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15 March 2013

Tertiary Education Report: Student support budget initiatives transitional arrangements

Executive summary

On 5 March 2013 you requested officials continue to develop options for the student support package for Budget 2013 with a focus on:

- strengthening returns from and minimising risk posed by Overseas-Based Borrowers (OBBs)
- targeting student allowances more tightly on the basis of returns to study.

This paper seeks your agreement to transitional arrangements for a set of options you are currently considering for Budget 2013. This will enable officials to finalise advice and develop costings for the student support Cabinet paper. Full details of the proposed approach and other options considered are set out in Appendix 1.

Recommended actions

We recommend that the Minister for Tertiary Education, Skills and Employment:

- 1 **agree** the transitional arrangements you wish to be used for the finalisation of the Student Support Cabinet paper on Budget 2013 initiatives (transitional options and detailed conditions of transitional options in full in Appendix 1).

Transitional arrangement options		
1. Extend the student loan and allowance 'stand-down' period for permanent residents (including Australians) from 2 years to 3 years	Option 1A (recommended) <i>Grand-parenting for those already in study in 2013 who would have met the 2 year rule during 2014</i>	Y/N
	Option 1B <i>Grand-parenting for those who would have met the 2 year rule during 2014 (regardless of study)</i>	Y/N
[1]		Y/N
3. Removing student allowances eligibility for those aged 65 and over	Option 3A (recommended) <i>Implement from 2015 with no grand-parenting</i>	Y/N
	Option 3B <i>Implement from 2014 with grand-parenting for up to one year (conditional) for students with dependants only</i>	Y/N

4.Reducing student allowance eligibility for those aged 40 and over to 80 weeks	Option 4A (recommended) <i>Implement from 2014 with grand-parenting for up to one year (conditional) for students with dependants and/or those 55 and over only</i>	Y/N
	Option 4B <i>Implement from 2015 with no grand-parenting</i>	Y/N
5.Reducing the 200 week allowance lifetime limit to 160 weeks (all ages)	Option 5A (recommended) <i>Implement from 2014 with grand-parenting for up to one year (conditional) for students with dependants and/or those 55 and over only</i>	Y/N
	Option 5B <i>Implement from 2014 with no grand-parenting</i>	Y/N
[1]		Y/N

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Hon Steven Joyce
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Tertiary Education Report: Student support budget initiatives transitional arrangements

Purpose of report

1. This paper seeks your agreement to transitional arrangements for your student support Budget initiatives. This will enable us to finalise advice for the student support Cabinet paper.

Background

2. On 5 March 2013 you requested officials continue to develop options for the student support package for Budget 2013 with a focus on:
 - strengthening returns from and minimising risk posed by Overseas Based Borrowers (OBB)
 - targeting student allowances more tightly on the basis of returns to study.
3. This paper sets out a range of transitional options, together with a recommended approach.

Transitional/grand-parenting arrangements

4. In determining recommendations for transition or grand-parenting arrangements, as well as the ongoing rules for how each policy will be administered, we have taken into consideration:
 - consistency with arrangements used during recently implemented budget changes (e.g. the implementation of changes to eligibility for students undertaking postgraduate qualifications) and policy rationale of each option
 - consistency with the way current policies in the student loans and allowance schemes (such as age and week limits) are administered
 - the principle that students who have less flexibility to respond to changes (such as those with dependants and/or reduced access to student loans) should receive some extended support
 - simplicity and ability to communicate changes to students and providers
 - the impacts on affected students.
5. Transition rules are designed to lessen the impact for groups of students who will be the most financially disadvantaged by policy changes. Under any potential options there will be groups of students who will miss out on grand-parenting. These considerations have been weighed against the principles outlined above. All options are likely to generate some correspondence.
6. Grand-parenting arrangements impact on savings in the first year of implementation, particularly as allowance and loan recipients aged 40 and over are more likely than younger recipients to be supporting dependants. Several of the options will interact significantly. Grand-parenting details are needed to finalise costings for the student support Cabinet paper.
7. The options and available variants that were considered are set out in Appendix 1.

Recommendations for grand-parenting

8. We recommend some transitional grand-parenting arrangements relating to the following options.

Changes to the permanent resident stand-down period (to loans and allowances)

