

Supplementary Analysis Report: final-year Fees Free

Coversheet

Purpose of Document	
Decision sought/taken:	Note the analysis in this report.
Advising agencies:	The Ministry of Education in consultation with the Tertiary Education Commission, Inland Revenue, and the Ministry of Social Development
Proposing Ministers:	Hon Nicola Willis, Minister of Finance Hon David Seymour, Associate Minister of Finance Hon Shane Jones, Associate Minister of Finance Hon Penny Simmonds, Minister for Tertiary Education and Skills
Date finalised:	22 October 2024
Problem Definition	
<p>The overall policy problem addressed in this Supplementary Analysis Report has three parts:</p> <ul style="list-style-type: none"> • how best to address financial barriers to equity of tertiary education access and achievement; • how best to achieve a fiscally sustainable level of Government contribution to the costs of tertiary education faced by learners; and • how best to reward learners for completing a tertiary qualification. <p>The main problem is how best to address financial barriers to tertiary education. The Government's commitment to replace first-year Fees Free with final-year Fees Free limits the options for dealing with this problem to the confines of addressing the barrier of fees. Evidence suggests that fees are not a significant barrier to learner participation in tertiary education. Thus, incentivising participation in or completion of tertiary qualifications of study using fees as a lever is unlikely to produce significant results.</p> <p>Therefore, the problem becomes how to uphold both the commitment to move to final-year Fees Free and the Cabinet decision to pay upon completion of a learner's qualification, while also generating savings for the Government and addressing the overall problem above. This supplementary analysis report investigates how the change from first-year to final-year Fees Free gives effect to the Government commitment from a policy perspective. It also outlines the approach to administering the final-year policy.</p>	
Executive Summary	
<p>A well educated population carries multiple benefits to New Zealand's economic and social development. However, barriers to learner participation in tertiary education and training exist. The first-year Fees Free scheme was introduced in 2018, and was intended to make tertiary education and training more affordable. However, it only achieved one of its four objectives – that of reducing learner debt. The policy had no impact on the other objectives, which were largely to do with learner participation and access.</p>	

Policy

Following the 2023 general election, the Government had a coalition agreement committing to a change from first-year to final-year Fees Free. We provided several high-level initial options within the scope of this commitment to address the policy problem. Given the pressures facing the Crown's finances (including Vote Tertiary Education), and the relatively low effectiveness of fees-free policies in general, we also provided Ministers with the option of removing Fees Free altogether. This was our preferred option, from both a cost-savings and an effectiveness perspective.

Ministers decided to advance the option rewarding completion, meaning that any further advice was confined to this approach. On 29 April 2024, Cabinet agreed via the Budget Cabinet paper to end the first-year Fees Free scheme at the end of 2024 and replace it with a final-year Fees Free scheme from January 2025.

The Government's chosen option is a broad-eligibility approach, rewarding completion of the learner's first tertiary qualification. Eligibility is based on settings for the first-year Fees Free scheme and includes provider-based and work-based learners studying at Levels 3 and above on the New Zealand Qualifications and Credentials Framework. Learners who have not already benefited from first-year Fees Free may be eligible, with payment of learner entitlement following completion of their qualification.

The objectives for the final-year Fees Free policy are: to incentivise learners, particularly disadvantaged learners, to progress through and finish their programme of study; to reward learners who complete their programme of study; and to reduce the overall cost of study.

Overall, we do not expect a net benefit with final-year over first-year Fees Free, beyond moderate cost savings. Of the three policy objectives, this policy will likely only meet two. We do not expect the change in policy to have much impact on learner behaviour by incentivising learners to complete their study (the first objective); however, the policy by definition rewards completion of qualifications. This makes the second objective a self-fulfilling outcome. With regard to the third objective, while learner debt will remain lower than if there were no fees-free policy, we expect to see a slight increase in total learner debt between the first-year and final-year Fees Free policies.

There are only minor changes to learner and programme eligibility criteria between first-year and final-year Fees Free. However, changing to payment upon completion means that some demographic groups may be less likely to benefit under this scheme.

The main impact of the policy change will be on cost savings for the Government. However, the cost savings, while significant in the first few years, will decrease over time. This is the result of a short transitional period, where learners who are undertaking longer-term programmes (such as degrees) will no longer be eligible for first-year Fees Free but will not yet be eligible for final-year Fees Free. Cost savings are further reduced by the increased cost to the Government as a result of increased learner use of the Student Loan Scheme, due to greater numbers enrolling in a first year than in a final year of a programme who will now be applying for student loans.

Te Tiriti o Waitangi analysis

Overall, due to the number of constraints established through the process to design and develop the new final-year policy, we consider that this policy does not fulfil the Crown's obligations under te Tiriti o Waitangi.

As stated in the problem definition, evidence suggests that fees-free policies do not have a real effect on learner behaviour, so the new final-year scheme is not the best approach to address financial barriers to equity of tertiary education access and achievement for all learners, including Māori learners. Limited engagement overall, including with Māori, has significantly impacted the Crown's obligations under Articles 1 and 2, resulting in a lack of reasonable consideration of Tiriti interests. The Crown's obligations under Article 3 are not fulfilled, given that there is a persistent gap between Māori and non-Māori completion rates and the policy does not effectively address real barriers to equity of tertiary education access and achievement for Māori learners. However, in relation to Article 3 obligations, designing the scheme to be broadly accessible means that the policy seeks to ensure that Māori stakeholders are not disproportionately impacted, within the constraints outlined below.

Implementation

The implementation design is based on an application model. Inland Revenue (IR) and the Tertiary Education Commission (TEC) will lead the implementation of this policy, with IR providing the application process and paying learners' Fees Free entitlement and the TEC providing data to support programme eligibility and calculate learners' entitlement. The final-year Fees Free scheme will begin on 1 January 2025, but the design will be implemented over the course of 2025. Systems will be ready for first payments to learners to be made from 2026.

IR and the TEC do not currently hold a common learner identifier. New data collection and sharing processes need to be established to implement the final-year Fees Free policy, including the collection and sharing of learner date of birth, IRD number, and National Student Number (NSN). We are undertaking a privacy impact assessment of the proposed collection and sharing of unique identifiers. At this point in time, there are minimal identified privacy risks.

The implementation of this policy requires primary and secondary legislative changes. This includes:

- changes to the Training Incentive Allowance Programme;
- secondary legislation changes to support IR using NSNs; and
- primary legislative changes to enable IR to administer the final-year Fees Free policy.

s 9(2)(f)(iv)

The MoE, as the policy lead, will work alongside the TEC to monitor the final-year Fees Free policy.

Stakeholder engagement

As a result of Budget confidentiality requirements, sector engagement focused on implementation design, not policy. As a result, we do not have a clear picture of stakeholder opinion, either on the first-year Fees Free policy or on final-year Fees Free. Moreover, due to the tight implementation timeline as a result of the policy start date of 1 January 2025, there was insufficient time to undertake full engagement with learners and Tertiary Education Organisations (TEOs), so the engagement on implementation design was by necessity limited. The feedback we did collect from the sector was generally supportive of the proposed implementation approach; however, administrative and

compliance complexity will increase for learners and TEOs with this policy compared with the first-year Fees Free policy.

Limitations and Constraints on Analysis

Given the Government’s coalition agreements, the Budget proposal necessarily focused on changing from first-year to final-year Fees Free. This analysis was carried out following that Government decision. Options were further limited because of Cabinet’s decision to pay fees upon completion of the learner’s qualification, instead of upon enrolment in the ‘final year’. As the decisions had been made, we were limited in the available options to address the policy problem. The focus of analysis is on Cabinet’s chosen approach, although we briefly discuss some of the initial options presented to Ministers prior to Cabinet decisions.

Analysis is further constrained by the limited stakeholder engagement, as stated in the executive summary. As a result, we do not have a clear picture of stakeholder opinion, either on the first-year Fees Free policy or on final-year Fees Free.

Most of the initial options presented to Ministers would not have involved changes to primary legislation, although several would have involved changes to secondary legislation. However, as the policy approach rewards completion of a qualification, the implementation of this policy requires primary and secondary legislative change.

Responsible Manager

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 Ministry of Education



22 October 2024

Quality Assurance

Reviewing Agency:	Ministry of Education (with representation from Inland Revenue)
Panel Assessment & Comment:	<p>The Ministry of Education’s Quality Assurance Panel, with representation from Inland Revenue, reviewed the Supplementary Analysis Report: Final Year Fees Free produced by the Ministry of Education and dated 22 October 2024. The panel considers that it meets the Quality Assurance criteria.</p> <p>It provides clear and convincing analysis of the wider context for fees free and the cost and benefits of the previously agreed option of moving to a fees free payment on completion of a learner’s qualification. In line with the purpose of Supplementary Analysis, it provides a comprehensive description of the proposed approach to implementation of Government’s preferred approach, associated risks and how they will be managed and mitigated, and how the policy will be monitored once implemented from 2025. While there were time constraints on stakeholder consultation, the analysis reflects and responds to the stakeholder views on the implementation approach obtained within these constraints.</p>

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Context behind the policy problem

1. A well educated population carries multiple benefits to New Zealand's economic and social development; however, barriers to learner participation exist. The first-year Fees Free scheme, intended to make tertiary education and training more affordable, was introduced in 2018 and provides payment of fees upon enrolment, to a maximum of \$12,000 per eligible learner, for the equivalent first year of provider-based or first two years of work-based learning.
2. In its coalition agreements between the National Party and the ACT and New Zealand First parties following the 2023 general election, the Government committed to stop first-year Fees Free and replace it with a final-year Fees Free scheme, with no change before 2025. Given the fiscal environment, the Government indicated that reducing costs was a key driver for this policy change.
3. On 29 April 2024, Cabinet agreed via the Budget Cabinet paper to end the first-year Fees Free scheme at the end of 2024 and replace it with a final-year Fees Free scheme from January 2025 [CAB-24-MIN-0148 – Initiative ID 15736 refers], with the intent to incentivise completion and reward learners for their hard work and success.
4. Cabinet agreed to the following high-level parameters and delegated decision-making on the detailed eligibility settings and implementation design to a group of Joint Ministers:¹
 - a. the payment of fees to students will be made upon completion of their study programme;²
 - b. eligibility will be based on settings for the first-year Fees Free scheme and include provider-based and work-based learners, studying at Level 3 and above on the New Zealand Qualifications and Credentials Framework (NZQCF);
 - c. learners entering their final year of study from 1 January 2025 who have not already benefitted from first-year Fees Free will become eligible for the final-year Fees Free scheme; and
 - d. first payments to learners will be made after 1 January 2026.
5. These decisions place certain constraints upon this analysis. One of the key constraints came from the Government's desire to reduce costs. Moreover, given the Government's coalition agreements, the Budget proposal necessarily focused on changing from first-year to final-year Fees Free. Options were further limited because of Cabinet's decision to pay fees upon completion of the learner's qualification, instead of upon enrolment in the 'final year'. This Supplementary Analysis Report follows these

¹ This includes the Minister of Finance, the Associate Ministers of Finance Hon Shane Jones and Hon David Seymour, and the Minister for Tertiary Education and Skills, as well as appropriation Ministers (the Minister for Social Development and Employment and the Minister of Revenue) as relevant.

