



Cabinet

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.

Report of the Cabinet Social Wellbeing Committee: Period Ended 17 December 2021

On 20 December 2021, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 17 December 2021:

Out of scope

SWC-21-MIN-0225 **Managing Apprenticeship Boost Initiative, Mana in Mahi, and Tertiary Education Funding Pressures** CONFIRMED
 Portfolios: Education / Social Development and Employment

Out of scope

Out of scope



Proactively Released

Michael Webster
Secretary of the Cabinet



Cabinet Social Wellbeing Committee

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.

Managing Apprenticeship Boost Initiative, Mana in Mahi, and Tertiary Education Funding Pressures

Portfolios Education / Social Development and Employment

On 15 December 2021, the Cabinet Social Wellbeing Committee:

Apprenticeship Boost and Mana in Mahi

- 1 **noted** that an estimated additional \$127.500 million is needed to meet demand for Apprenticeship Boost to the end of the initiative in August 2022, and a further \$0.676 million is needed by the Ministry of Social Development (MSD) to continue to implement Apprenticeship Boost payments;
- 2 **agreed** to fund up to a further \$127.500 million to meet expected additional Apprenticeship Boost claims to the planned end of the initiative on 4 August 2022, mainly for the balance of the current financial year;
- 3 **noted** that MSD operational funding to implement Apprenticeship Boost will expire at the end of 2021/22, and a further \$0.676 million is required for operational costs for July to November 2022, including coverage of the three-month grace period for employers to finalise claims;
- 4 **agreed** to fund a further \$0.676 million for MSD operational costs for July to November 2022;
- 5 **noted** that MSD has identified a Flexi-Wage underspend of \$38.000 million in 2021/22 that can be reprioritised to support apprenticeships and trades training;
- 6 **agreed** to reprioritise \$21.800 million of the Flexi-Wage underspend to Mana in Mahi (which is also seeing unprecedented demand), to place up to 2,000 people at risk of long-term benefit receipt to enter employment and an industry training pathway (including apprenticeships) in 2021/22;
- 7 **agreed** to allocate \$13.230 million of the proposed \$21.800 million transfer to Mana in Mahi in 2021/22 and \$8.570 million in 2022/23, to cover associated first and second-year costs;

- 8 **approved** the following changes to appropriations to give effect to the decisions in paragraphs 2 to 7 above, with a corresponding impact on the operating balance and/or net core Crown debt:

	\$m - increase/(decrease)				
Vote Social Development Minister for Social Development and Employment	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Non-Departmental Other Expense: COVID-19 Apprentice Support	67.000	60.500			-
Multi-Category Expenses and Capital Expenditure: Improved Employment and Social Outcomes Support MCA					
<i>Departmental Output Expenses:</i> Improving Employment Outcomes (funded by revenue Crown)	13.230	9.246			-
<i>Non-Departmental Other Expenses</i> Flexi-Wage Employment Assistance	(21.800)				
Total Operating	58.430	69.746			

- 9 **agreed** that the changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 10 **agreed** that \$1.128 million of the expenses incurred in paragraph 8 above be charged against the 'Support for Apprentices' tagged operating contingency, which will close that contingency;
- 11 **agreed** that \$127.048 million of the expenses incurred in paragraphs 2 and 4 above will be charged as a pre-commitment against the Education portfolio for Budget 2022 operating allowance;
- 12 **agreed** that any Mana in Mahi underspend from 2021/22 will be rolled forward to 2022/23;
- 13 **authorised** the Minister of Finance and Minister for Social Development and Employment jointly to agree the final amount to be transferred following completion of the 2021/22 audited financial statements of MSD (or sooner if necessary), with no impact on the operating balance and/or net core Crown debt across the forecast period;

Vote Tertiary Education

- 14 **noted** that the paper under SWC-21-SUB-0225 includes the Minister of Education's report back on current and potential future tertiary education funding and demand pressures, which Cabinet requested before the end of 2021 [CAB-21-MIN-0243];
- 15 **authorised** the Minister of Finance and the Minister of Education (joint Ministers) to approve transfers between the Fees-free Payments category from 2021/22 and the other enrolment-based categories within the Tertiary Tuition and Training MCA for the 2022 calendar year, covering 2021/22 and 2022/23 financial years;
- 16 **noted** that if joint Ministers agree to transfers it would reduce the Fees Free payment underspends from 2021/22 that would be returned to the centre;

- 17 **noted** that the Minister of Education intends to include proposals in Budget 2022 for enrolment volume pressure from 2023, and reprioritisation of the ongoing first-year Fees-free Payments underspend from 2023/24;