9. For changes to the permanent resident stand-down period we are recommending implementation from 1 January 2014 with grand-parenting for people who were in student allowance/loan approved study during 2013, and who would have met the previous two year stand-down period under the current rules during the 2014 year.
10. This recommendation is based on consistency with the rationale for the change, which is to increase our confidence (through a demonstration of commitment) that permanent residents who receive student support will stay in New Zealand after study. Previous study will be used as a proxy for a student's intention to have taken up student support during 2014 under the current rule, and to avoid disadvantaging those who may have been self funding for some time with the expectation of becoming eligible for support. It would be inefficient to remove these people from the education system.
11. An alternative, more generous option (listed in Appendix 1 as Option 1B) is to extend grand-parenting to all permanent residents who would otherwise have met their two year stand-down period during 2014 under the old rule (regardless of whether or not they were in study in 2013).
12. Under both of these options people who were expecting to become eligible for support in 2015 will now be stood down until 2016. The rationale for excluding these people is they would not otherwise have been eligible for a student allowance and/or student loan during the calendar year (2014) from which the policy change is to take effect.
13. People in this group may perceive this to be unfair. There may be some who have been self funding their study, but have not been in New Zealand for as long as those students in the grand-parented group. However, all available options involve increasing the waiting period for people who may already be in study, or waiting to begin study (even if implementation were deferred until 2016).
14. Under the proposed approach there will be no exemptions (such as exceptional circumstances or a compassionate exception) for people who do not meet the requirements. Cabinet introduced these in 2010/11 for the introduction of the two year stand-down rule. Decisions about how to apply the exceptions were extremely complex to administer consistently.
15. The arrangements officials are recommending in this paper are more generous than those used previously for the introduction of the two year rule. This attempts to capture those who will experience the greatest impact and who may have qualified for a compassionate exception under more stringent rules.
16. Officials consider the recommended cut off point for grand-parenting (those who would have become eligible during the 2014 calendar year) achieves a reasonable balance between minimising the number of people who will be required to wait the additional year, and implementing the policy in a timely way without creating unnecessary administrative complexity.

Reducing student allowance lifetime limits

17. The same recommendations apply to both options reducing the student allowance lifetime limit (from 200 weeks down to 80 weeks for people aged 40 and over, and the option of reducing of the 200 week lifetime limit down to 160 weeks overall).
18. Officials recommend that grand-parenting be extended to those with dependants and those aged 55 and over. This grand-parenting would apply to current study for up to one

year, until 31 December 2014, or until the student reaches the 200 week limit of the student allowance, whichever comes first.

19. This is because students with dependants are less likely to have the flexibility to respond to these changes as quickly as other students. Those aged 55 and over no longer have access to student loan living costs, so have less flexibility than other students to respond to the changes.

Recommendations for no grand-parenting

20. Officials do **not** recommend any grand-parenting arrangements for the following options.

Removal of student allowances for over 65s

21. Officials recommend no grand-parenting provided implementation occurs from 1 January 2015. Options for an earlier implementation date are available, however officials consider that the recommended approach will reach a more appropriate balance both of fairness, given the fundamental nature of this change and the previous removal of student loan living costs from the group affected.
22. In addition, an earlier implementation date will require a set of grand-parenting arrangements which would overlap with existing grand-parenting of the changes to loans for those aged 55 and over. This would greatly increase complexity particularly for those affected students trying to understand the changes who will fall into both groups; it may also increase implementation costs.

[1] – paragraphs 23 to 28

Appendix 1

Initiatives	Ongoing implementation rules	Grand-parenting rules	Comment risks/benefits	Variant options
	Option 1A (recommended)			Option 1B
1. Extending the student allowance and loan stand-down period for permanent residents and Australians from 2 years to 3 years	<ul style="list-style-type: none"> From study starting on or after 1 January 2014, students who are not NZ Citizens must: <ul style="list-style-type: none"> be ordinarily resident in New Zealand; and have resided in New Zealand for 3 years, and held the right to reside in New Zealand indefinitely for three years to be eligible for SA/SL. These students are generally known as 'Permanent Residents' and include Australian citizens, but does not include students who hold refugee status, protected persons status, or persons sponsored by a family member who held refugee status or protected person status when they entered NZ. 	Grand-parenting for students who were: <ul style="list-style-type: none"> in Student Allowance/Loan approved study (tertiary or secondary level) in 2013 (either part-time or full-time) would have become eligible for an allowance in 2014 under the previous 2 year stand-down student does not need to be enrolled in the same qualification in 2014 as they were enrolled in during 2013, so long as the study undertaken was approved for SA/SL purposes. student to provide evidence of their 2013 enrolment as required (if they didn't receive a loan or allowance in 2013) they are eligible to be paid from the date they would have received their 2 year stand-down under the old rules 	Grand-parenting arrangements will exclude students who: <ul style="list-style-type: none"> have begun self funded study on or after 1 January 2013 but would not reach their 2 year stand-down during 2014 – these people will be stood down until the date they would reach their 3 year stand-down, in 2016 may be intending to study in 2014 but were not enrolled in 2013 – this option uses prior enrolment to demonstrate an intention to study. 	<ul style="list-style-type: none"> Ongoing rules same as 1A Grand-parenting for all permanent residents who would have become eligible for an allowance in 2014 under the previous 2 year stand-down. <p>Comment</p> <ul style="list-style-type: none"> Does not require students to have already been in study in 2013. Will result in more people becoming eligible for grand-parenting, is more generous and will reduce savings. Is not consistent with the policy rationale of demonstrating a commitment or intention to study in 2014. Increases opportunities for gaming – no requirement/measure to demonstrate an intention to study.
	Option 2A (recommended)			
[1]				
	Option 3A (recommended)			Option 3B
3. Removing student allowances eligibility for those aged 65 and over	<p>Option 3A (recommended)</p> <ul style="list-style-type: none"> Takes effect from 1 January 2015. If student is 64 years at study start date and turns 65 years of age during that application¹ they remain approved until the end date of their application, or until they reach their lifetime limit, whichever occurs first. <p>NB: <i>If the lifetime limit for people aged 40 and over is adjusted to 80 weeks, students in this group will then be assessed under a limit of 80 weeks.</i></p>	<ul style="list-style-type: none"> No grand-parenting 	<ul style="list-style-type: none"> The group of people affected overlaps with those already captured by existing grand-parenting arrangements for previous changes to loan living cost entitlement for those aged 55 and over. Creating an overlapping set of arrangements would increase administrative cost and complexity. This option defers implementation until existing transitions expire. There may still be some students approved for a recognised long programme from 2012 that will have entitlement up to 356 weeks 	<ul style="list-style-type: none"> Implementation from 1 January 2014 Grand-parenting for students who: <ul style="list-style-type: none"> received Student Allowance in 2013 with a partner or child/ren and has partner or child/ren in 2014 AND student is continuing the same qualification (no follow-on qualifications) in 2014 as they studied and received student allowance for in 2013 THEN the student can continue to receive Student Allowance for up to one year, until 31 December 2014 or until they reach the (previous) 200-week entitlement – whichever comes first. <p>Comment</p> <ul style="list-style-type: none"> Removing eligibility for those over 65 is a fundamental change, particularly as these people can no longer borrow for living costs. Officials consider option 3A provides a more appropriate balance in respect of both fairness and administrative complexity.