² In general, learners undertake *programmes* which upon completion lead to an award of a *qualification*. So, Fees Free entitlement is for the final 'year' of a learner's *programme*. However, Fees Free entitlement will be paid upon completion of a *qualification*.

Cabinet decisions, and investigates how the change from first-year to final-year Fees Free gives effect to the Government commitment from a policy perspective. It also outlines the approach to administering the final-year policy.

How would the status quo be expected to develop without intervention?

6. The status quo (i.e. first-year Fees Free) had several objectives, including to: increase participation in tertiary study; expand access by reducing financial barriers; support life-long learning; and reduce learner debt. Of these objectives, only the reduction of learner debt was achieved, which we discuss in more detail below. One could expect that, if first-year Fees Free were to continue unchanged, three of the four original objectives would continue to not be met.
7. Given the decisions already made by Government, and as the status quo does not reward completion of a qualification, it is no longer a viable option. However, first-year Fees Free will be used as the counterfactual for analysis of the chosen option.

What is the policy problem or opportunity?

8. The first-year Fees Free policy in New Zealand was developed to reflect the then-Government's manifesto commitment to make tertiary education and training affordable for all, so that the Government made a greater investment in the success of our tertiary system and our learners. As stated above, the first-year Fees Free policy only achieved one of its four objectives.
9. Evidence suggests that fees are not a significant barrier to learner participation in tertiary education. Indeed, evidence suggests that fees and fees-free policies have no real effect on learner behaviour. Moreover, New Zealand has a well developed learner support system, which provides up-front support for learners who may not be able to afford tertiary education. Thus, incentivising participation in tertiary education or completion of qualifications using fees as a lever is unlikely to produce significant results. We discuss the evidence behind these statements in more detail below.
10. However, the current Government's commitment to replace first-year Fees Free with final-year Fees Free limits our ability to address the overall policy problem to within the confines of addressing the barrier of fees. The Government has further stated that it wishes to incentivise learner completion of tertiary qualifications.
11. Noting the above constraints on our analysis resulting from prior decisions, we consider that the overall policy problem has three parts. That is, how best to:
 - a. address financial barriers to equity of tertiary education access and achievement;
 - b. achieve a fiscally sustainable level of Government contribution to the costs of tertiary education faced by learners; and
 - c. reward learners for completing a tertiary qualification.
12. It may have been possible to implement the final-year Fees Free scheme with minor changes to secondary legislation only, for example with a scheme that incentivises progression by payment in advance of the final year. However, current regulatory systems do not support a Fees Free policy that pays on completion of the qualification. This means that changes to primary and secondary legislation are required.

A well educated population is important to economic and social development

13. The Government supports wide access to tertiary education because it considers that the benefits of a well educated population are vital to New Zealand's economic and social development. Moreover, tertiary education helps people improve their lives by equipping them with the skills needed to thrive in, and contribute to, the economy and society.
14. One of the key considerations in tertiary education funding and affordability of education is the balance of private and public funding to support broad access and participation. In determining this balance, the focus should be on overall education outcomes, how well they are being achieved, and trade-offs against other government priorities and policies. Interestingly, learner contributions to the cost of tuition enable wide access to tertiary education, as the Government can spread funding among a greater number of learners.

Fees are not a significant barrier to access to and participation in tertiary education

15. The cost of tuition fees is just one of several ways in which financial matters could affect participation in tertiary education. For many learners, fees make up a relatively small proportion of the total costs of study. The opportunity costs of undertaking provider-based study can be high, as learners typically face foregone income. Moreover, rising living costs can affect learner wellbeing and achievement, potentially acting as a deterrent to participation.³
16. Non-tuition cost barriers are even more relevant for older learners entering tertiary education. People who are in work are more likely than school-leavers to require support for family and work commitments, and costs associated with foregone earnings are likely higher for these learners.
17. A small group of people (largely those from lower socioeconomic demographics) may be unwilling to participate in tertiary education because of the costs involved. For example, people may underestimate the net benefits of tertiary education; or people may be debt averse, meaning that supports (e.g. the Student Loan Scheme) are not effective at addressing financial barriers.
18. However, learner behaviour is not generally influenced by tuition fees. Internationally, increases in tuition fees have tended not to adversely affect participation.⁴

New Zealand has a strong learner support system

19. In New Zealand, increases in tuition fees and other tertiary costs do not appear to have had a negative impact on levels of tertiary participation – largely because of our system of learner support. This support system enables a wide range of people to access tertiary education by the sharing of costs between learners and taxpayers, allowing most people with limited financial resources to access finance for both tuition fees and

³ Discussed in a 2022 New Zealand survey of tertiary learners. Point & Associates. (2022). *People's inquiry into student wellbeing*. [STUDENT INQUIRY \(nationbuilder.com\)](https://www.nationbuilder.com/student-inquiry)

⁴ Periods of new or rising tuition fees have been accompanied by a continued increase in participation in tertiary education in countries such as New Zealand and the United Kingdom. LaRoque, Norman. (2003). *Who should pay? Tuition fees and tertiary education financing in New Zealand*. Education Forum. [Tuition fees frontmatter.pmd \(nzinitiative.org.nz\)](https://www.nzinitiative.org.nz/tuition-fees-frontmatter.pmd); Nikula, Pii-Tuulia and Morris Matthews, Kay. (2018). Zero-fee policy: making tertiary education and training accessible and affordable for all? *New Zealand Annual Review of Education*, 23, p. 5-19; Atherton, Graeme. (2017, May 26). *Pledge to abolish university tuition fees needs honing*. University World News, [Pledge to abolish university tuition fees needs honing \(universityworldnews.com\)](https://www.universityworldnews.com/Pledge-to-abolish-university-tuition-fees-needs-honing); UK Department for Education. (2019). *Participation Rates in Higher Education: 2006 to 2018*. [2014-15 HEIPR \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/2014-15-HEIPR).

living costs. In 2022, learners paid around 24% of the full cost of study through tuition fees, which means the Government's share was 76%. Because much of the learner's share is met by interest-free borrowing, the Government's share is closer to 85%.⁵

20. A key element of our learner support system is the Student Loan Scheme, which provides a way for learners to spread their share of tertiary education costs over time. The Student Loan Scheme is also interest-free and has an income-dependent repayment scheme for New Zealand based borrowers. Student Allowances, which do not need to be repaid, are available to learners from low-income backgrounds in their initial years of study to help reduce financial barriers to tertiary education such as living costs.

Other barriers are more likely to impact access to and participation in tertiary education

21. Lack of prior educational achievement is a significant barrier to participation in and achievement during tertiary education. Educational achievement prior to tertiary study is related to achievement at all levels of tertiary education and participation at university-level study across gender, ethnic group, and socio-economic status.⁶
22. Other factors that are associated with participation include parental qualifications⁷ and learner ethnicity (for example, the average participation rate⁸ in New Zealand at all levels of tertiary study is 12%; among Māori, Pacific, Asian and European populations, this rate is 16%, 15%, 11% and 10%, respectively).

Fees Free policies reduce learner debt – but debt in general is balanced by earnings premiums following tertiary education

23. In New Zealand, there has been a real decrease in student loan debt since the introduction of the first-year Fees Free policy in 2018. In 2022, 50% of eligible learners (60% of full-time and 26% of part-time learners) took out student loans to cover some combination of course fees, living costs and course-related costs; down from 69% (80% and 37%, respectively) in 2017.⁹ Approximately 58% of total student loan borrowing was for course fees in 2022; down from 67% in 2017.
24. On average, those who complete tertiary education receive an earnings premium, meaning they can pay off student loans relatively quickly. Measured in the 2022 tax year, after achieving a tertiary qualification at any level, learners earn 99-132% of age-matched national median earnings in the first year; this range becomes 97-161% by year 10.¹⁰ The forecast median repayment time for borrowers who left study in 2021 is

⁵ Ministry of Education. (2023). *Student Loan Scheme annual report 2022-23*. [MoE Student-Loan-Scheme-Annual-Report-2023_Web_2.pdf \(educationcounts.govt.nz\)](#), p11.

⁶ Ministry of Education. (2018, Sep). *Going on to, and achieving in, higher-level tertiary education*. Education Counts. [Going on to, and achieving in, higher-level tertiary education | Education Counts](#). Accessed 21 Aug 2024.

⁷ Data from an OECD study show that there is a clear relationship between parental education and an individual's qualification level. OECD. (2019). *Skills Matter: additional results from the Survey of Adult Skills*. OECD-iLibrary. [Skills Matter : Additional Results from the Survey of Adult Skills | OECD iLibrary \(oecd-ilibrary.org\)](#). Accessed 21 Aug 2024.

⁸ The percentage of the population aged 15 years and over who were enrolled at any time during the year. Ministry of Education. (2023, Aug). *Tertiary Participation*. Education Counts. [02 - Tertiary participation | Education Counts](#). Accessed 13 Aug 2024.

⁹ Ministry of Education. (2023, Dec). *Financial support for tertiary students*. Education Counts. [09 - Financial support for tertiary students | Education Counts](#). Accessed 13 Aug 2024.

¹⁰ Ministry of Education. (2023, Dec). *Financial support for tertiary students*. Education Counts. [09 - Financial support for tertiary students | Education Counts](#). Accessed 13 Aug 2024.

5.8 years.¹¹ Loan repayment times are generally affected by the size of the loan, but some groups take longer to repay, for example borrowers who are not always New Zealand-based or Māori and Pacific borrowers.

25. It is possible that learner debt may have unintended consequences for the learner, such as delays in purchasing a home or decreased retirement savings. Despite the short median repayment time in New Zealand, as noted above there will be some people who are more acutely affected by student loan debt. This suggests that investing in across-the-board Fees-Free policy is unlikely to be the most effective investment for the Government, and targeted policy interventions could be more effective.