Removing delays to access student support for a group of refugees

- 18 **agreed** to extend eligibility for student loans and student allowances to those who gain refugee or protected person status while living in New Zealand, prior to applying for or gaining a New Zealand resident visa, and their immediate family who can transition to residency with those holding refugee or protected person status;
- 19 **invited** the Minister for Social Development and Employment to instruct the Parliamentary Counsel Office to draft the necessary changes to the Student Allowances Regulation 1998, as set out in paragraph 18 above;
- 20 **noted** that the financial implications incurred under paragraph 18 above are expected to be minimal and well within the normal variability of Student Loan Scheme and Student Allowances forecasts and will be met within existing Vote Social Development and Vote Revenue baselines;

Communications

- 21 **noted** that decisions relating to Apprenticeship Boost funding above will be announced with other Budget 2022 announcements;
- 22 **noted** that decisions relating to access to student support for refugees will be communicated by MSD after the completion of Cabinet and regulatory processes.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Jacinda Ardern
Hon Grant Robertson
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Carmel Sepuloni (Chair)
Hon Andrew Little
Hon David Parker
Hon Poto Williams
Hon Damien O'Connor
Hon Kris Faafoi
Hon Peeni Henare
Hon Aupito William Sio
Hon Meka Whaitiri
Hon Priyanca Radhakrishnan

Officials present from:

Office of the Prime Minister
Office of the Chair
Officials Committee for SWC

Budget Sensitive

Office of the Minister of Education

Office of the Minister for Social Development and Employment

Chair, Cabinet Social Wellbeing Committee

Managing Apprenticeship Boost Initiative, Mana in Mahi, and Tertiary Education Funding Pressures

Proposal

- 1 This paper seeks agreement on how to manage funding pressures relating to three key COVID-19 Response and Recovery Fund initiatives from Budget 2020: the Apprenticeship Boost Initiative (ABI), Mana in Mahi, and Meeting Increased Learner Need for Tertiary Education.
- 2 This paper also serves as the Minister of Education's report to Cabinet on tertiary education and demand pressures, which was requested earlier in 2021 [CAB-21-MIN-0243 refers].
- 3 In addition, this paper seeks agreement to provide the same level of access to student support for people granted refugee or protected person status while living in New Zealand as other refugee groups. This change can be met within forecast baselines for student support. A decision on this before the end of 2021 will enable this group to access student support as early as possible in 2022.

Relation to Government priorities

- 4 Addressing the funding pressures for these initiatives will support the Government's overarching objective of accelerating Aotearoa New Zealand's economic recovery from COVID-19 by supporting training and apprenticeships.
- 5 Providing access to student support for all groups of refugees fulfils New Zealand's commitment to support people under the New Zealand Refugee Resettlement Strategy.

Executive Summary

- 6 Tertiary enrolments have grown significantly in 2021, and large increases across industry training, apprenticeships, and provider-based enrolments will put further pressure on Vote Tertiary Education from 2022.
- 7 The pressure on Vote Tertiary Education can be managed through reprioritisation of an estimated 2021/22 Fees Free underspend; however, the expected demand pressure on ABI is significant, requiring an estimated \$127.5 million to be added to the appropriation.
- 8 Mana in Mahi has also experienced unprecedented demand, and officials consider there is sufficient demand to fill up to 2,000 total placements in 2021/22 with additional funding.

BUDGET SENSITIVE

- 9 We propose meeting the majority of the estimated additional ABI cost through a Budget 2022 pre-commitment within the Education portfolio of \$127.048 million, with the remainder funded from the residual balance of the original COVID-19 Support for Apprentices contingency. We also propose using a Flexi-Wage underspend to provide an additional \$21.8 million to Mana in Mahi.
- 10 The Minister of Education proposes that Cabinet authorises himself and the Minister of Finance to transfer Fees Free payment underspends from 2021/22 to manage enrolment demand pressures over the 2022 calendar year, once indicative enrolment data in 2022 is available to inform decisions.
- 11 We also propose a minor change to the student loans and allowances criteria to enable those with refugee or protected persons status granted while living in New Zealand to access student support prior to gaining residency, giving them the same level of access as other refugee groups.
- 12 This change can be met within forecast baselines for student support, and if approved can be implemented by the Ministry of Social Development (MSD) after the completion of regulatory processes.

Background

- 13 In response to the expected economic shock associated with COVID-19, the Government funded a number of initiatives designed to position Aotearoa for recovery.
- 14 The COVID-19 Response and Recovery Fund (CRRF) included a range of supports for workplace-based learners (both apprentices and industry trainees) and their employers:
 - 14.1 \$380 million for ABI,
 - 14.2 \$30 million for the expansion of Mana in Mahi, and
 - 14.3 \$320 million over two years for the Targeted Training and Apprenticeship Fund (TTAF) which included fees-free training for all apprentices.

