Te Tāhuhu o te Mātauranga
Ministry of Education

E.1

Annual Report 2023-24

Student Loan Scheme

Incorporating the Financial Schedules for the year ended 30 June 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Published by the Ministry of Education, New Zealand, November 2024. Presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989.

Mātauranga House, 1 The Terrace
PO Box 1666, Thorndon
Wellington 6140, New Zealand.

education.govt.nz

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

Crown copyright © 2024

ISSN 978-1-77690-981-0 (Print)
ISSN 978-1-77690-982-7 (Online)

Te Kāwanatanga o Aotearoa
New Zealand Government

Annual Report 2023-24

Student Loan Scheme

Incorporating the Financial Schedules
for the year ended 30 June 2024

Foreword

The Student Loan Scheme assists a wide range of people to pursue their educational and life goals. As well as enriching people's lives and their employment prospects, high-quality tertiary education helps New Zealand build its knowledge and skill base, which benefits our economy and society.

To this end, the Government has a broad system of supports to partly offset tertiary education costs for students. New Zealand's subsidised Student Loan Scheme is a part of this support, providing students with the means to spread their share of tertiary education costs over time.

In 2023, student enrolments have begun to stabilise following an increase during COVID-19 and then a decrease to pre-COVID levels in 2022. However, we are continuing to see a decrease in the number of eligible students taking out a student loan, particularly in the 21-to-26-year age group. As a result of this decrease in borrower numbers, overall borrowing for course fees and course-related costs has dropped (but not for living costs).

There have been several changes to student loans and the wider funding system that will start in 2025 and be reflected in student loan borrowing and repayment data in later Annual Reports. These include tertiary providers being able to increase fees by up to six percent, the final-year Fees Free policy, which is replacing the current first-year Fees Free policy, Budget funding for increased student loan collection activities, and a temporary increase to the student loan interest rate.

The agencies of Te Tāhuhu o te Mātauranga | Ministry of Education, Te Manatū Whakahiato Ora | Ministry of Social Development and Te Tari Taake | Inland Revenue worked together on this Annual Report to provide Government, students and the public with information about the Scheme.

Andy Jackson

Andy Jackson
Secretary for Education (acting)

Contents

At a glance

Since 1992:

1.5m
people have taken out a student loan

PAGE 26

Students have borrowed a total of
$34.3b

PAGE 26

Borrowers have repaid a total of
$23.3b

PAGE 33

934,000
people have fully repaid their student loan

PAGE 38

Average amounts borrowed, per year, have increased from **$282** to
$11,508

PAGE 22

Borrowing in 2023

- There were **27,829** first-time borrowers, a decrease of **0.9 percent** compared with 2022 (**page 21**)
- The total amount borrowed was **$1,391 million**, an increase of **0.4 percent** compared with 2022 (**page 21**)
- Students used **57 percent** of the total they borrowed to pay for course fees (**page 25**)
- Of **120,918** students* (**page 21**):
  - **64 percent:** European
  - **16 percent:** Māori
  - **18 percent:** Asian
  - **9 percent:** Pacific peoples
  - **5 percent:** other

63% Female

36% Male

1% Another gender

* Borrowers can select more than one ethnic group, so the sum of all the ethnic groups may not add up to 100%. Other ethnic groups include borrowers who identified themselves with three or more ethnic groups.

Note: Borrowing data is until 31 December 2023.

In 2023/24:

120,918
students borrowed from the loan scheme

PAGE 21

618,008
people had a student loan

PAGE 31

$1.6b
was collected in loan repayments

PAGE 33

105,434 borrowers had overdue repayments
74%
were overseas-based

PAGE 35

The average student loan balance was
$25,709

PAGE 31

The median student loan balance was
$17,794

PAGE 31

Repayments in 2023/24

- Overdue student loan debt was **$2,375 million**; overseas-based borrowers owed **93 percent** of the overdue amount (**page 35**)
- **$1,205 million** of repayments were made through the PAYE system (**page 33**)
- **$391 million** of repayments were made directly by borrowers (**page 33**)
- **52,368 borrowers** repaid their loans in full in the year to 30 June 2024 (**page 38**)
- The forecast median repayment time for all borrowers who left study in 2022 was **5.2 years** (**page 28**)

Value of the Student Loan Scheme in 2023/24

- The nominal balance of all loans as at 30 June 2024 was **$15,867 million** (**page 55**)
- The cost of lending was **40.36 cents** in every dollar lent (a total of **$544 million** over the year ended 30 June 2024) (**page 44**)
- The carrying value of the loan scheme as at 30 June 2024 was **$9,596 million** (**page 48**)

Note: Repayment data is for the financial year ending 30 June 2024.

Introduction

This Annual Report informs Parliament and the New Zealand public about the performance of the Student Loan Scheme, to assure them that the Scheme is achieving its primary outcome – that tertiary education is attainable for all New Zealanders.

Purpose

The report explains the contribution made by the Scheme in enabling access to tertiary education, as well as changes made over the last year. It looks at outcomes and provides detailed information about the people who use the Scheme, their borrowing and repayments. The report includes detailed audited financial schedules, an analysis of costs and the valuation of the Scheme as at 30 June 2024.

When new data is collated, it provides information for the most recent year and is also linked to historical data to take advantage of improvements in data quality. Revised data is used in this report, so readers might notice small changes in historical data compared with that in previous reports.