In general, Fees Free policies do not affect participation in tertiary education

26. While fully subsidised education is popular with the general population,¹² positive impacts have often been short-lived or smaller than expected. International research suggests that while fees have an impact on access to tertiary education, other barriers such as living costs and prior study achievements could have a larger impact.¹³
27. As stated above, the first-year Fees Free policy in New Zealand was developed to reflect the then-Government's manifesto commitment to make tertiary education and training affordable for all, so that the Government made a greater investment in the success of our tertiary system and our learners. Of the policy's four objectives (see paragraph 6) it only met one: the reduction of learner debt.
28. There was no noticeable effect on general participation in tertiary study. Overall participation in tertiary education steadily declined between 2009 and 2020 in line with improving economic conditions in New Zealand.¹⁴ The introduction of first-year Fees Free in 2018 did not noticeably change this.¹⁵ Moreover, first-year Fees Free was limited to learners with little to no prior study, limiting life-long learning support.
29. While at the time of implementation there was some expectation that the policy could lead to an increase in 'first in family' enrolments, this was not observed. Overall, learner demographics did not significantly change as a result of first-year Fees Free. For

¹¹ Ministry of Education. (2023). *Student Loan Scheme annual report 2022-23*. [MoE Student-Loan-Scheme-Annual-Report-2023 Web 2.pdf \(educationcounts.govt.nz\)](#), p19-20.

¹² For example, New Zealand student representatives in 2022 sent an open letter to parliament to encourage implementation of free tertiary education policies. Debt Free Future Aotearoa. (2022). *Debt Free Future open letter to Members of Parliament*. [Debt Free Futures — New Zealand Union of Students' Associations](#).

¹³ Lessons from other countries indicate that fees-free policies tend to disproportionately benefit students from more privileged backgrounds. De Gayardon de Fenoyl, Ariane. (2017). *Access in free-tuition systems: a comparative perspective of the socio-economic background of students in countries with different tuition policies* [Doctoral dissertation, Boston College]. [151480785.pdf \(core.ac.uk\)](#). In Ecuador, poorer people were no more likely to enrol in higher education after the elimination of fees, and may in fact have been less likely to enrol in public, fees-free universities. Better preparation for entrance exams and greater freedom to forego income for the duration of their study may have given wealthier students an advantage in securing free tertiary education opportunities. Ponce J and Loayza Y. (2012). Elimination of user-fees in tertiary education: a distributive analysis for Ecuador. *Int J High Educ*, 1(1), p. 138-147.

¹⁴ An increase in the number of job openings and higher wage rates, especially in lower-skilled jobs, reduces the short- and medium-term demand for tertiary education, particularly at lower levels.

¹⁵ Ministry of Education. (2023). *Fees Free tertiary education*. Education Counts. [Fees Free tertiary education | Education Counts](#). Accessed 13 Aug 2024.

example, over the years 2017 to 2022, European, Māori, Pacific and Asian participation rates stayed relatively steady.¹⁶

30. Fees-free policies tend to have a high cost to governments. There is a high dead-weight cost, as these policies cover the fees cost for learners who would otherwise be able to finance the fees themselves.¹⁷ Some have even argued that a Fees Free policy is inherently inequitable, based on research raising concerns that the whole population is taxed but the wealthy remain more likely to participate in tertiary education as a result of endemic social and cultural factors.¹⁸
31. There is no clear reason to have higher public funding for tertiary education via payment of tuition fees, particularly as New Zealand has a well developed learner support system. A fees-free policy does not specifically address the main barriers to participation or effectively steer the system towards meeting learner and labour market needs.

Stakeholder opinions

32. The stakeholders interested in this policy change include learners, tertiary education organisations (TEOs), employers (for example those employing work-based learners), and government agencies. Development of this policy has been undertaken in close consultation with the Tertiary Education Commission (TEC), Inland Revenue (IR) and the Ministry of Social Development (MSD).
33. The TEC undertook targeted stakeholder engagement in August 2024 with TEOs, specific peak bodies and learner representative groups.¹⁹ We did not engage with employers at this time. Given Cabinet had already decided the high-level policy parameters through the Budget process, the engagement focused on the implementation design of the chosen option. We therefore do not have a clear picture of learner and TEO opinion of the policy problem and status quo, although some questions regarding the policy objectives were raised through the engagement.
34. Aside from wanting clarification on how the implementation design of the chosen option will affect them, learners were interested in understanding the objectives of this policy. They were curious as to the financial benefits of moving to final-year Fees Free and

¹⁶ Ministry of Education. (2023, Aug). *Tertiary Participation*. Education Counts. [02 - Tertiary participation | Education Counts](#). Accessed 21 Aug 2024

¹⁷ As a result, several countries have altered their fees-free policies or have failed to expand their reach because the cost would be too great (e.g. New Zealand – where the original plan was to roll out Fees Free to cover three years but it has remained at one year – and Ireland – where, even though fees have remained free, registration fees have increased ten-fold). Hauptman, Arthur M. (2021). Ireland: A Cautionary Tale about Free Tuition. *International Higher Education* 108, p. 34-35.

¹⁸ For example, the 1995 removal of tuition fees for undergraduates in Ireland did not seem to have a greater impact on the participation of lower socioeconomic groups than on other groups. Hauptman, Arthur M. (2021). Ireland: A Cautionary Tale about Free Tuition. *International Higher Education* 108, p. 34-35

¹⁹ **Tertiary Education Organisations:** all TEOs that receive DQ 7+, DQ 3-7 and Section 556 funding from the TEC; **Peak Bodies** (A peak organisation or peak body is an association of organisations of allied interests, formed to represent the collective views of its members to government, the community and other bodies): Universities New Zealand, Independent Tertiary Education New Zealand, Quality Tertiary Institutions Incorporated; **Learner Representative Groups:** Student and Learners Advisory Council, Tairāhā Pasifika Students' Association, University of Auckland Students' Association, Massey – Albany Students' Association, Unitec Students' Association, Waikato Institute of Technology Students' Association, Massey – at Wellington Students' Association, Massey – Distance Students' Association, Massey University – Palmerston North Students' Association, Victoria University Students' Association, Weltech Student Connection, Lincoln University Students' Association, Otago University Students' Association, National Disabled Students' Association, University of Canterbury Students' Association, University of Waikato Students' Association, AUT Students' Association.

how the new system will encourage first-in-family learners to enter tertiary education. Both learners and TEOs noted the importance of good, clear communication for learners.

35. At a high level, TEOs and their peak bodies provided feedback seeking clarification of the chosen option and its implementation. This was broadly focused on three areas: equity and access implications of the eligibility settings and implementation approach; requirement for learners to provide and TEOs to collect IRD numbers; and changes to reporting processes.

What objectives are sought in relation to the policy problem?

36. The Government's overall policy intent for the final-year Fees Free scheme is to incentivise learners to finish their study, while reducing the overall costs of the policy. Our interpretation of this intent is that final-year Fees Free builds on first-year Fees Free, which sought to encourage learners to participate in tertiary education and reduce learner debt. However, a final-year policy would aim to support learners to complete the qualification by shifting the point at which fees are covered from the beginning to the end of the first eligible programme of study.
37. The objectives agreed by the Joint Ministers with delegated decision-making authority for the final-year Fees Free policy are:
 - a. To incentivise learners, particularly disadvantaged learners, to progress through and finish their programme of study;
 - b. To reward learners who complete their programme of study; and
 - c. To reduce the overall cost of study.

Section 2: Deciding upon an option to address the policy problem

What scope will options be considered within?

38. The Government had coalition agreements following the 2023 general election committing to a change from first-year to final-year Fees Free. We were thus initially constrained to provide advice within the scope of this commitment. We provided high-level options to address the policy problem (for example, incentivising progression within a programme, rewarding completion of a qualification, and targeting funding of Fees Free by programme level or subject).
39. Ministers decided to advance the option rewarding completion, meaning that any further advice was confined to this approach. The implementation of this policy requires legislative changes.
40. Analysis is further constrained by limited stakeholder engagement. As a result of Budget confidentiality requirements, sector engagement was focused on implementation design, not policy. Moreover, there was insufficient time to undertake full engagement with learners and TEOs, so the engagement on implementation design was by necessity limited. As a result, we do not have a clear picture of stakeholder opinion, either on the first-year Fees Free policy or on final-year Fees Free.
41. Within these constraints, our analysis reflects the Government's stated intent to improve the effectiveness, efficiency and responsiveness of public services, including reducing costs.

What other options were presented to Ministers?

42. In the preparation for Budget decisions, several policy options were considered and proposed to Ministers. These included options incentivising progression in tertiary education or rewarding completion of a qualification, and removing Fees Free altogether (both with and without alternatives). Table 1 shows the other broad options (including alternatives within each option) presented to Ministers, with a brief assessment of each.

Table 1. Other options presented to Ministers.

Option	Assessment
Incentivising progression	
<i>Summary:</i> Payment of fees at the beginning of the final year. Would not have included a performance element. Learners would have been rewarded for continuing their studies and approaching programme completion.	
Broad learner and programme eligibility criteria	Higher cost but better equitability than other progression-based options.
Broad learner eligibility criteria; targeting programmes by particular economic, industrial or vocational need	May have incentivised learning in these subject areas. Would have benefitted fewer learners than other options.
Restricting eligibility by study intensity,* study duration, or NZQCF level	Could have realised higher ongoing savings than broader eligibility criteria. However, it would have been difficult to implement, and would have been likely to result in inequitable application of the policy.
Rewarding completion	
<i>Summary:</i> Payment of fees upon completion of study or training. Would have incentivised learners to complete tertiary qualifications by rewarding them once they finished their programme. Would include an in-built performance component.	
Broad eligibility	The chosen option was a variation of this; we provide a detailed analysis below.