Apprenticeship Boost Initiative (ABI)

- 15 ABI helps employers keep early-stage apprentices employed and training towards their qualifications through wage subsidies (\$1,000 per month for apprentices in their first year and \$500 per month for apprentices in their second year). Through continued employment and training, apprentices will develop industry-relevant skills that support sustainable employment and skill development for industries.
- 16 Since August 2020, ABI has supported over 35,600 apprentices through subsidy payments to their employers. As at the end of October 2021, over 15,000

BUDGET SENSITIVE

employers had ABI accounts, and MSD had paid \$244.5 million of the \$427 million of appropriated ABI subsidy funding to employers.¹

- 17 ABI was originally due to end in April 2022, but Cabinet subsequently agreed in principle to a four-month extension as part of a package to support the building sector, and authorised the Ministers of Finance, Education and Social Development and Employment to jointly make appropriation changes to give effect to the extension, increasing the ABI appropriation to \$437 million including operational funding [CAB-21-MIN-0061 refers].

Mana in Mahi

- 18 Mana in Mahi helps people who are at risk of long-term benefit receipt and need additional support to get paid jobs and gain real world skills and experience. It supports them into long-term sustainable employment while gaining an apprenticeship or formal industry qualification. Mana in Mahi provides a higher subsidy rate of up to \$16,000 per year for first-year participants and up to \$8,000 per year for second-year participants to acknowledge the additional support employers need to give.
- 19 Mana in Mahi is funded to support 450 placements in 2021/22 and MSD has already reprioritised MCA funding to support up to 1,000 total placements for the year. Due to unprecedented demand for the programme, 516 placements have already been made as at the end of October 2021. The expansion of Mana in Mahi through the Apprenticeship Support Programme provided funding to cover the cost of expanded offerings but not an increase of placements.

Targeted Training and Apprenticeship Fund (TTAF)

- 20 The TTAF provides fees-free training to all apprentices and those studying or training at sub-degree level in targeted areas of skill needs. The TTAF supports all learners to train, or retrain, regardless of their previous tertiary study.
- 21 Between 1 July 2020 and 30 September 2021, over 165,000 people have benefited from TTAF supporting fee payments within apprenticeships and study in targeted areas within industry training or below degree-level at a tertiary provider. Around 80,000 of these learners were in apprenticeship programmes, 45,000 were trainees in a workplace and 45,000 were provider-based students. While the number of learners benefiting from TTAF is higher for those undertaking training in the workplace, the financial benefit they get in terms of fee payments is generally lower than students studying full-time at a tertiary provider.

Funding for additional enrolments

- 22 In 2020, an additional \$334 million of funding from the CRRF was appropriated to meet growth in tertiary education enrolments over 2021-2023 [CAB-20-MIN-0219.27 refers]. This was primarily focussed on provider-based enrolments, given the forecasts in Budget 2020 for rising unemployment related to the impact

¹ All figures in this paper are GST exclusive. However, ABI payments to employers are often provided as GST inclusive totals in other agency reporting.

BUDGET SENSITIVE

of COVID-19. Additional funding was mainly focussed on 2021 and 2022, with a modest increase in 2023 and no additional funding for 2024 or outyears.

Enrolment growth has exceeded expectations...

- 23 Tertiary enrolments have grown significantly since the introduction of these initiatives, particularly in 2021. The tertiary sector has seen a large increase in industry training enrolments (from apprenticeships) as well as increases in enrolments in provider-based tertiary study. These increases in industry training are partially attributable to the unexpectedly strong economic recovery from the initial impact of COVID-19, as well as the success of initiatives such as ABI in maintaining and growing apprenticeship numbers.
- 24 To date in 2021:
- industry training enrolments have increased by over 20% on 2020, with a 30% increase in funding (as more enrolments are in apprenticeships with higher funding rates).
 - provider-based enrolments at level 3 or above increased by 9% on 2020, including a 15% increase in non-degree level 3-7 programmes.
- 25 These increased apprenticeships and provider-based enrolments have been met within Vote Tertiary Education baselines, including the additional CRRF funding and transfers within the vote. In June 2021, the Minister of Education provided an update to Cabinet on tertiary demand pressures. Cabinet approved a transfer of \$50 million from Fees Free payments underspends from 2020/21 to ease funding pressures within Vote Tertiary Education [CAB-21-MIN-0243 refers].
- 26 Enrolment volumes in 2022 are currently expected to be similar to 2021, although there is significant uncertainty given the combination of low unemployment, an evolving COVID-19 situation and the likelihood for changing border restrictions in New Zealand.

