strikes a balance between helping providers manage increases in delivery costs with an expectation that providers make effective and efficient investments to maintain quality and sustainability.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	-	16.345	31.892	31.254	31.256
Total	-	16.345	31.892	31.254	31.256

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-Departmental Output Expense:					
Access to Tertiary Education	-	0.155	0.311	0.311	0.311
Multi-Category Expenses and Capital Expenditure:					
Tertiary Tuition and Training (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Community Education	-	0.514	1.035	1.032	1.033
Tertiary Education: Student Achievement Component	-	14.142	27.478	26.423	26.424
Training for Designated Groups	-	1.534	3.068	3.488	3.488
Total Multi-Category Expenses and Capital Expenditure: Tertiary Tuition and Training (MCA)	-	16.190	31.581	30.943	30.945
Total Operating	-	16.345	31.892	31.254	31.256

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: Ensuring the Viability of Vocational Education and Training

Description: This initiative provides a 13.4% increase in Vocational Education and Training (VET) funding by 2024. This funding will also support the implementation of the new unified funding system for vocational education from 1 January 2023, a key part of the Reform of Vocational Education. The new system will better support high quality work-integrated provision, better support learner needs and help sustain a network of VET provision in our regions.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	-	18.420	67.022	97.321	96.745
Total	-	18.420	67.022	97.321	96.745

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-Departmental Output Expense:					
Access to Tertiary Education	-	11.000	22.000	22.000	22.000
Multi-Category Expenses and Capital Expenditure:					
Tertiary Tuition and Training (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Training for Designated Groups	-	7.420	14.840	14.840	14.840
Vocational Education and Training Component	-	-	30.182	60.481	59.905
Total Multi-Category Expenses and Capital Expenditure: Tertiary Tuition and Training (MCA)	-	7.420	45.022	75.321	74.745
Total Operating	-	18.420	67.022	97.321	96.745

Additional recommendations

19 **agreed** to add the following category to the multi-category appropriation Tertiary Tuition and Training:

Title	Type	Scope
Vocational Education and Training Component	Non-departmental Output Expense	This category is limited to funding learning and support services that lead to the achievement of vocational education qualifications at levels three to seven (excluding degrees) on the New Zealand Qualifications Framework.

- 20 **noted** that the “Vocational Education and Training Component” category contributes to the single overarching purpose statement of the “Tertiary Tuition and Training” multi-category appropriation;
- 21 **noted** that Cabinet agreed that a unified funding system for vocational education would be implemented from 1 January 2023 [CAB-19-MIN-0354];
- 22 [33]
- 23 **noted** that funding appropriated for the 2022 calendar year will be allocated using existing structures to signal the future transformation of the vocational education and training funding system including increased opportunities for work integrated learning and better support for learner needs;
- 24 **agreed** to the following policy changes being met from within the funding approved for this initiative:
- 24.1 increase industry training funding rates by 5 percent from 2022 to better support work integrated learning;
 - 24.2 extend Equity Funding to all provision levels within vocational education and training, that are not already covered within Equity Funding;
 - 24.3 extend Equity Funding for vocational education and training to a new category of eligible learners under age 25 who have not previously achieved a qualification on the New Zealand Qualification Framework at Level 3 or above;

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: Extending the Temporary Hardship Fund for Learners in Tertiary Education

Description: This initiative will provide funding for a temporary extension of the COVID-19 Hardship Fund for Learners in tertiary education in the 2021 calendar year. Some learners will have lower incomes, reduced financial support from their families and may face additional costs this year due to the ongoing impacts of COVID-19 that go beyond the current levels of support, or may not be supported by student loans and allowances. This initiative will help students in hardship remain connected to their education provider and engaged in their learning.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Balance Impact	-	5.803	-	-	-
Total	-	5.803	-	-	-

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Non-Departmental Output Expense:					
Access to Tertiary Education	-	5.803	-	-	-
Total Operating	-	5.803	-	-	-

Additional recommendation

25 **noted** that on 7 April 2021 the Cabinet Social Wellbeing Committee agreed to reprioritise \$4.197 million within Vote Tertiary Education to provide for an initial extension of the Hardship Fund for Learners in tertiary education [SWC-21-MIN-0042];

Vote: Tertiary Education
Appropriation Administrator: Ministry of Education

Title: Education Holidays Act Remediation Payments

Description: This initiative will fund remediation payments associated with historic non-compliance with the Holidays Act 2003. This bid covers both the Ministry and Schools' payroll workstreams.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Balance Impact	0.221	-	-	-	-
Total	0.221	-	-	-	-

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Departmental Output Expense:					
Stewardship and Oversight of the Tertiary Education System (funded by revenue Crown)	0.221	-	-	-	-
Total Operating	0.221	-	-	-	-

Additional recommendation

26 **noted** there is associated operating funding in Vote Education (Initiative 13354);

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: Reform of Vocational Education - Transition and Integration Phase

Description: This initiative provides funding to retain capability, and to build a data interface, to support the transition and integration phase of the Government's Reform of Vocational Education (RoVE). This will enable the Tertiary Education Commission, New Zealand Qualifications Authority and Ministry of Education to implement changes necessary to deliver the skills and opportunities that learners, employers, industries, and regions need to prosper.