Option	Assessment
Narrow eligibility – restricted to degree-level study	Less costly and would have lower implementation risks than the broad option, but would have carried equity concerns, including the implicit devaluation of sub-degree and work-based learning. Learners from demographic groups who are less likely to study at degree level would also have been disproportionately disadvantaged.
Removing and/or replacing Fees Free[†]	
Removing Fees Free	Given the pressures facing the Crown’s finances (including Vote Tertiary Education), and the relatively low effectiveness of fees-free policies in general (see Section 1), this was our preferred option, from both a cost-savings and an effectiveness perspective. The funding could then have been reallocated elsewhere.
Hardship fund	Would have addressed the significant cost-of-living barriers experienced by learners who may not be eligible for other support, and provided certainty to TEOs in their allocation of funding. It would also have provided confidence in support for learners already in study, and could potentially have had a positive impact on completion rates. However, it would have been unlikely to make a difference in the decision to enter tertiary education.
Establishment of new scholarships	Our experience with tertiary scholarships demonstrates that widely available scholarships are expensive and carry a lot of dead-weight cost given the availability of student allowances and interest-free student loans. Targeted scholarships cost less but have poor uptake rates, high implementation costs and are complex to administer. [‡]

NZQCF New Zealand Qualifications and Credentials Framework, **TEO** Tertiary Education Organisation.

^{*} I.e. full-time or part-time learning.

[†] Ultimately, none of the options involving removing or replacing Fees Free were chosen by Ministers as these options did not meet the Government commitment to replace first-year Fees Free with final-year Fees Free.

[‡] For example, the now disestablished *Step-Up* scholarships were created to attract more low-income learners into degree level study in programmes where a skill shortage was identified, by contributing to learners’ fees. However, they did not measurably have the desired impact, and were expensive to administer. Scholarships require the learner to apply for them. People from under-represented groups are less likely to be aware of opportunities for scholarships. They may also lack the confidence to apply and navigate the system to receive scholarships.

What was the Government’s chosen option, and what impacts will it have?

A broad-eligibility approach, rewarding completion of an initial qualification

43. The Government’s chosen option for final-year Fees Free is a broad-eligibility approach, rewarding completion of the learner’s first tertiary qualification. Eligibility will be based on settings for the first-year Fees Free scheme and include provider-based and work-based learners, studying at Levels 3 and above on the NZQCF. Learners who have not already benefited from first-year Fees Free may be eligible, with payment of learner entitlement following completion of their qualification.

The chosen option will deliver cost savings and reward completion, but is unlikely to affect learner behaviour or significantly alter learner debt

44. Table 2 summarises the analysis of the Government’s chosen option against a set of criteria based on the policy objectives and relevant additional measures. The counterfactual in this scenario is the continuation of first-year Fees Free.

Table 2. How does the chosen option compare to the counterfactual?
 + + much better; + better; 0 about the same; - worse; - - much worse

	Final-year Fees Free chosen option
Cost savings for the Crown	<p style="text-align: center;">+</p> <p>The policy provides moderate cost savings for the Crown, although this is mitigated by a drop in savings after the transitional period and increased learner borrowing.</p>
Encourage learners to progress in their studies	<p style="text-align: center;">0</p> <p>We do not expect the policy to have significant impact on learner behaviour.</p>
Equity of support and outcomes for disadvantaged learners	<p style="text-align: center;">-</p> <p>While there are only minor changes to eligibility criteria, changing to payment upon completion means that some demographic groups may be less likely to benefit under this scheme</p>
Reduce learner debt	<p style="text-align: center;">-</p> <p>Individual learner debt may remain unaffected for many; however, the country's total level of learner debt will increase slightly compared with the counterfactual of continuing first-year Fees Free.</p>
Ease of compliance and stakeholder experience	<p style="text-align: center;">-</p> <p>We expect learner and TEO experiences to be moderately negatively affected.</p>
Overall assessment	<p>Provides cost savings but otherwise does not improve on the counterfactual.</p>

Policy objectives

45. Of the three policy objectives outlined in Section 1, this policy will likely only meet the objectives rewarding completion and reducing the overall cost of study. We do not expect the change in policy to have much impact on learner behaviour by incentivising learners to complete their study (the first objective); however, the policy by definition rewards completion of qualifications. This makes the second objective a self-fulfilling outcome. While learner debt will remain lower than if there were no fees-free policy, we expect to see a slight increase in total learner debt between first-year and final-year Fees Free.
46. As stated in Section 1, final-year Fees Free (like fees-free policies in general) is unlikely to have an effect on learner behaviour when it comes to access to or participation in tertiary education. Moreover, most attrition occurs in the first two years of study.²⁰ Particularly for degree-level study, once a learner reaches their 'final year' they are already more likely to complete than those first entering study. The knowledge that they will receive a refund of fees for their final year is unlikely to change that outcome.
47. Therefore, while we will not have evidence of the impact of final-year Fees Free on learner completion until the policy is in place, we do not expect it to have much influence. We note that given the range of non-financial factors influencing learners'

²⁰ Ministry of Education. (2024, Aug). *Tertiary achievement and attainment*. Education Counts. [03 - Tertiary achievement and attainment | Education Counts](#). Accessed 15 Oct 2024.

decisions, it may not be possible to accurately monitor whether the presence of a final-year Fees Free scheme affects attrition rates.

48. With regard to disadvantaged learners, there are only minor changes to learner and programme eligibility criteria between first-year and final-year Fees Free. As noted in Section 1, there is evidence to suggest that first-year Fees Free did not encourage learners who would otherwise not have studied to enter tertiary education. Thus, replacing first-year Fees Free with final-year Fees Free is unlikely to affect the participation rates of these learners. There may be a subset of learners who are debt-averse for cultural or religious reasons who may be negatively affected by having to pay fees up front; however, this would be a small subset.
49. However, Māori and Pacific degree-level learners may be less likely to benefit under this scheme than under the first-year Fees Free policy. As learners who do not complete their qualification will not receive Fees Free, we investigated whether there was a difference in completion rates between certain demographic groups. No significant differences in mean five-year completion rates (1995-2023) exist between all domestic learners and Māori or Pacific learners across all levels (61% versus 62% and 60%, respectively). However, when only investigating learners in programmes at bachelor's degree level and above, the completion rates demonstrate a noticeable gap (62% versus 50% and 48%, respectively).²¹ Other factors may also have an effect on completion rates, such as mental health and lower income.²²
50. Learner debt and overall cost of study will be lower with this policy than if there were no fees-free policy, as learners will reduce their student loan balance once they complete their qualification. However, this affects only those learners who complete their qualification, whereas the first-year Fees Free policy affected all learners in their first year. As a result, the overall level of learner debt for the country will increase slightly. The individual debt for learners who complete their qualification will remain largely unchanged.
51. In addition, a small number of learners may reach the final year of study and then withdraw due to life circumstances. This means they would not receive the benefit of either final-year Fees Free (i.e. they may have larger loans than someone who completed and received final-year Fees Free) or the earnings premium that comes with completed tertiary education or training. This highlights the potential compounding effect of final-year Fees Free in terms of long-term equity outcomes.

Cost savings

52. The main impact of the policy change will be on cost savings for the Government. The total savings for final-year Fees Free versus first-year Fees Free for the financial years 2023/2024 – 2027/2028 were estimated at Budget 2024 to be \$879 million (see Table 4 on page 20 for a breakdown).
53. The cost savings, while significant in the first few years, will decrease over time. This is the result of a short transitional period, where learners who are undertaking longer-term programmes (such as degrees) will no longer be eligible for first-year Fees Free but will also not yet be eligible for final-year Fees Free. This is expected to even out by the

²¹ Ministry of Education. (2024, Aug). *Tertiary achievement and attainment*. Education Counts. [03 - Tertiary achievement and attainment | Education Counts](#). Accessed 8 Oct 2024.

²² Ministry of Education. (2018, Sep). *Going on to, and achieving in, higher-level tertiary education*. Education Counts. [Going on to, and achieving in, higher-level tertiary education | Education Counts](#). Accessed 21 Aug 2024.

2029/2030 financial year, when the annual cost savings will decrease from \$268 million in the 2025/2026 financial year (the year of greatest savings) to \$139 million on an ongoing basis.

54. The cost savings are reduced by increased Student Loan Scheme lending. Many first-year students will now borrow for tuition fees, and we expect this amount to exceed the final year of fees borrowing that will be refunded on qualification completion. It is estimated that, in the long run, extra lending will be around \$230 million a year and refunds to the Student Loan Scheme will be around \$110 million.
55. This extra lending incurs an initial fair value write-down cost. This estimates the long-term economic cost of lending by taking the difference between the expected value of future repayments and the amount borrowed.²³ Using the expected refunds to the scheme from final-year Fees Free payments, together with repayments generated by the remaining lending, the overall write-down cost of the increase in lending is estimated to be \$50 million per annum.

Policy complexity for stakeholders

56. Administrative and compliance complexity will increase for learners and TEOs with this policy compared with the first-year Fees Free policy. In the first-year Fees Free policy, the TEC allocates funding to TEOs based on projected enrolments, and most learners automatically receive their first year of Fees Free, without the need for an application. With the planned final-year Fees Free policy, learners will need to apply for their fees to be refunded, which adds complexity for learners, although TEOs will no longer be involved in the Fees Free payment process.
57. Analysis is constrained by the lack of policy engagement with learners and TEOs. We were limited by time constraints to only engage on implementation design with these stakeholders. As a result, we do not have a clear picture of learner and TEO opinion of the chosen option.
58. However, the change in policy increases the number of transactions and uncertainty for learners (e.g. increased touchpoints with Government, having to cover their fees upfront either themselves or with a loan, longer wait for return of fees). TEOs will need to collect IRD numbers (see Section 3 for details) for data-matching purposes, meaning they will also need to keep and dispose of them carefully.
59. Much of the policy design work was done with close consultation with stakeholder operational agencies (the TEC, the MSD and IR). In the early design stages, operational agencies all indicated their preference for payment in advance using a proxy understanding of 'final year' (termed the progression option; see above), rather than payment upon completion. This is because the chosen option involves significant administrative complexity for operational agencies, as well as one-off legislative and system changes.

Overall, the chosen option is not the Ministry of Education (MoE)'s preferred option

60. Overall, we do not expect a net benefit from the change to final-year Fees Free, beyond moderate cost savings. As noted, experience with first-year Fees Free in New Zealand and international policies and research suggests that broad fees-free policies tend to have limited impact on participation. While first-year Fees Free was responsible

²³ The cost of lending is large because repayments are income-dependent, meaning there are delays to repayment if the borrower is out of the workforce, and there is no interest charged, meaning that the longer it takes a borrower to repay, the less value the Government receives.

for reducing learner debt, and we expect this impact to largely continue with the change to final-year Fees Free, it will likely be an overall smaller impact when regarding the total level of learner debt.

61. Given this past national and international experience and our assessment of the chosen option, the Government's chosen option is not the MoE's preferred option.

What are the marginal costs and benefits of the option?

Table 3. Cost-benefit analysis of the final-year Fees Free policy chosen option.