...increasing the cost of the COVID-19 response initiatives

Apprenticeship Boost Initiative

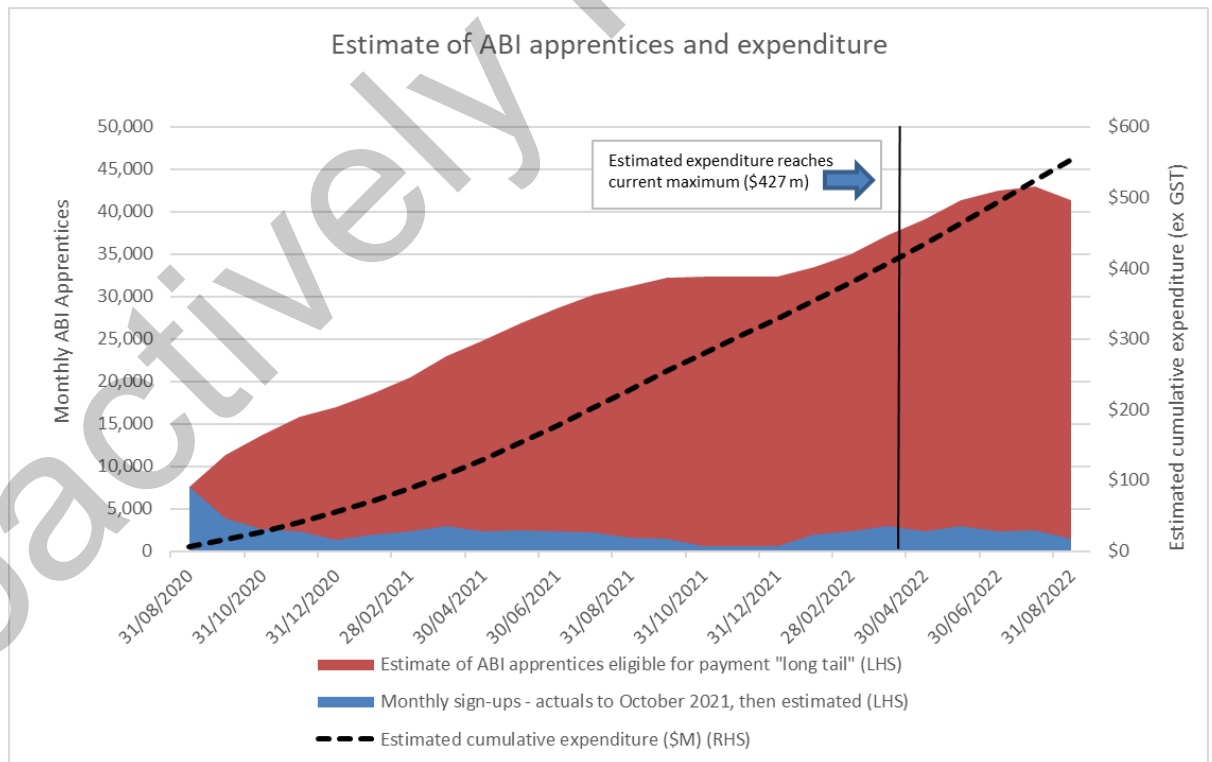
- 27 The increase in apprentices impacts ABI expenditure, and to a higher extent than training subsidies, as the ABI wage subsidy payments are higher for new apprentices. Aotearoa now has unprecedented numbers of active apprentices, with 65,490 active apprentices at the end of August 2021, compared with 46,780 at the same time in 2020, and 43,900 at the same time in 2019. ²
- 28 There have been three significant spikes in new apprentice enrolments (August 2020, February 2021 and March 2021) that exceed the maximum that was used as the baseline for the original costings. Cabinet agreed that ABI policy settings

² These totals are for active apprentices at all years of training, including those first and second-year apprentices supported by ABI.

BUDGET SENSITIVE

are uncapped and on-demand [CAB-20-MIN-0061 refers], so officials have been monitoring uptake closely.

- 29 New ABI claims in the first few months included a significant proportion of apprentices who were already in apprenticeship training, and many in their second year. After that, a far greater proportion of new claims were for apprentices who had started after ABI was rolled out. The primary ABI policy objective of preserving existing apprentices' jobs has now been eclipsed by the secondary intention of incentivising and supporting employers to enrol new apprentices at the start of their training journey.
- 30 This uptake pattern has produced a longer and more costly 'tail' of payments for all the apprentices already registered in ABI. For apprentices who are recently enrolled, employers can get the first-year subsidy rate of \$1000 per month for 9 to 12 months after their initial claim, and then move to the second-year rate of \$500 per month until the apprentice completes 24 months of training.
- 31 Because of the long tail, the total cost of ABI payments will keep rising each month even if the numbers of new ABI claims per month level out or decrease. The bulk of the appropriation will be spent paying out the long tail for the apprentices who were enrolled in ABI between August 2020 and July 2021 – meaning there is insufficient funding to provide for new ABI claims for apprentices up to the end of the initiative in August 2022 (illustrated in the graph below):



- 32 Officials expect appropriated funding to be exhausted by April or May 2022. Additional funding is therefore needed to cover the payments for the new ABI claims to 4 August 2022 (the final date on which a new ABI claim can be made).