New appropriation approval

Name	Period	Type	Scope
Vocational Education Data System	Annual	Non-Departmental Capital Expenditure	This appropriation is limited to providing capital to the Tertiary Education Commission for the development and delivery of an information technology system to support the implementation of a unified funding system for the vocational education system.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	-	12.932	9.078	1.710	1.710
Debt Impact	-	7.300	4.550	2.000	-
No Impact	-	-	0.590	0.690	0.690
Total	-	20.232	14.218	4.400	2.400

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Departmental Output Expense:					
Stewardship and Oversight of the Tertiary Education System (funded by revenue Crown)	-	0.900	0.650	-	-
Non-Departmental Output Expenses:					
Administration of and Support for the Tertiary Education and Careers Systems	-	-	0.590	0.690	0.690
Administration of and Support for the Tertiary Education and Careers Systems	-	12.032	8.428	1.710	1.710
Non-Departmental Capital Expenditure:					
Vocational Education Data System	-	7.300	4.550	2.000	-
Total Operating	-	12.932	9.668	2.400	2.400
Total Capital	-	7.300	4.550	2.000	-

Additional recommendations

- 27 **noted** that there is associated operating funding in Vote Education (ID: 13349);
- 28 **noted** that Cabinet [CAB-19-MIN-0354] agreed that the unified funding system for vocational education would be implemented from 1 January 2023, which is associated with Ensuring the Viability of Vocational Education and Training (Initiative 13359);

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: Reinstating the Training Incentive Allowance for Levels 4 to 7 on the New Zealand Qualifications Framework

Initiative Sponsors: Minister of Social Development

Description: This initiative will provide four years of funding to support around 16,000 sole parents, disabled people and carers receiving an eligible benefit with study costs when studying at levels 4 to 7 on the New Zealand Qualifications Framework. Higher-level qualifications are expected to improve participants' employment outcomes and incomes.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Balance Impact	-	-	-	5.517	4.861
Total	-	-	-	5.517	4.861

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Multi-Category Expenses and Capital Expenditure:					
Tertiary Tuition and Training (MCA)					
<i>Non-Departmental Output Expense:</i>					
Tertiary Education: Student Achievement Component	-	-	-	5.517	4.861
Total Operating	-	-	-	5.517	4.861

Additional recommendations

- 29 **agreed** that the \$10.378 million operating expenses for Vote Tertiary Education be charged against the COVID-19 Response and Recovery Fund (CRRF) established as part of Budget 2020;
- 30 **noted** that there is associated operating and capital funding in Vote Social Development (Initiative 13240) and operating funding in Vote Revenue (Initiative 13521);
- 31 **noted** that the total charged against the CRRF is \$153.105 million, which includes Vote Social Development operating expenses (Initiative 13240);

Vote: Tertiary Education

Appropriation Administrator: Ministry of Education

Title: Savings - International Education Strategic Recovery: Immediate Targeted Support for Private Training Establishments

Description: This initiative was agreed on 6 July 2020 to support the stability of Private Training Establishments (PTEs) that contribute to regional significance or skill development needs, so they could in turn support their regions when international students returned. Not all PTEs considered for funding were ultimately approved, resulting in an underspend. These savings are to be reprioritised and returned to the COVID-19 Response and Recovery Fund.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Balance Impact	(1.817)	-	-	-	-
Total	(1.817)	-	-	-	-

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Non-Departmental Output Expense:					
Support for Private Training Establishments of Strategic Importance	(1.817)	-	-	-	-
Total Operating	(1.817)	-	-	-	-

Additional recommendations

- 32 **noted** that Cabinet previously agreed that this funding totalling \$10 million in 2020/21 only would be counted against the COVID-19 Response and Recovery Fund [CAB-20-MIN-0328.22];
- 33 **agreed** that, as not all of this funding was required, the savings will be returned to the COVID-19 Response and Recovery Fund;

- Vote:** Tertiary Education
- Title:** Transfer of Unspent Workforce Development Councils Funding to the Industry Training Fund
- Description:** This initiative transfers \$42 million appropriated from the COVID-19 Response and Recovery Fund in 2020 for the establishment and initial operations of Workforce Development Councils (WDCs) to the Industry Training Fund over the next two financial years. The transfer will allow the Industry Training Fund to support a similar level of apprenticeships in 2022 as in 2021.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Balance Impact	(42.000)	21.000	21.000	-	-
Total	(42.000)	21.000	21.000	-	-

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Non-Departmental Output Expense:					
Workforce Development Councils	(42.000)	-	-	-	-
Multi-Category Expenses and Capital Expenditure:					
Tertiary Tuition and Training (MCA)					
<i>Non-Departmental Output Expense:</i>					
Training for Designated Groups	-	21.000	21.000	-	-
Total Operating	(42.000)	21.000	21.000	-	-

Additional recommendations

- 34 **noted** that on 11 May 2020, Cabinet agreed to transfer \$35 million per calendar year for each of 2021 to 2023 from the Industry Training Fund to funding for provider-based tertiary education and training due to the expected impact of COVID-19 on demand for industry training at that time [CAB-20-MIN-0219.27];
- 35 **noted** that the Ministers of Finance and Education jointly approved transfers within the Tertiary Tuition and Training Multi-Category Appropriation Vote Tertiary Education to reverse the \$35 million reduction to the Industry Training Fund for 2021 in November 2020;
- 36 **noted** that the Cabinet Social Wellbeing Committee invited the Minister of Education to issue drafting instructions to the Parliamentary Counsel Office to prepare Orders in Council for the establishment of Workforce Development Councils on 24 March 2021 [SWC-21-MIN-0031].