Affected Groups	Comment	Impact	Evidence Certainty
Additional costs of the chosen option compared with taking no action			
Regulated groups			
Learners	<ul style="list-style-type: none"> a. General adaptation to a new system (understanding eligibility and fee-payment arrangements) [one-off] b. Increased effort and time commitment (application process as opposed to automatic payment;* more information [IRD number] required upon enrolment) c. Increased up-front costs (needing to cover both first- and final-year fees; work-based learners may need to pay employers back for fees payment[†]) d. The number of affected learners will be smaller as not all learners will reach and complete their final year 	(a) Low [‡] (b, c, d) Medium	(all) High
Regulators			
TEC	a. Implementation design and initial costs (IT updates, development of customer service protocols and communications, development of delivery systems, working with TEOs and vendors to update their systems) [one-off]	<i>Operating</i> \$7.671 million [§] <i>Capital</i> \$5.344 million [§]	High
IR	<ul style="list-style-type: none"> a. Implementation design and initial costs (IT updates, development of customer service protocols and communications, development/updating of delivery systems, creating guidance) [one-off] b. Increased ongoing workload (processing applications, making payments, and managing disputes) 	(a) & (b) <i>Operating</i> \$9.435 million [§] (a) & (b) <i>Capital</i> \$2.800 million [§]	(all) High
Others (e.g. wider govt, consumers, etc.)			
TEOs	<ul style="list-style-type: none"> a. General adaptation to a new system (understanding how the new system affects them) [one-off] b. Initial costs (IT updates, development of communications, updating systems, ensuring data security for collection of IRD numbers) [one-off] c. Increased compliance burden (collection of IRD numbers, reporting to TEC) 	(a, b) Low (c) Medium	(all) High
Wider Government	<ul style="list-style-type: none"> a. Ongoing increased cost of student loan lending** <p>MoE</p> <ul style="list-style-type: none"> b. Development of solutions for new interactions with learner support products (e.g. scholarships) [one-off] c. Ongoing communications regarding interactions with learner support systems <p>MSD</p> <ul style="list-style-type: none"> d. Development of solutions for new interactions with learner support products (e.g. Training Incentive Allowance) [one-off] e. Implementation design and initial costs (this includes development of customer service protocols and communications, development/updating of delivery systems) [one-off] 	(a) \$50 million per annum on an ongoing basis (e) <i>Operating</i> \$0.821 million [§] (e) <i>Capital</i> \$0.404 million [§] (b, c, d, f) Low	(all) High

	f. Ongoing data sharing (to TEC) and communications regarding interactions with learner support systems		
Employers	a. General adaptation to a new system (changes to employment practices and contracts, implementing new communications) [one-off] b. Impact on employers if they pay learners' fees [†] c. Increased ongoing effort and time commitment (retrieving fees from learners) [†]	(all) Low	(all) Medium
Total monetised costs		Departmental operating cost of \$17.927 million[§] Capital cost of \$8.548 million[§] Non-departmental Ongoing cost of \$50 million per annum	High
Non-monetised costs		Low to medium	High
Additional benefits of the chosen option compared with taking no action			
Regulated groups			
Learners	a. Rewards successful completion of tertiary qualification	Low	High
Others (e.g. wider govt, consumers, etc.)			
TEOs	a. No separate reporting required for final-year Fees Free b. Statutory declarations will no longer be required c. More removed from the process (as learners apply directly to IR, TEOs are no longer directly involved)	(all) Medium	(all) High
Wider Government	a. Higher cost savings during the transition period ^{††} [short-term] b. Ongoing cost savings once volumes stabilise ^{††} MoE c. Certainty of funding and improved budget process as result of forecast appropriation (better response to shifts on learner behaviour)	(a) refer to Table 4 below for a breakdown of annual cost savings in the transition period (b) \$133.661 million per annum from the 2029/2030 financial year onward (c) Low	(a, b) Medium (c) High
Taxpayers	a. Confidence that their investment has a 'positive outcome' (rewarding completion)	Low	Low
Total monetised benefits		Ongoing benefit of \$133.661 million per annum^{††}	Medium
Non-monetised benefits		Low	Medium to high

IR Inland Revenue, IT information technology; MoE Ministry of Education, MSD Ministry of Social Development, TEO Tertiary Education Organisation.

Note 1: Costs and benefits are ongoing unless otherwise specified.

Note 2: The TEC expect that while workload will increase in some areas (e.g. data-sharing commitments with IR), there will be decreased workload in other areas (e.g. statutory declarations will no longer be needed), resulting in no change overall with regard to ongoing workload.

- ^{*} Currently, payment is for the most part automatic, with the TEC paying fees directly to TEOs on learners' behalf. With the new system, learners will be required to provide extra information upon enrolment and go through an additional application process upon completion.
- [†] Many employers pay the fees for work-based learners; however, based on the implementation design, Fees Free payments will only be made to the learner (either by offsetting their loan balance or direct payment to a nominated bank account). Therefore, employers may require learners to repay the fees to them once the Fees Free payment has come through.
- [‡] The impact of the learners' adaptation to the new system is significantly decreased by the familiarity of the proposed portal – myIR (IR's online customer portal) – for the application process.
- [§] These costs cover 2024/25 to 2028/29 and outyears. Total expenditure for TEC is indicative only.
- ^{**} There will be a total of \$233 million per annum in extra borrowing; however, much of this will be returned quickly. The \$50 million per annum cited is the overall ongoing cost of the increase in lending when repayment is taken into account.
- ^{††} The cost savings will decrease over time, as learners who are undertaking longer-term programmes (such as degrees) will no longer be eligible for first-year Fees Free but will also not yet be eligible for final-year Fees Free during the transitional period. Savings are expected to even out by the 2029/2030 financial year.

Table 4. Cost savings with final-year Fees Free versus the counterfactual of first-year Fees Free, by financial year (estimated at Budget 2024)

	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2039 & outyears
Cost savings (\$ million)	-0.449	177.970	261.074	245.379	195.445	151.256	133.661

These cost savings do not reflect the impact of the increased Student Loan Scheme lending (see also paragraph 54).

Te Tiriti o Waitangi analysis

62. As a partner to Te Tiriti o Waitangi | the Treaty of Waitangi ('Te Tiriti'), the Crown has a duty to actively promote and protect Tiriti rights and interests and to develop education settings in a way that supports Māori-Crown relationships. This duty is recognised in section 4(d) of the Education and Training Act 2020 (the Act) which records one of the Act's purposes as being 'to establish and regulate an education system that honours Te Tiriti and supports Māori-Crown relationships'. Te Tiriti analysis supports the Crown to uphold our obligations to Māori by actively considering how the proposed reforms might impact Māori.
63. This section assesses the shift from a scheme that encourages participation in tertiary education to a scheme that rewards success, against the Crown's obligations under Te Tiriti.

Key context to our analysis

64. In coalition agreements, the Government committed to "Stop first year Fees Free and replace with a final year Fees Free with no change before 2025." This commitment means shifting from a scheme that seeks to encourage participation in tertiary education (through the payment of fees for the first year of learning) to one that seeks to incentivise learners to finish their study or training (through the payment of fees for the final year study upon completion of their qualification).
65. There are a variety of Māori rights and interests in the education system generally, including in the tertiary system. Those with interests in the tertiary system include Māori learners (and their whānau), Māori staff and leadership, Kaupapa Māori providers (e.g. Wānanga, some PTEs), Māori employers, and iwi/whānau/hapū. The Crown has an important role in supporting equitable outcomes in education, and in facilitating Māori exercise of rangatiratanga over mātauranga Māori.
66. Though the Waitangi Tribunal's reports are not legally binding, they articulate an expert view on the Crown's obligations under Te Tiriti and provide guidance on this matter. In education, there are a number of matters where the Crown has accepted the Tribunal's findings; for example in its work with Wānanga to establish a new legislative framework and in acknowledging that the Crown has a role in supporting equitable outcomes in education.
67. Previous analysis found that there are inequities in education participation and employment outcomes between Māori and non-Māori – Māori learners tend to participate at lower levels of study, are more likely to be involved as trainees rather than higher-level apprentices, and are more likely to be in lower-skilled, lower-paying employment.²⁴
68. There are a number of barriers to completion for Māori learners. The Productivity Commission notes that the top determinant in retention (beyond first year) and completion, across all ethnicities, is the first-year course pass rate.²⁵

Approach to analysis

69. Our approach builds on guidance produced by Te Arawhiti in conjunction with the Cabinet Office Circular CO(19)5. This analysis takes the articles of Te Tiriti as its focus,

²⁴ Evidence Brief for the Tertiary Education Strategy, September 2019, p.12.

²⁵ The Productivity Commission, 2017, New models of tertiary education, p.273

while supplementing with guidance that the courts and government have developed in relation to the principles of Te Tiriti. A high-level Te Tiriti analysis of the proposed scheme is provided in Table 5 below.

Summary of relevant Tiriti principles and jurisprudence

70. The Waitangi Tribunal has set out its view of the Crown's kāwanatanga rights and responsibilities in the education system over numerous reports, including:
- a. the responsibility to 'facilitate education that supports all ākonga Māori';²⁶
 - b. the 'right to determine tertiary education policy in accordance with the principles of good government and for the benefit of all New Zealanders';²⁷
 - c. in the context of Kura Kaupapa Māori, but broadly relevant to the tertiary context, obligations to:
 - i. 'ensure its policy decisions relating to Kura Kaupapa Māori are transparently communicated';
 - ii. 'engage directly and specifically with the impacts its policy could have on Kura Kaupapa Māori when making those decisions'; and
 - iii. 'work to create targeted and effective policy responsive to the specific needs of Kura Kaupapa Māori'.²⁸
71. Tribunal reports on other areas of social sector policy include findings that are relevant to this work, including:
- a. the principle of partnership – involves 'enabling the Māori voice to be heard and Māori perspectives to influence the type of health services delivered to Māori people and the way in which they are delivered', and in a modern Treaty partnership, Māori are empowered 'to be actively involved in policy decision-making in matters affecting Māori communities'.²⁹ The Tribunal has acknowledged that 'neither the right of Māori to manifest and direct their rangatiratanga nor the Crown's right to govern is absolute: 'each must be conditioned by the other's needs and the duties of mutual respect'. However, because the power imbalance in the Māori-Crown relationship favours the Crown, it is the Crown's Treaty responsibility to ensure that Māori are not disadvantaged in that relationship';³⁰
 - b. the principle of rangatiratanga – 'the Government, in its policies, practices, and protocols, should aim to apply the principles of the Treaty of Waitangi to protect the rangatiratanga of all Māori in contemporary situations, kin-based or non-kin-based, where the facts of any particular case reveal the exercise of

²⁶ Waitangi Tribunal, 2024, Kei Ahotea: Te Aho Matua (WAI 1718), p.216.