BUDGET SENSITIVE

- 33 The Ministry of Education revised the costings for ABI using the claims data from the first 15 months of the programme, and factoring in the changed new enrolment patterns since 2020. New ABI starts declined strongly from August to October 2021, likely due to the impact of the delta lockdowns.
- 34 Officials now estimate that an additional \$80.5 to \$127.5 million is needed to meet demand to August 2022. The scenarios range from continued low ABI uptake of around 600 new starts per month, to an increase back to 2021 levels of 2,000 plus new starts per month from January 2022. All estimates assume that ABI ends as planned on 4 August 2022, with eligibility ceasing after that date, and a tapering of demand in the last few months as the incentive to make a new application reduces.
- 35 Officials recommend that the high scenario funding of \$127.5 million is added to the appropriation, as ABI is demand driven. We do not know yet whether the delta lockdowns have only temporarily suppressed the levels of new apprentices, or whether the high numbers of new apprentices in 2021 have largely absorbed the pool of potential new apprentices in New Zealand and so numbers of new starts will stay low. However, if a lower amount were sought now, there is a greater chance that more funding may be needed to meet demand before the initiative ends.
- 36 MSD requires additional operational funding of \$0.676 million to cover the operational and project team and overheads. This was not considered when ABI was extended 4 months, and MSD operational funding in the current appropriation will expire at the end of 2021/22. Furthermore, MSD will continue to provide an operational function for three months after ABI ends, as employers have a three-month grace period to reconfirm payments.
- 37 We propose that the total additional funding of \$128.176 million (\$127.5 million subsidy and \$0.676 million operational) comes from a:
- 37.1 Budget 2022 pre-commitment from Vote Education of \$127.048 million, and
 - 37.2 draw down of \$1.128 million remaining in the COVID-19 Apprentice support contingency.

Mana in Mahi

- 38 Mana in Mahi is funded to support 450 placements in 2021/22 and MSD has already increased this number by reprioritising wider MCA funding to support up to 1,000 total placements for the year. Due to unprecedented demand for the programme, 516 placements have already been made as at the end of October 2021. There was enough demand to make 2,526 placements in 2020/21. The expansion of Mana in Mahi through the Apprenticeship Support Programme provided funding to cover the cost of expanded offerings but not an increase of placements.
- 39 MSD is experiencing an increase in client volumes as a result of the 2021 lockdown and while it is likely that demand for employment programmes will be slower in the short term, the majority of MSD's employment funding is already contractually committed. MSD anticipates there will be a greater need for these

BUDGET SENSITIVE

services when lockdown ends, particularly as restrictions in Auckland ease off and hiring increases.

- 40 We propose that Mana in Mahi receive a transfer of \$21.8 million from an identified Flexi-Wage underspend of \$38 million to support people at risk of long-term benefit receipt to gain an apprenticeship or formal industry qualification, leading to long-term sustainable employment.
- 41 A transfer of \$21.8 million from the Flexi-Wage underspend to Mana in Mahi would support up to 2,000 total Mana in Mahi placements in 2021/22, which aligns with the level of demand MSD is seeing for the programme. The funding would cover the cost of these additional placements under the expanded offering, which provides the option for second year contracts. The funding will therefore cover financial years 2021/22 (\$13.230 million) and 2022/23 (\$8.570 million).
- 42 This transfer would support people entering apprenticeships and industry training pathways and is aligned to the population targeted by Flexi-Wage.
- 43 The proposed reprioritisation of Flexi-Wage underspends reflects the very low unemployment rate compared to that expected when the Flexi-Wage expansion was being costed, resulting in a projected underspend of \$38 million (as at 30 September 2021). Though we are transferring Flexi-Wage funding from the 2021/22 financial year, we are committed to supporting up to 40,000 people into work with Flexi-Wage.

Increased TTAF costs will be met out of the Fees Free payment category

- 44 Enrolment increases are also leading to higher fee payments on behalf of learners through first-year Fees Free and the TTAF. Despite this growth, the increased costs of TTAF can be met by the structural underspend in first-year Fees Free, which sits in the same Fees-Free Payments category of the Tertiary Tuition and Training MCA. The TTAF will utilise all the additional funding from CRRF for TTAF and some existing baseline Fees Free funding, as expected due to overlapping eligibility for TTAF and first-year Fees Free.³
- 45 The Ministry of Education estimates that the 2021/22 Fees Free underspend post first-year Fees Free and the TTAF is likely to be around \$40 million⁴. However, there is uncertainty as this is linked to 2022 enrolment volumes. As noted below, the Minister of Education proposes this underspend offset any enrolment pressures in 2022, once further information is available on enrolments.
- 46 The projected underspends from first-year Fees Free in the 2022/23 financial year will be likely entirely offset by Fees Free payments for TTAF. The funding for TTAF in 2022 from the CRRF ends on 30 June 2022, with no additional funding for the last six months of TTAF through to 31 December 2022. In that

³ Around 20% of TTAF learners would have already been eligible for Fees Free payments under first-year Fees Free, and these could be met within existing baselines, without seeking additional CRRF funding.

⁴ This takes into account the \$20 million of Fees Free payment funding that has already been reprioritised to the Hardship Fund for Learners [CMG-21-MIN-0011].

