

AN STUDENT LOAN SCHEME

Report 2009
Annual Report
OCTOBER 2009
Incorporating the Financial Statements to 30 June 2009



This report is also available on the Ministry of Education's website:
www.educationcounts.govt.nz/publications/series/student_loan_scheme_annual_reports



October 2009

Foreword

I am pleased to present the 2009 Student Loan Scheme Annual Report and the 2008/09 Financial Statements.

It has been 17 years since student loans for tertiary study were introduced with the aim of providing improved access to tertiary education by sharing the costs between students and government.

Tertiary education is an essential part of New Zealand's culture and economy. A well-educated population benefits individual New Zealanders by providing them with skills and knowledge which afford greater personal opportunities. As a nation, tertiary education provides New Zealand with the resources required to meet the changing needs of the New Zealand population both nationally and on the global stage.

Since its introduction in 1992, 833,000 New Zealanders have used the loan scheme. This equates to about 25 percent of the population of New Zealand in 2008 who were aged 15 or over. The number of New Zealanders who have accessed the scheme in each year has grown from 44,000 in 1992 to 179,000 in 2008. This increase reflects the fact that more people are studying at tertiary level and are using the loan scheme as an effective means to help fund their tertiary education. In the 2008 academic year, 69 percent of students eligible to borrow from the loan scheme did so, borrowing a total amount of \$1,241 million. More than 260,000 people have repaid their student loans in full since the loan scheme began.

The purpose of the Student Loan Scheme Annual Report is to provide public accountability information to government and to New Zealanders to assure them that the scheme is being properly managed and achieving its primary objective – that tertiary education is attainable for all New Zealanders.

This year's report details how the loan scheme has developed in recent times, what happened in 2008 and how this compares with earlier years. The report also includes the financial statements for the fiscal year to 30 June 2009 and an independent audit opinion. While the nominal value of loans has increased over recent years to \$10,259 million, the scheme's valuation has fallen in the last year. This has been due to changing economic conditions, better information about borrower behaviour and improved modelling.

The information provided within this report is a collation of data held by the Ministry of Social Development, the Inland Revenue Department, Statistics New Zealand and the Ministry of Education. These four agencies have worked together to provide an accurate and up-to-date picture of the loan scheme as it operated in 2008 and the financial situation in the 2008/09 fiscal year. The report also outlines future developments and provides forecasts of future loan participation and expenditure.

This report produces a comprehensive overview of the Student Loan Scheme and the many New Zealanders who, with the help of the loan scheme, have chosen to invest in their future and in the future of New Zealand.



Karen Sewell

Secretary for Education

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HIGHLIGHTS

STUDENT LOAN SCHEME PORTFOLIO

As at 30 June 2009:

- The nominal value of loan balances was \$10,259 million. (Refer to chapter 4.0.)
- The carrying value of the loan scheme – calculated using New Zealand equivalents to International Financial Reporting Standards – was \$6,553 million. (Refer to chapter 4.0.)
- The fair value of the loan scheme was approximately \$5,464 million. (Refer to chapter 4.0.)
- 562,000 people had a student loan with Inland Revenue for collection. (Refer to chapter 3.3.)

Since the loan scheme began:

- Students have borrowed a total of \$12,519 million. (Refer to chapter 3.2.)
- \$5,661 million has been collected in loan repayments. (Refer to chapter 3.3.)
- More than 260,000 loans have been fully repaid. (Refer to chapter 3.3.)

During 2008/09:

- \$710.0 million in loan repayments was received by Inland Revenue and the Ministry of Social Development, \$81.1 million more than last year. (Refer to chapter 5.3.)

OUTCOMES OF THE STUDENT LOAN SCHEME

- Research shows that people with tertiary qualifications have lower unemployment, higher incomes and increased wellbeing. (Refer to chapter 2.2.)

From 1994 to 2008:

- The number of tertiary students (domestic and international) in 2007 was 460,000, compared with 252,000 domestic and international students in 1994. (Refer to chapter 2.2.)
- Enrolments in public providers by Māori and Pasifika peoples have increased by 159 percent. (Refer to chapter 2.2.)
- The number of people with a bachelors degree or higher qualification rose from 12 percent to 17 percent from 2003 to 2008. (Refer to chapter 2.2.)

ABOUT STUDENTS BORROWING FROM THE STUDENT LOAN SCHEME IN 2008

- 179,000 students (69 percent of eligible students) borrowed from the loan scheme. (Refer to chapter 3.1.)
- Of these, there were 57,000 new borrowers (based on provisional Ministry of Social Development data), representing 32 percent of all borrowers. (Refer to chapter 3.1.)
- The average amount borrowed was \$6,953 and the median amount borrowed was \$6,000. (Refer to chapter 3.2.)

OF THOSE WHO ACCESSED THE LOAN SCHEME

Between 1997 and 2008:

- About 57 percent were female. (Refer to chapter 3.3.)
- 51 percent were European, 22 percent were Māori, 11 percent were Asian and 8 percent were Pasifika peoples. (Refer to chapter 3.3.)
- 40 percent had studied at a university or college of education, 31 percent at a polytechnic, 24 percent at a private training establishment and 5 percent at a wānanga. (Refer to chapter 3.3.)
- 49 percent had studied at non-degree level, 35 percent at bachelors level and 7 percent at postgraduate level. (Refer to chapter 3.3.)

