



Hon Penny Simmonds Minister for Tertiary Education and Skills

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Rewarding hard work in tertiary education and training

Budget 2024 sets the path for a sustainable tertiary education sector that supports and incentivises hard working learners, businesses, and tertiary education providers, Tertiary Education Minister, Penny Simmonds says.

“The first year Fees Free policy was an expensive failure and did not deliver its aim of more students going into tertiary education, nor did it increase participation rates. In fact, there were fewer full-time equivalents in tertiary education in 2023 than there were in 2017.

“So we’re changing the Fees Free scheme from the first year to the last year of study, which is a much better way to incentivise students to complete their studies.

“We’re rewarding hard work and success and delivering on our coalition agreement commitment with New Zealand First,” Penny Simmonds says.

Eligibility for the scheme will start from January 2025 and be based on similar settings to the previous scheme. It will include provider-based and work-based learners studying at Level 3 and above on the NZQA framework.

“Every education dollar must be applied to its maximum value. Our Fees Free change to a more effective policy will also produce savings of \$877 million while helping to deliver better education outcomes,” Penny Simmonds says.

“Budget 2024 also supports apprentices to keep earning while training towards their qualifications, with \$65 million of funding over four years for the Apprenticeship Boost scheme.

“Employers who receive funding for second-year apprentices will continue to receive monthly payments of \$500 up to 31 December 2024. From 1 January 2025, first-year apprentices in key industries will be eligible for the \$500 per month subsidy.

Budget 2024 provides a total of \$266 million of additional operating funding over the next four years to increase the tuition and training subsidies paid to tertiary education and training providers by 2.5 percent.

Universities are estimated to receive approximately \$136 million in additional funding over four years. Actual amounts will depend on the Tertiary Education Commission's investment decisions and providers' actual delivery volumes.

“To further help providers manage cost pressures and maintain the quality of their delivery, Budget 2024 proposes an Annual Maximum Fee Movement rate of 6 percent for 2025, which I will consult on later in 2024 through a notice published in the New Zealand Gazette.

This proposed rate reflects that fees have increased by significantly less than inflation in recent years, making it harder for providers to maintain the quality of their courses.

“Over the last three years inflation has overtaken the interest rate paid by overseas-based student loan debtors by 9.6 percent. So we're increasing the interest rate charged to student loan borrowers based overseas by 1 percent for five years, from 3.9 percent to 4.9 percent. This will take effect from 1 April 2025.

The late payment interest for overseas and New Zealand based borrowers will also increase by 1 percent.

“Taken together these initiatives are a sensible approach to tertiary education funding. They reward hard working students, support new apprentices and employers, bolster tertiary providers who are doing it tough and help to keep borrowers accountable to taxpayers,” Penny Simmonds says.

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