²⁷ Waitangi Tribunal, 2005, The Report on the Aotearoa Institute Claim Concerning Te Wānanga o Aotearoa (WAI 1298), p.35; also expressed in relation to early childhood education policy in Matua Rautia: The Report on the Kōhanga Reo Claim (WAI 2336), p.65, and Kura Kaupapa Māori in Kei Ahotea p.216.

²⁸ Waitangi Tribunal, Kei Ahotea, p.216.

²⁹ Waitangi Tribunal, The Napier Hospital and Health Services Report, p.59; Waitangi Tribunal, Hauora, p.29.

³⁰ Waitangi Tribunal, 2023, Hauora, p.28

rangatiratanga'.³¹ We have also considered rangatiratanga in terms of enhancing Māori wellbeing, in line with Cabinet Office Circular CO(19)5; and

- c. the principle of active protection – where there are ‘persistent and marked’ disparities in outcomes, ‘the Crown is obliged to take appropriate measures on the basis of need so as to minimise them over the long run’, and the ‘requirement for the Crown to partner with Māori is heightened’.³²

72. The Tribunal has interpreted Article 3 as ‘the requirement to address disparities’ that specifically requires the Crown ‘to remove the many longstanding barriers (especially barriers of the Crown’s own creation) that prevent Māori from having a genuinely level playing field with non-Māori’.³³

Summary of analysis

73. While the final-year scheme aims to provide Fees Free support to as many learners as reasonably possible, switching schemes will mean that fewer learners overall will benefit from the policy, as fewer learners complete qualifications than enter tertiary education (i.e. attrition). This is true also for Māori learners. As is the case with the general population, the number of Māori learners who go on to complete a qualification (and would therefore be potentially eligible for the final-year Fees Free policy) is significantly lower than the number of Māori learners who enrol in tertiary education (and would therefore be potentially eligible for the first-year Fees Free policy). While no significant differences in mean five-year completion rates (1995-2023) exist between all domestic learners and Māori learners across all programme levels (61% versus 62%, respectively), the completion rates demonstrate a marked and persistent gap with learners in programmes at bachelor’s degree level and above (62% versus 50%, respectively). In 2023, there were 26,560 Māori learners who completed qualifications. Of these, the number who would have received final-year Fees Free support would be significantly lower, as eligibility settings will restrict access for some of these learners.

74. The disparities in completions for Māori (compared with non-Māori) and the importance of higher education in longer term financial wellbeing mean that Māori interests are compelling. As per Te Arawhiti’s guidance, the Crown should have partnered with Māori to determine the issue/problem and to design the process and develop solutions. This guidance is reinforced by the Tribunal’s position on active protection as noted above in paragraph 71.c.

75. Engagement on the development of the policy overall has been limited, and this includes limited engagement with Māori. Limited engagement with Māori on the development of final-year Fees Free is not reflective of the Crown’s obligations under Articles 1 and 2 of Te Tiriti, and is not reflective of the principle of partnership or the principle of rangatiratanga. It means that we do not have a clear view of Treaty interests from the direct perspective of Māori, and therefore cannot respond to these interests, nor provide for the exercise of rangatiratanga in this regard. Furthermore, it calls into question the principle of good government as the policy is not supported by

³¹ Waitangi Tribunal, Matua Rautia, p.67; Waitangi Tribunal, 2024, Ngā Mātāpono: The Principles – The Interim Report of the Tomokia Ngā Tatau o Matangireia – the Constitutional Kaupapa Inquiry Panel on the Crown’s Treaty Principles Bill and Treaty Clause Review Policies (WAI 3300), pre-publication version, p.78.

³² Waitangi Tribunal, 2001, The Napier Hospital and Health Services Report (WAI 692), p.54; Waitangi Tribunal, 2023, Hauora: Report on Stage One of the Health Services and Outcomes Kaupapa Inquiry (WAI 2575), p.29.

³³ Waitangi Tribunal, Matua Rautia, p.67; Waitangi Tribunal, 2024, Ngā Mātāpono: The Principles – The Interim Report of the Tomokia Ngā Tatau o Matangireia – the Constitutional Kaupapa Inquiry Panel on the Crown’s Treaty Principles Bill and Treaty Clause Review Policies (WAI 3300), pre-publication version, p.78.

evidence regarding addressing the barriers to access or completion for learners, including for Māori.

76. As stated in the problem definition, evidence suggests that fees-free policies do not have a real effect on learner behaviour, so the new final-year scheme is not the best approach to address financial barriers to equity of tertiary education access and achievement. We consider that given this policy is unlikely to address these barriers to equity, and that a persistent gap between Māori and non-Māori completion rates exists, that this policy does not fulfil the Crown’s obligations under Article 3.
77. However, in relation to Article 3 obligations, officials are limited by the Government’s commitment to replace the first-year policy with a final-year policy within a fiscally constrained environment. Within these confines, designing the scheme to be broadly accessible has meant that the policy seeks to ensure that Māori learners, Māori employers, Māori providers and programmes of study with a focus on aspects of te ao Māori are not disproportionately impacted.

Table 5. A high-level Te Tiriti o Waitangi analysis of the proposed final-year Fees Free scheme versus the counterfactual of first-year Fees Free.

Key: We have assessed each option based on the following criteria.	Poor	Limited	Fair	Excellent
	Little or no alignment with considerations relevant to the article.	Limited (or mixed) alignment with considerations relevant to the article.	A fair amount of alignment with considerations relevant to the article.	In depth alignment with considerations relevant to the article.
Note: As outlined above, the below analysis is speculative, and limited by a lack of formal engagement or consultation on these proposals with Māori.				

	Rewarding success (final-year) scheme
<p>Article 1: Kāwanatanga</p> <p>The Crown has the right to govern (kāwanatanga). Good governance must protect Māori interests and ensure equitable Māori engagement and/or leadership in priorities and decisions.</p>	<p>Poor</p> <p>The final-year Fees Free policy is driven by commitments made by the Government in coalition agreements. This commitment is not based on engagement with Māori, which limits the policy’s consideration of what the barriers to access and completion actually are for Māori, or any outcome measures that are connected to the needs and aspirations of Māori. The policies are therefore not supported by evidence in addressing the actual barriers to access or completion for Māori learners.</p> <p>Engagement with Māori on the development of the policy has been limited. Overall, very little feedback specific to Māori learners was received, but a number of respondents raised points where Māori learners were broadly referenced or represented in the group of learners identified. For example, that priority learner groups/underserved learners³⁴ and part-time learners would primarily be negatively impacted by the setting under the new policy, where entitlement is consumed by the learner’s first completed eligible qualification (0.5 EFTS or higher). From an Article 1 perspective, the policy would have benefitted from more deliberate engagement with Māori to better ascertain and understand the Tiriti interests at play and be able to respond to these.</p> <p>Switching schemes will mean that fewer learners overall will benefit from the policy as fewer learners complete qualifications than enter tertiary education (i.e. attrition). This means fewer Māori learners will benefit from final-year Fees Free than from first-year Fees Free.</p> <p>A smaller proportion of Māori learners than non-Māori learners will receive final-year Fees Free. This is because the rate of attainment for Māori is lower than for non-Māori at higher levels of study. The rate of attainment relates to the proportion of learners who complete their qualifications. We do not expect that final-year Fees Free will increase the rate of attainment for Māori.</p> <p>The final-year Fees Free policy applies ‘broad access’ criteria to assess proposals against. The broad access criteria interacts with equity interests, in that the intent of the criteria is to enable Fees Free support for as many learners as reasonably possible.</p>

³⁴ Māori; Pacific people; people with low prior achievement; people not in education, employment, or training (NEETs), people with low income, etc.).

<p>Article 2: Rangatiratanga</p> <p>Provides Māori with rangatiratanga an absolute sovereignty over all their whenua, kāinga and taonga.</p>	<p style="text-align: center;">Poor</p> <p>Engagement with Māori on the final-year Fees Free policy has been limited, meaning that responding to and providing for the specific interests of Māori, including providing for the exercise of rangatiratanga, has also been limited. The exercise of rangatiratanga is restricted by the exercise of kāwanatanga and the Government's right to determine tertiary education policy. However, the Tribunal has stated that the Crown's kāwanatanga powers should be exercised consistently with its Tiriti obligations, which include informed decision-making and good government.³⁵ Because engagement with Māori is limited, there has been a lack of reasonable consideration of Tiriti interests, including consideration for the exercise of rangatiratanga.</p> <p>The disparities in access and completion for Māori (compared with non-Māori) and the importance of higher education in longer term financial wellbeing mean that Māori interests are compelling. As per Te Arawhiti's guidance, the Crown should have engaged with Māori to determine the issue/problem and to design the process and develop solutions. In not doing so, this does not align with the principle of active protection.</p> <p>In terms of rangatiratanga from the viewpoint of enhancing Māori wellbeing, moving between schemes means more learners are expected to take out student loans to cover the up-front cost of provider-based tertiary education. Some of these learners will not go on to complete their programme of study. This means overall, student debt collectively will increase. Given that the rates of attainment for Māori are lower than for non-Māori, we expect that the collective student debt for Māori learners will also increase.</p> <p>On the other hand, individual Māori learners who apply for and receive final-year Fees Free will benefit from their reduced student debt.</p>
<p>Article 3: Ōritetanga</p> <p>Promises to Māori the benefits of royal protection and full citizenship. This text emphasises the rights of Māori to live in a manner consistent with whānau, hapū and/or iwi values and traditions.</p>	<p style="text-align: center;">Limited</p> <p>Fees appear to not be a significant barrier to learner participation in tertiary education. Indeed, fees and fees-free policies appear to have no real effect on learner behaviour. Moreover, New Zealand has a well developed learner support system, which provides support for learners who may not be able to afford tertiary education up front. Thus, incentivising participation in or completion of tertiary education programmes of study using fees as a lever is unlikely to produce significant results.</p> <p>Within the confines of this parameter, the intent to support as many learners as reasonably possible has meant that the policy seeks to ensure that Māori learners, Māori employers, Māori providers and programmes of study with a focus on aspects of te ao Māori are not disproportionately impacted.</p>

³⁵ Waitangi Tribunal, 2024, Kei Ahotea: Te Aho Matua (WAI 1718), p 268.