BUDGET SENSITIVE

six-month period all of the TTAF costs will need to be met from the existing Fees Free payment baselines.

- 47 Once the current TTAF finishes at the end of 2022, there will be an ongoing structural Fees Free payment underspend with existing Fees Free policy settings. It is expected that Fees Free payments expenditure will be around \$300 million per annum in 2023 and 2024. This would mean an estimated annual Fees Free underspend of \$85 million from 2023/24. ^{9(2)(f)(iv)}

We propose responding to 2022 Tertiary demand pressures through Fees Free underspends for 2021/22

- 48 While the Minister of Education expects to meet 2022 enrolment pressures within Vote Tertiary Education baselines, this may need funding transferred from Fees Free payment underspends to meet commitments to fund 102 percent of allocations and year end accruals for higher levels of student enrolments.
- 49 On current industry training baselines, additional funding of around \$40 million would be required to fund industry training volumes in 2022, if they remain at 2021 levels⁵. This is to fund the significantly higher apprenticeship enrolments since July 2020.
- 50 For provider-based enrolments, the baselines in 2022 will be able to fund a broadly similar level of enrolment volume to 2021. However, estimates of 2022 enrolments are very uncertain at present and small increases in provider-based enrolments can have a significant funding impact, given the size of tuition subsidy funding. For example, if enrolments in 2022 are 3% higher than in 2021, additional funding of around \$75 million would be needed to fund those enrolments in 2022.
- 51 The TEC has advised that it is receiving significant demand for 2022 funding from providers and that existing allocations have exhausted funding available for provider-based study and industry training. As noted, the TEC will have very limited capacity on its balance sheet (down from the current \$80 million to \$23 million by the end of 2021) due to high 2021 student enrolments. If funding for additional enrolments was declined, some providers may choose to not increase their enrolments, meaning some learners could be unable to access their preferred learning pathway.
- 52 In order to manage the risks to its balance sheet, including its ability to fund the flexible funding commitment in 2022 (under which the TEC commits to fund up to 102% of allocated funding), the TEC is currently declining any additional funding requests for 2022.
- 53 The Minister of Education proposes that Cabinet agree to authorise the Minister of Finance and the Minister of Education to transfer Fees Free payment

⁵ This includes the higher funding rates of 6.3% in 2022, as agreed in Budget 2021 (comprising a 1.2% cost adjustment and an additional 5% increase for industry training rates).

BUDGET SENSITIVE

underspends from 2021/22 (the amount remaining after meeting TTAF costs) to manage enrolment demand pressures over the 2022 calendar year (2021/22 or 2022/23 financial years), once indicative enrolment data in 2022 is available to inform decisions. This would enable the Government to give the sector some assurance around funding any higher enrolment trends early in 2022 and allow the TEC to maintain a sufficient amount on its balance sheet to manage future funding pressures. If additional demand does not eventuate, the Fees Free Payment category underspend would be returned to the centre.

- 54 Indicative reporting in early 2022 of provider-based enrolments are expected to give strong indication of trends for 2022. This would inform Government decisions on additional funding needs or transfers within Vote Tertiary Education, or the scale of un-funded enrolments or capped enrolment numbers without additional funding.
- 55 The Minister of Education also expects tertiary education enrolment pressures into 2023 and 2024, especially in industry training, if the construction industry maintains high labour market need. This is over the period where the additional CRRF funding is phased out in 2023, with no additional funding from 2024. Funding these future enrolment pressures will be considered in Budget 2022.

Student support for refugees who do not yet have residency

- 56 Currently, people determined by the Government to have refugee or protected person status while living in New Zealand, and their immediate family members⁶, cannot access student support straight away, as they are not granted resident visa at the same time as they are granted refugee status.
- 57 For this group of refugees it can take up to two years to be granted New Zealand residency, therefore delaying access to financial support to study, unlike other refugee groups who arrive in New Zealand through the refugee quota process and who are granted permanent residency prior to arrival in New Zealand.
- 58 We propose to remove the requirement to hold a resident visa for those who are determined to have refugee or protected person status, and their immediate family members who can transition to residency with them, to support their settlement outcomes and make settings consistent for all refugee groups.
- 59 If agreed by Cabinet, the student support changes will be implemented in 2022, on completion of Cabinet and regulatory processes.

Risks

- 60 There is uncertainty around 2022 enrolments, due to ongoing uncertainty around the impact of COVID-19, including for population movements and the labour market.
- 61 The option of reprioritising additional funding for enrolments in 2022 from Fees Free payment underspends mitigates some of the uncertainty and risk to manage within existing baselines to fund enrolments in 2022. Without this

⁶ 'Immediate family' is used as defined by the Domestic Tertiary Students Notice 2021 (2)(c) as including the partner and any child in New Zealand of a person recognised as a refugee or protected person, or if the person recognised is a dependent child, their parents and any siblings in New Zealand

B U D G E T S E N S I T I V E

option, the TEC may revise 2022 allocations downward for some Tertiary Education Organisations. This may result in some learners not being able to enrol, if overall enrolment volumes are above the funding commitments the TEC has made to them.