As at 30 June 2009:

- The average loan held by Inland Revenue was \$16,213 and the median loan balance was \$11,090. (Refer to chapter 3.3.)
- 53 percent of borrowers will not have repayment obligations for 2009. (Refer to chapter 3.3.)
- 15 percent of borrowers with Inland Revenue were assessed as being overseas based.

REPAYMENT TIMES FOR BORROWERS

- The median repayment time for those who finished study in 1999 was forecast to be seven and a half years. (Refer to chapter 4.3.)
- The median repayment time for those who finished study in 2003 is expected to be six years seven months. (Refer to chapter 4.3.)
- The median repayment time for those who finished study in 2006 is expected to be seven years. (Refer to chapter 4.3.)
- The median repayment time for those who left study in 2006 and remained in New Zealand was three years 11 months. (Refer to chapter 4.4.)

For more information about these highlights, refer to the appropriate chapter in the report.

Introduction

The purpose of this annual report is to inform Parliament and the New Zealand public about the performance of the loan scheme and associated trends. It also provides information about the loan scheme's financial performance from 1 July 2008 to 30 June 2009.

The report explains the purpose of the loan scheme and changes to it, its role in meeting the goals of the Tertiary Education Strategy and its contribution to increasing participation and achievement in the tertiary education sector, as a component of the student support system.

The report reviews the outcomes of the loan scheme, provides detailed information about the characteristics of borrowers and associated borrowing and repayment trends, and includes information about the valuation of the loan scheme and forecasting.

Tables behind graphs and historical data

The data underlying the graphs in this report, and tables providing more detailed historical data, will be available on the Education Counts website, www.educationcounts.govt.nz later this year. These tables will be available for downloading in spreadsheet format.

Sources

The information in this report has been developed from data drawn from four principal sources. Each of the three agencies responsible for the loan scheme has supplied data. The information on new borrowers and borrowers in study is largely drawn from the Ministry of Social Development. Inland Revenue has supplied data on the repayments and loan balances of all borrowers, including those who have left study. Tertiary education data and data on borrowing in the years before 2000 were supplied by the Ministry of Education. Other data has come from Statistics New Zealand's integrated dataset on student loans and allowances (see details below). Data from these sources is complemented by information drawn from the Census, the Household Labour Force Survey and other published data sources. Each table and graph states the source of its data.

The data behind the graphs and tables in this report, as well as additional Ministry of Education research cited, can be found on the Education Counts website: www.educationcounts.govt.nz.

Where data in the tables and graphs is provisional and subject to minor change at a later stage, this has been noted.

The integrated dataset

The integrated dataset on student loans and allowances is managed by Statistics New Zealand according to the requirements of the Statistics Act 1975 and follows strict privacy protocols that have been developed with guidance from the Privacy Commissioner. Care has been taken to ensure that privacy concerns are met and that the integrity and accuracy of data are maintained.

The integrated dataset combines:

- information collected by tertiary education providers on students, enrolments and courses
- information collected by the Ministry of Social Development on students' borrowings under the loan scheme and their student allowances payments
- data on student loan balances, repayments, income and tax status from Inland Revenue.

The dataset has most recently been updated with records up to 31 March 2008.

Nominal dollars

In this report, unless otherwise stated, all financial data is expressed in nominal dollars without adjustment for inflation.

Ethnicity

Statistics on ethnicity and ethnic groups are obtained from student declarations on enrolment and loan application forms. It should be borne in mind when using these statistics that declaration of ethnicity is not mandatory. Ethnicity data supplied by Statistics New Zealand on Pacific Peoples is referred to in this report as Pasifika.

Data series

A variety of different timeframes has been used for the data series presented in this report. This is due to a number of reasons, including the availability of historical data and also as a means of highlighting interesting and important events or trends that occur over specific timeframes.

The stages of the loan process

Within this report there are three ways in which the term 'borrower' is used. These correspond to the three stages a typical borrower goes through in the Student Loan Scheme.

The first stage occurs when a borrower enters the Student Loan Scheme for the very first time. In this report these borrowers are referred to as 'new' borrowers. The details of their loan are not yet with Inland Revenue.

Once a new borrower has entered the loan scheme they become part of a larger group of 'in-study' borrowers. This group includes all new borrowers as well as those who have entered the loan scheme previously and are still drawing a student loan while studying. The number of borrowers in this group will be the total number of students who have drawn from the Student Loan Scheme in a given year.

In February following each academic year, the borrower's loan balance with StudyLink is transferred to Inland Revenue. The borrower now enters the stage of the process in which the loan is repayable if their income is above the threshold. The total number of borrowers in this group will be all those borrowers who have a student loan balance with Inland Revenue. Some of these will be students who are still studying as well as those who have previously studied, including some borrowers who are currently overseas.

Student Loan Borrowers in 2008

New borrowers 57,000

In-study borrowers 179,000

Borrowers who have left study 440,000

Borrowers who repaid loans in full since 1992 260,000+