Section 3: Delivering an option

How will the new arrangements be implemented?

Implementation design

78. The implementation design for final-year Fees Free is based on an application model. IR and the TEC will lead the implementation of this policy, with IR providing the application process and paying learners' Fees Free entitlement and the TEC providing data to support programme eligibility and calculate learners' entitlement. IR is best placed to pay Fees Free entitlements, as they already have the infrastructure to make financial payments to individuals. While the TEC holds learner data regarding programme eligibility and fee costs, they do not have the capability to make financial payments to individuals and are therefore best placed to support IR to make payments.
79. The final-year Fees Free policy will begin on 1 January 2025, but the design will be implemented over the course of 2025. Systems will be ready for first payments to learners to be made from 2026. IR and the TEC have developed the following high-level service design for final-year Fees Free (also summarised in Figure 1).

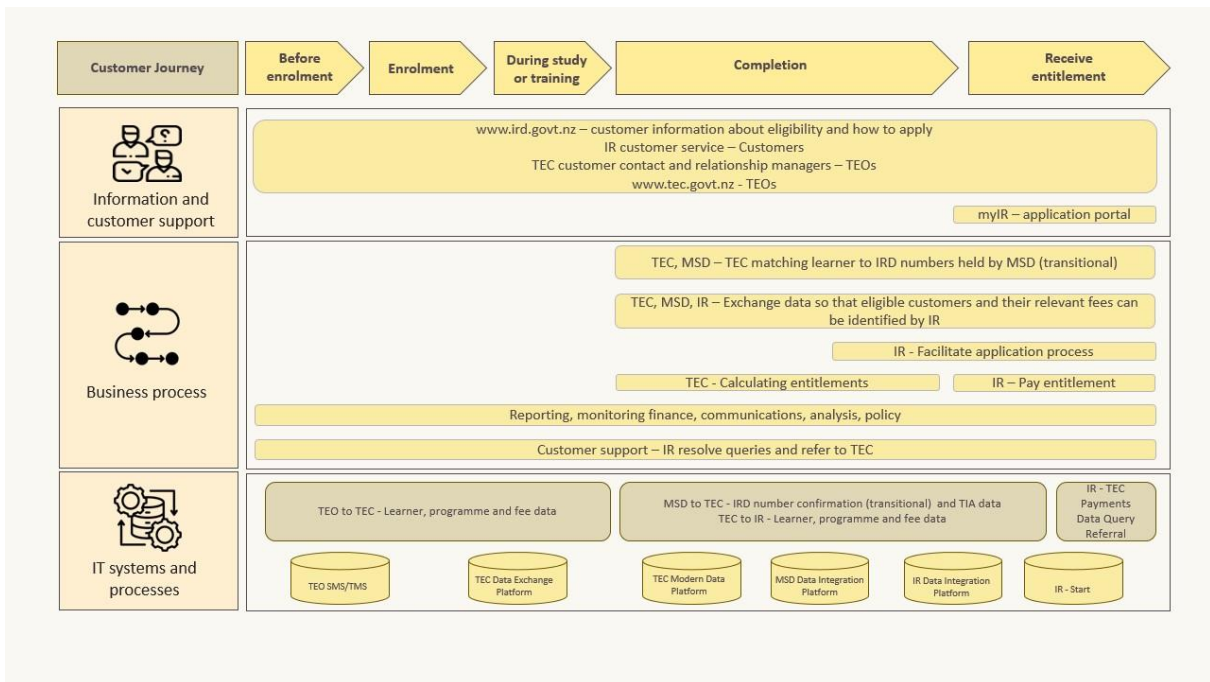


Figure 1. Service blueprint which summarises the final-year Fees Free service.

Customer support

80. IR will host the Fees Free content page within the IR website, which will provide static content and guided help that will advise learners whether they will likely be eligible for final-year Fees Free. The information on the website will provide most learners with enough information to determine their own eligibility and understand their next steps, limiting the need for direct contact with customer services. Additional support will be available through the IR customer service channels. The TEC will provide further information as required and to support the disputes process.
81. TEOs will continue to provide day-to-day support to their learners. TEOs will be the key point of contact for learners in relation to enrolment, study and/or training information, until the learner completes their qualification. In line with current practice, the TEC will provide TEOs with content to support conversations with learners relating to Fees Free.

Data matching and systems

82. Data will be provided to the TEC from TEOs via either the Single Data Return (SDR) or Industry Training Register (ITR). The SDR collects information about learners who are in provider-based study, and updates four times a year (March, April, August and December). The ITR collects information about learners who are in work-based training, and updates on a continual basis throughout the year. These data will include fee information and completion data, as well as learner identifiers (date of birth, IRD number, NSN).
83. Learners who are granted the Training Incentive Allowance (TIA) for course fees in their final calendar year of an eligible programme will not be eligible for Fees Free.³⁶ The MSD manages the TIA and will provide the TEC with a list of learners who have accessed the TIA for course fees, each calendar year, to support eligibility checks and to ensure that learners are correctly assessed.
84. TEOs will likely not be able to collect and report IRD numbers until the end of 2025 or early 2026. To address this, the MSD will periodically provide information (including IRD numbers) about student loan borrowers to the TEC in the interim to support transitional arrangements while changes are being made to enable TEOs to collect IRD numbers. This interim data sharing process is expected to end by the end of 2026 at the latest.
85. Based on the data received from TEOs and the MSD, the TEC will provide IR with information that shows:
 - a. whether the learner's completion meets programme eligibility criteria;
 - b. the qualification completion date;
 - c. the entitlement due if further eligibility criteria confirmed by the learner and IR are met; and
 - d. if ineligible for Fees Free, the reasons for this.

Application

86. The learner will log onto myIR (IR's online customer portal) and provide further information to IR, as part of the application process.
87. Learners will have 12 months following the completion date of their qualification (provided by the TEC) to apply for their entitlement. Any learner who completes their qualification before 31 December 2025 has until 31 December 2026 to submit their application. This is due to the timing of system changes and ensures fairness.

Eligibility and payment

88. IR will match data provided by both the TEC and the learner in its system, where possible. Data will be matched using the learner identifiers in paragraph 82. On application, the learner provides further information about eligibility. Once the application is submitted, IR will undertake further learner eligibility checks (e.g. residency eligibility).
89. When the application is processed, IR will pay the learner's Fees Free entitlement if the learner is eligible. If the learner has a student loan, their Fees Free entitlement will always be offset against the loan, regardless of when and what the loan was drawn

³⁶ If the TIA is only used for other costs (not for course fees), then the learner may still be eligible for Fees Free.

down for.³⁷ The date the entitlement is credited against the loan will be the qualification completion date. Learners without a loan will have their entitlement paid to a nominated bank account. IR will inform the TEC once offsets and/or payments have been made.

Stakeholder feedback

90. The TEC tested the proposed implementation design through targeted sector engagement consisting of two webinar sessions in August 2024: one for TEOs and peak bodies and the other for learner representatives. Attendees³⁸ were able to ask questions during the webinars and were invited to subsequently provide feedback on the proposed implementation approach. Over 270 stakeholders engaged (largely TEOs) with a large number of questions and over 40 submissions received.
91. The feedback was generally supportive of the proposed implementation approach. We identified the following key themes:
 - a. Most TEOs indicated that they would be able to collect learner IRD numbers, but several concerns were raised about reporting requirements, including cost, resource, timing, cyber security and privacy implications.
 - b. The work-based sector raised concerns about IR not processing refunds to employers and the potential implications of learners receiving entitlement payments if the employer paid the learners' fees.
 - c. The sector raised concerns about the potential negative impact for learners completing pathway programmes in preparation for enrolling in larger programmes.
 - d. Learners highlighted the importance of timely processing of Fees Free entitlements, including to prevent any potential interactions with interest obligations for learners travelling overseas.
 - e. TEOs and learners noted the importance of good, clear communication for learners.
92. The sector also queried whether the Fees Free payment would have tax implications. IR has advised that the credit or payment of the Fees Free entitlements is not income for tax purposes.
93. We have taken the feedback into account when finalising the implementation design. It helped inform our assessment of the privacy implications of the proposed information sharing arrangements.
94. No changes were deemed necessary in response to the work-based sector's concerns, because final-year Fees Free is about rewarding *learners* for completing their tertiary study or training. There would be significant administrative complexities in making refunds to employers. This may lead to potential cost-shifting to learners from employers to make upfront fee payments; however, learners will be able to access the refund upon completion. Communications to the work-based sector will include clear explanations to support employers and learners in understanding the rules and enable them to adapt employment practices and contracts as necessary.

³⁷ For example, a learner may have drawn down a loan for their first year of study but self-funded subsequent years, or a learner may have paid fees via more than one method (e.g., self-funded and via a loan)

³⁸ See footnote 19 on page 10 for a full list of TEOs, peak bodies and student representative groups.

95. To address the feedback on pathway programmes, we excluded pathway programmes from programme eligibility criteria to enable learners to use their entitlement for their intended programme of study.
96. We received a range of other minor feedback, none of which raised any additional concerns in terms of the implementation design or potential implications for learners.

Communications

97. The TEC is developing a detailed communications plan which will outline the best avenues to share policy and design details with TEOs and learners. This will include providing a response to the feedback received during engagement.
98. Once finalised, final-year Fees Free eligibility, entitlement and application information will be published on the TEC and Fees Free websites. During 2025, responsibility for external web content for learners will move to IR. By 2026, IR will be the initial point of contact for learner queries, with support from the TEC and TEOs.

New data collection and sharing processes are needed

99. IR and the TEC do not currently hold a common learner identifier. New data collection and sharing processes need to be established to implement the final-year Fees Free policy, including the collection and sharing of learner date of birth, IRD number, and NSN. IR have advised they need a minimum of three identifiers to provide more confidence in matching learner information accurately, and NSNs and IRD numbers are the only existing *unique* identifiers.
100. Using common identifiers between agencies creates the ability to match customers more accurately and ensures the entitlement is paid to the correct learner. This also means the learner will have a better experience when applying for their Fees Free entitlement as the interaction can be better personalised to their information. Overall, the process will be more streamlined with the use of common identifiers and the possibility of a payment being made to an incorrect person is reduced.
101. Agencies will amend existing and/or stand up new Memoranda of Understanding regarding cross-agency data sharing processes.