- 62 In addition, accounting implications of high student enrolments may mean year end cost accruals exceeds the available funding on TEC's balance sheet. This will be mitigated by the ability to transfer Fees Free underspends to fund enrolments.
- 63 Ongoing uncertainty around uptake remains the largest risk to demand for ABI and MSD employment supports, including Mana in Mahi.
- 63.1 MSD is already seeing high uptake of employment supports generally, with much of its funding already contractually committed. By transferring Flexi-Wage underspend, there could be a risk that demand for the product will exceed remaining funds. However, we consider this to be a minor risk as Mana in Mahi is not reprioritising all of the projected underspend. The rest of the underspend (\$16.2m) will remain in the Flexi-Wage appropriation in case demand levels change.
- 63.2 We consider the \$127.5 million we are proposing for ABI will most likely be sufficient to meet ongoing high demand for ABI through to August 2022. If economic conditions or other factors result in an underspend at the end of 2021/22 or 2022/23, that funding would be returned to the centre.

Financial Implications

- 64 The table below sets out the proposed funding increases and how they will be sourced. More detail is provided for each initiative in the remainder of this section.

	2021/22	2022/23
Increased funding for:		
ABI	67.000	60.500
MSD departmental (ABI)	-	0.676
Mana in Mahi	13.230	8.570
TOTAL	80.230	69.746
	149.976	
Funded from:		
Flexiwage underspend	21.800	-
Education portfolio Budget 2022 precommitment	127.048	-
COVID-19 Support for Apprentices tagged contingency	1.128	-
TOTAL	149.976	-
Removing delays to student support access for refugees	There are no financial implications from the changes to student support settings	

ABI proposal

- 65 Although ABI was funded out of CRRF, additional funding to meet ABI demand to 4 August 2022 does not fall within the revised scope and criteria for additional CRRF funding [CAB-21-MIN-0349 refers].
- 66 We propose to draw down the remaining \$1.128 million in the Apprentice Support contingency of \$412 million from which ABI was originally funded [CAB-MIN-20-0280 refers] and a Budget 2022 precommitment of \$127.048 million against the Education portfolio to provide the \$128.176 million estimated to be needed to meet ABI demand to the end of the initiative in August 2022 (including extra operational funding).

Fees Free payment transfer proposal

- 67 The proposal to authorise the Minister of Finance and the Minister of Education to transfer 2021/22 Fees Free payments underspends to manage 2022 volume pressures would likely result in a lower or no Fees Free payment funding being returned to the centre in 2021/22.

Flexi wage and Mana in Mahi

- 68 Low unemployment rates in the quarter to June 2021 and relatively stable labour market conditions have resulted in less demand for Flexi-Wage than expected, with a forecast Flexi-Wage underspend of \$38 million in 2021/22. We propose to transfer \$21.8 million of Flexi-Wage underspend to Mana in Mahi (\$13.230 million in 2021/22 and \$8.570 million in 2022/23).

Removing delays to access student support for refugees

- 69 MSD has estimated there will be minor additional operational costs to implement this change as well as flow-on expenditure costs for Emergency Benefit and Temporary Additional Support.
- 70 However, given this change will provide access to only a small number of learners (approximately 30 per year), these costs can be met within existing baselines for student support. These refugee groups already have access to tuition subsidies and domestic fees as domestic tertiary students, and will have eligibility to Fees Free Tertiary Education and Training from 1 January 2022.

Legislative Implications

- 71 If Cabinet agrees to those granted refugee or protected person status and their immediate family being eligible for student support prior to gaining a residence visa, the Student Allowances Regulations 1998 will need to be amended in accordance with this decision. This work will be progressed by MSD.

Population Implications

- 72 The proposals in this paper related to funding pressures do not have direct population implications, as they involve funding for initiatives already agreed to by the Government.

- 73 The proposal to provide access to student support for those granted refugee or protected person status while living in New Zealand will ensure consistent treatment of refugee groups, which is consistent with the New Zealand Refugee Resettlement Strategy.

Human Rights

- 74 There are no direct human rights implications stemming from the decisions in this Cabinet paper.

Consultation

- 75 The Tertiary Education Commission and the Treasury were consulted in the development of this paper.

Communications

- 76 We consider that the decision to provide additional funding for ABI to meet demand should be communicated with other Budget 2022 announcements. We do not consider there is any urgency in communicating this, as the ABI settings have not changed.
- 77 As the Fees Free payment proposal authorises the Minister of Finance and Minister of Education to make future decisions, when more information is available, there is no decision to communicate publicly.