¹An application period is: an approved Student Allowance application for an approved enrolment period up to a maximum of 52 weeks.

Initiatives	Ongoing implementation rules	Grand-parenting rules	Comment risks/benefits	Variant options
	Option 4A (recommended)			Option 4B
4.Reducing student allowance eligibility for tertiary study for those aged 40 and over to 80 weeks	<ul style="list-style-type: none"> • Takes effect from 1 January 2014. • If student, aged 40 or over has already used 80 or more weeks of Student Allowance, as at study start date, they will no longer be entitled to Student Allowance. • If student aged 40 or over has received less than 80 weeks, as at study start date, they will be able to receive up to 80 weeks of Student Allowance but no more. • If student is 39 years, as at study start date, and turns 40 years old during an approved Student Allowance application period they are still assessed under the 200-week limit for the duration of that application. • If a student has an approved Student Allowance application for a programme where the confirmed study start date for that application is prior to 1 January 2014 they will still be assessed under the 200-week limit for that application. 	Grand-parenting for students who: <ul style="list-style-type: none"> • received Student Allowance in 2013 with a partner or child/ren and has partner or child/ren in 2014 OR • are 55 (between 55 - 64 if option 3B is progressed) years or over as at study start date • AND student is continuing the same qualification (no follow-on qualifications) in 2014 as they studied and received student allowance for in 2013 • THEN the student can continue to receive Student Allowance for up to one year, until 31 December 2014 or until they reach their previous lifetime entitlement – whichever comes first. This aligns with the date at which grand-parenting for changes to student loan support for those aged 55 and over expires. 	<ul style="list-style-type: none"> • Consistent with changes to postgraduate eligibility (people with dependants given an extra year to adjust). Also extends grand-parenting to people aged 55 and over as they no longer have access to loan living costs as a backstop. • 92 week secondary level entitlement remains. • There will still be a number of students approved for recognised long programme from 2012 that will have entitlement up to 356 weeks. 	<ul style="list-style-type: none"> • Same ongoing rules as option 4A except takes effect from 1 January 2015 with no grand-parenting. <p>Comment</p> <ul style="list-style-type: none"> • <i>More generous, would reduce savings.</i> • <i>Would be inconsistent with other options and with existing precedents (such as changes to eligibility for postgraduate qualifications).</i>
	Option 5A (recommended)			Option 5B
5. Reducing 200 week lifetime limit for tertiary study to 160 weeks (all ages, or students under age 40 if combined with option 4)	<ul style="list-style-type: none"> • Takes effect 1 January 2014 • If student has received less than 160 weeks, as at study start date, they will be able to receive up to 160 weeks of Student Allowance, but no more. • If a student has an approved Student Allowance application for a programme where the confirmed study start date for that application is prior to 1 January 2014 they will still be assessed under the 200-week limit for that application. 	<ul style="list-style-type: none"> • Grand-parenting same as option 4A (above): students with dependants and/or aged 55 and over. 	<ul style="list-style-type: none"> • 92 week secondary level entitlement remains. • There will still be a number of students approved for recognised long programme from 2012 that will have entitlement up to 356 weeks. 	<ul style="list-style-type: none"> • Same implementation rules as 5A but no grand-parenting • Very few people currently use more than 160 weeks of allowance so impact would be small <p>Comment</p> <ul style="list-style-type: none"> • <i>No grand-parenting arrangements would mean that students who planned study with an expectation of being eligible for 5 years will now have to borrow or self fund for a year.</i> • <i>Inconsistent with other options and existing precedents (such as changes to eligibility for postgraduate qualifications).</i> • <i>May generate correspondence.</i> • <i>Savings would be small.</i>
	Option 6A (recommended)			
[1]				