Privacy Impact Assessment

102. We are undertaking a privacy impact assessment of the proposed collection and sharing of unique identifiers. It covers the data and information sharing design between agencies required to implement the policy, with a focus on the collection and sharing of NSNs and IRD numbers. It also includes consideration of sector feedback on the collection and use of IRD numbers.
103. At this point in time, there are minimal identified privacy risks, and these are likely to be given a low rating in the assessment. The privacy impact assessment will be continually updated as the operationalisation of the final-year Fees Free policy is developed and implemented, and any privacy risks that arise can be addressed at that time.

Legislative changes are needed to support the implementation

Changes to the Training Incentive Allowance (TIA) programme

104. The MSD will amend the TIA Programme to reflect that the MSD will no longer assess an applicant's eligibility for TIA course fees based on their eligibility for Fees Free. The

MSD will share the necessary information with the TEC to enable implementation of the TIA exclusion for Fees Free eligibility. This will include learners' NSNs to verify and match learner identity with TEC data. The Secretary for Education will authorise the MSD³⁹ to use NSNs for the relevant purposes.

Legislative changes to support IR using NSNs

105. The MoE, the TEC and the MSD are specified users of NSNs under the Education and Training Act 2020; however, IR is not. Enabling IR to become a specified user of NSNs requires secondary legislation through an Order in Council process. Once IR has been specified through regulations, the Secretary for Education will authorise IR to use NSNs.

Legislative changes to enable IR to administer the final-year Fees Free policy

106. The following amendments are needed to enable IR to administer final-year Fees Free:

- a. amending the Tax Administration Act 1994 to:
 - i. allow IR to administer final-year Fees Free;
 - ii. authorise IR to share information with the TEC and vice versa; and
 - iii. allow for the imposition of use-of-money interest; and
- b. amending the Student Loan Scheme Act 2011 to:
 - i. credit the final-year Fees Free entitlement effective as at the qualification completion date;
 - ii. ensure the credit of the final-year Fees Free entitlement does not satisfy the learner's repayment obligation;
 - iii. ensure the credit of the final-year Fees Free entitlement cannot be offset against unpaid amounts or late payment interest;
 - iv. ensure the credit of the final-year Fees Free entitlement is not treated as an excess repayment; and
 - v. allow the amount which determines an overseas-based borrower's repayment obligation to be reduced by any Fees Free entitlement paid to the loan.

s 9(2)(f)(iv)

³⁹ The MSD has already been declared to be a specified user of NSNs: New Zealand Legislation. (2012). Education (Ministry of Social Development Authorised to Use National Student Numbers) Regulations 2012. [Education \(Ministry of Social Development Authorised to Use National Student Numbers\) Regulations 2012 \(SR 2012/338\) \(as at 01 August 2020\) Contents – New Zealand Legislation](#). Accessed 20 Sep 2024.

s 9(2)(f)(iv)

Implementation risks

108. There is a risk that if TEO systems cannot be updated in time, the TEC and IR will not have the necessary data about learners and their fees. This is the biggest risk to making payments by 2026. We can mitigate this by working closely with TEOs and providing data requirements as early as possible. We can also consider other solutions if necessary, such as alternative reporting options. There is a cross-agency Steering Committee with membership from each agency to provide governance and oversight of risk management during the implementation.
109. Implementing agencies have a risk register that is continuously updated and modified as the risks are being assessed. Table 6 provides a list of risks that implementing agencies have identified, including mitigations, as of September 2024.

Table 6. Risks and mitigations relevant to the implementation design

Risk	Risk assessment (impact, likelihood) before action or mitigation [High, Medium, Low]	Mitigation(s)
<p>The TEC is proposing removing separate Fees Free reporting and moving reporting into its existing data collection system. Changes to existing TEO and TEC systems are required for this, and these existing systems are already being updated/re-built. If there are delays to this work, this could pose delays to the collection of necessary information, with follow on delays to when payments can be made to customers.</p>	<p>Impact: High Likelihood: High</p>	<ul style="list-style-type: none"> • Regular communications between agencies and to Ministers. • Increased resourcing to support changes. • Strong planning with contingencies built in. • Providing TEOs with a long lead-in time to build/update systems. • Potentially separate reporting for TEOs that are not able to update systems in time while attempting to avoid duplication within reporting requirements, which presents further timing risks.
<p>If we only pay learners directly, and employers (in some instances) pay learners' fees, employers may feel the learner is receiving money the employer has paid, and change business practices.</p>	<p>Impact: Medium Likelihood: High</p>	<ul style="list-style-type: none"> • Learner communications. • Develop strong rationale and communications for employers.

<p>IR may pay entitlements for fees that have not been paid to the TEO. TEOs report completions (triggering Fees Free eligibility), but do not report on whether fees have been paid.</p>	<p>Impact: Medium Likelihood: High</p>	<ul style="list-style-type: none"> • Discuss options with TEOs, ensure TEOs understand actual impacts to EPIs and implications. • Learner communications.
<p>If updates to information-management agreements (between the TEC and the MSD) and the creation of new Memoranda of Understanding (between the TEC and IR) take a long time to finalise and agree, this will cause delays to the sharing of information and implementation of the service.</p>	<p>Impact: High Likelihood: Medium</p>	<ul style="list-style-type: none"> • All agencies agree on dates for final sign-offs and on tasks to draft and agree. • Strong planning with contingencies built in.
<p>If TEOs collect IRD numbers and they are used by TEC to administer the service, then this will increase the amount of personal information stored and transferred and increase the number of locations this is stored – this has data security and privacy implications.</p>	<p>Impact: High Likelihood: High</p>	<ul style="list-style-type: none"> • Complete privacy impact assessment. • Action mitigations as identified through privacy impact assessment.
<p>The DSR programme is rebuilding the TEC’s work-based data collection system. The current indicative date for completion is mid-2025. If collection of work-based Fees Free fields is required prior to completion, changes will be required to the existing ITR system, which could lead to duplication of effort for TEOs in terms of implementation.</p>		<ul style="list-style-type: none"> • Carefully consider implementation design to ensure a solution that is effective and efficient to implement. • Robust issue resolution processes are in place.

DSR Data System Refresh; **EPI** Education Performance Indicator; **IR** Inland Revenue; **ITR** Industry Training Register; **MSD** Ministry of Social Development; **TEC** Tertiary Education Commission; **TEO** Tertiary Education Organisation.

How will the new arrangements be monitored, evaluated, and reviewed?

110. To support the ongoing implementation of final-year Fees Free, the TEC, IR and the MoE will carry out standard business processes required to deliver, monitor, and report on government policy including:
- a. ministerial reporting (e.g. reports to ministers, Official Information Act queries, Parliamentary Questions);
 - b. policy development;
 - c. monitoring;
 - d. compliance activity to ensure only eligible people receive entitlements;
 - e. operational audits; and
 - f. forecasting, financial management, and budget processes.

Monitoring and evaluation

111. The MoE is the policy lead for the final-year Fees Free scheme and will work alongside the TEC to monitor the impacts and results of the final-year Fees Free policy. The monitoring arrangements for final-year Fees Free will be compared against the objectives of the policy. The policy objectives can be restated in terms of data and evidence as follows:
- a. What changes can be seen in participation rates, in particular for groups who are traditionally under-represented in tertiary study, and who avail themselves of the policy?
 - b. What changes can be seen in qualification completion rates, and first-year attrition rates, for people who avail themselves of the policy?
 - c. What changes can be seen in student loan borrowings for people who successfully complete their studies and avail themselves of the policy?
112. To mitigate against any changes in outcomes that are independent of the policy, such as those resulting from economic factors, analysts will compare beneficiaries of the final-year Fees Free scheme with control groups. These comparisons could be with similar learners prior to the introduction of the policy or with similar learners who are not benefiting from the policy. It is often difficult to determine an appropriate control group before the introduction of a policy, so we will likely need to wait for a period of time before a suitable control group becomes apparent.
113. Those learners who benefited from the first-year Fees Free policy and will thus not be eligible for final-year Fees Free will serve as an additional control group. This control group provides the opportunity to investigate longer term comparisons between learners who benefited from neither policy, those who benefited from first-year Fees Free, and those who benefited from final-year Fees Free.
114. As part of the MoE's general monitoring, we already collect quantitative data, such as statistics regarding learner participation and performance in tertiary education. Data and statistics from this monitoring can be analysed to provide a rounder picture of the policy's effects and outcomes. The sorts of additional information reported could include: demographic details (e.g. gender, age, ethnic group); the type and level of study undertaken; where the study is undertaken; tuition fees; the proportion of learners undertaking full-time study; and student loan and allowances data (e.g. uptake, loan amounts).
115. It would be near impossible to determine who may or may not be eligible without the learner going through the application process; we therefore have no plans to monitor the proportion of learners who are eligible but do not apply for their entitlement. Similar to first-year Fees Free analyses, we would be able to identify people who *may* have been eligible but didn't take up the entitlement; however, as these numbers would be based on appearances they would be inherently inaccurate. It is also impossible to model what this proportion would be, as we cannot predict who will or will not apply for their entitlement.

Monitoring of work-based learner impacts

116. We are yet to develop a framework for work-based learners to assess outcomes related to the final-year Fees Free policy. There are key differences between work-based and provider-based learning that mean that effort-reward (for example) is a less obvious concept.

117. Work-based learners are incentivised to complete their training, as people working in (but not qualified in) licensed fields tend to earn significantly less and have fewer employment prospects. However, they are heavily reliant on the ability of their employer to support their learning to completion, which can be problematic as employers are best able to support learners when there is enough work and other resource to allow this. Work-based learning is thus heavily influenced by the economic cycle, with generally lower activity when economic conditions are depressed.
118. This means it is more difficult to link work-based learners' qualification completion to their individual efforts (i.e. disentangled from the economic situation at the time), and therefore less scope to examine the impact of Fees Free payments as a reward for effort.

Reporting and reviewing

119. The MoE will publish annual monitoring data, following availability of latest full-year provider-based and work-based enrolment data, and the data on learners receiving Fees Free payments. It may take some time before any impacts of the policy are seen.
120. It may be difficult to attribute any changes in learner achievement and behaviour to any one policy measure. Indicators usually do not establish causality but are indicative of possible impacts. However, it will still be important to interpret changes in the statistics to try to be able to distinguish between Fees Free and non-Fees Free for attribution.
121. There has been no formal decision to officially review the final-year Fees Free policy at regular, set intervals. However, as stated above, the MoE will monitor the policy and its impacts, and publish annually on its outcomes.