Proactive Release

- 78 We propose to release this paper and its annex proactively with other Budget 2022 papers after Budget 2022 announcements. The release will be subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Education, and the Minister for Social Development and Employment recommend that the Committee:

Apprenticeship Boost and Mana in Mahi

1. **note** that an estimated additional \$127.5 million is needed to meet demand for Apprenticeship Boost to the end of the initiative in August 2022, and a further \$0.676 million is needed by the Ministry of Social Development to continue to implement Apprenticeship Boost payments
2. **agree** to fund up to a further \$127.5 million to meet expected additional Apprenticeship Boost claims to the planned end of the initiative on 4 August 2022, mainly for the balance of the current financial year
3. **note** that Ministry of Social Development operational funding to implement Apprenticeship Boost will expire at the end of 2021/22, and Ministry of Social Development requires a further \$0.676 million for operational costs for July to November 2022, including coverage of the three month grace period for employers to finalise claims

BUDGET SENSITIVE

4. **agree** to fund a further \$0.676 million for Ministry of Social Development operational costs for July to November 2022
5. **note** that the Ministry of Social Development has identified a Flexi-Wage underspend of \$38 million in 2021/22 that can be reprioritised to support apprenticeships and trades training
6. **agree** to reprioritise \$21.8 million of the Flexi-Wage underspend to Mana in Mahi (which is also seeing unprecedented demand), to place up to 2,000 total people at risk of long-term benefit receipt to enter employment and an industry training pathway (including apprenticeships) in 2021/22
7. **agree** to allocate \$13.230 million of the proposed \$21.8 million transfer to Mana in Mahi in 2021/22 and \$8.570 million in 2022/23, to cover associated first and second-year costs
8. **approve** the following changes to appropriations to give effect to the policy decisions in recommendations 2 to 7 above, with a corresponding impact on the operating balance and/or net core Crown debt:

	\$m - increase/(decrease)				
Vote Social Development Minister for Social Development and Employment	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Non-Departmental Other Expense: COVID-19 Apprentice Support	67.000	60.500	-	-	-
Multi-Category Expenses and Capital Expenditure: Improved Employment and Social Outcomes Support MCA					
<i>Departmental Output Expenses:</i> Improving Employment Outcomes (funded by revenue Crown)	13.230	9.246	-	-	-
<i>Non-Departmental Other Expenses</i> Flexi-Wage Employment Assistance	(21.800)				
Total Operating	58.430	69.746			

9. **agree** that the proposed changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply
10. **agree** that \$1.128 million of the expenses incurred in recommendation 8 above will be charged against the 'Support for Apprentices' tagged operating contingency which will close that contingency
11. **agree** that \$127.048 million of the expenses incurred in recommendations 2 and 4 above will be charged as a precommitment against the Education portfolio for Budget 2022 operating allowance

BUDGET SENSITIVE

12. **agree** that any Mana in Mahi underspend from 2021/22 will be rolled forward to 2022/23
13. **authorise** the Minister of Finance and the Minister for Social Development and Employment jointly to agree the final amount to be transferred (as per paragraph 13 above), following completion of the 2021/22 audited financial statements of MSD (or sooner if necessary), with no impact on the operating balance and/or net core Crown debt across the forecast period

Vote Tertiary Education

14. **note** that this paper includes the Minister of Education's report back to Cabinet tertiary education and demand pressures, which Cabinet invited the Minister to provide before the end of 2021 [CAB-21-MIN-0243 refers]
15. **authorise** the Minister of Finance and the Minister of Education to approve transfers between the Fees-free Payments category from 2021/22 and the other enrolment-based categories within the Tertiary Tuition and Training MCA for the 2022 calendar year, covering 2021/22 and 2022/23 financial years
16. **note** that if Ministers agree to transfers it would reduce the Fees Free payment underspends from 2021/22 that would be returned to the centre
17. **note** the Minister of Education intends to include proposals in Budget 2022 for enrolment volume pressure from 2023, ^{9(2)(f)(iv)}

Removing delays to access student support for a group of refugees

18. **agree** to extend eligibility for student loans and student allowances to those who gain refugee or protected person status while living in New Zealand, prior to applying for or gaining a New Zealand resident visa, and their immediate family who can transition to residency with those holding refugee or protected person status
19. **invite** the Minister for Social Development and Employment to instruct the Parliamentary Counsel Office to draft the necessary changes to the Student Allowances Regulation 1998, as set out in the recommendation above
20. **note** that the financial implications incurred under recommendation 18 above are expected to be minimal and well within the normal variability of Student Loan Scheme and Student Allowances forecasts and will be met within existing Vote Social Development and Vote Revenue baselines

Communications

21. **note** that decisions in this paper related to Apprenticeship Boost funding will be announced with other Budget 2022 announcements.

BUDGET SENSITIVE

22. **note** decisions in this paper related to access to student support for refugees will be communicated by MSD after the completion of Cabinet and regulatory processes

Authorised for lodgement

Hon Chris Hipkins
Minister of Education

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Proactively Released