Te Tiriti o Waitangi | the Treaty of Waitangi

This Student Loan Scheme Annual Report contributes to an education system that honours Te Tiriti o Waitangi | the Treaty of Waitangi and supports Māori-Crown relationships in accordance with section 4(d) of the Education and Training Act 2020.

Data statement

Good information and data about student loans is important for stakeholders to inform decision making, research and debates, and to monitor the effects of government policies and programmes. We will continue to seek input from Māori about what data and information we could practicably include in the Annual Report and on agency websites to support the needs of Māori and non-Māori, recognising the Crown's responsibilities under Te Tiriti o Waitangi | the Treaty of Waitangi.

Roles and responsibilities

Ministers and officials

The Minister for Tertiary Education and Skills is responsible for student loan policy and the Minister of Revenue is responsible for all student loan operational matters. The Secretary for Education is the Lead Official for the Student Loan Scheme and is answerable to Ministers.

Agency roles

Te Tāhuhu o te Mātauranga | Ministry of Education is the lead agency for student loans. It is responsible for providing strategic policy advice, forecasting borrower costs, preparing the Annual Report and managing the valuation process. It also provides tertiary education data, as well as information on borrowing before 2000.

Te Manatū Whakahiato Ora | Ministry of Social Development (through StudyLink) is responsible for making loan payments to students and tertiary education organisations and provides information on active borrowers.

Te Tari Taake | Inland Revenue is responsible for the Student Loan Scheme Act 2011. It collects student loan repayments and ensures borrowers meet their repayment obligations. The agency provides information on repayments, loan balances and borrower groups.

Te Amorangi Mātauranga Matua | Tertiary Education Commission is responsible for approving qualifications for student loan purposes and administering the Fees Free tertiary education and training policy.

Te Tai Ōhanga | The Treasury is the Government's lead advisor on economic, financial and regulatory policy. Its role is to bring a fiscal and economic focus to student loan policy advice, including the valuation of the Student Loan Scheme and its fiscal sustainability.

Tatauranga Aotearoa | Stats NZ collects and makes available official data and other information and manages the Integrated Data Infrastructure (IDI). Information in the IDI is made available in line with strict privacy and confidentiality protocols developed with guidance from the Privacy Commissioner.

Legal structure and authority

Student loan eligibility rules are set out in the decisions of Cabinet recorded in Cabinet Minutes. Access to a student loan is provided through a contract between the Crown and the student. The collection rules for student loans are set out in the Student Loan Scheme Act 2011.

The purpose of the Act is to:

› provide for the effective administration of student loans
› provide for the collection of student loan repayments
› provide transparency about student loans so that borrowers understand their obligations
› encourage borrowers to repay their student loans at the earliest possible time.

Data

Each agency endeavours to provide accurate and relevant information. The data for the graphs and tables, as well as additional Te Tāhuhu o te Mātauranga | Ministry of Education research cited in this report, can be found on the Education Counts website: educationcounts.govt.nz/

Reports are produced by the agencies each quarter to support the Annual Report. Quarterly reporting can be found at: ird.govt.nz/about-us/tax-statistics/student-loan-scheme and msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/studylink/index.html

From 2020, there have been significant changes in the IDI data used for the valuation as a result of Te Tari Taake | Inland Revenue's Business Transformation programme.

Tatauranga Aotearoa | Stats NZ makes the following disclaimer about use of its data: "The results in this report protect individual persons, households, businesses and organisations from identification. The results presented in this report are the work of the author, not Tatauranga Aotearoa | Stats NZ."

Each figure and table states the source of its data.

Student Loans Integrated Model (SLIM)

This model is used to value the Scheme and support policy development. It is built by actuaries engaged by Te Tāhuhu o te Mātauranga | Ministry of Education using education, loan and tax data linked by Tatauranga Aotearoa | Stats NZ and made available in the IDI. It is updated annually to reflect up-to-date conditions. The model is discussed further in **Appendix 1**.

Timeframes

Different timeframes apply to the data series, depending on the nature of the activity. Unless otherwise stated:

- borrowing data is for the years January to December to align with the traditional academic year
- financial data, including repayment data, is in the years July to June to align with the Government's financial year
- interest rates, living costs, annual inflation adjustments and repayment obligation thresholds are in the years April to March to align with the tax year.

Further information

Loan borrowing

The Student Loan Scheme consists of the following elements:

- compulsory course fees
- living costs
- course-related costs
- fee charges.

For the eligibility criteria go to: StudyLink.govt.nz

Loan repayments

Borrowers have obligations to repay their loan. Self-service options make it easier for borrowers to:

- see what they owe
- make repayments
- manage overdue amounts
- apply for exemptions.

For more information go to: ird.govt.nz/student-loans

Student loan outcomes framework

The overall aim of the Student Loan Scheme is to enable a wide range of people to access high-quality tertiary education. The Scheme supports students to gain qualifications, knowledge and skills that enhance the economic and social wellbeing of New Zealand.

The primary outcomes sought from the Scheme are:

- enhancement of the knowledge, skills and experiences of New Zealanders
- long-term affordability of the loan scheme for borrowers and taxpayers.

Research and analysis indicate that in the short term, the loan scheme is a valuable tool in improving access to tertiary education for all New Zealanders.

Figure 1 shows the outcomes framework for the Scheme and identifies the indicators the agencies monitor to assess whether it is achieving the desired outcomes. This report highlights how the agencies are contributing to different elements of the framework.

Figure 1 Outcomes of the Student Loan Scheme

Vision Statement	The Student Loan Scheme aims to enable a wide range of people to access tertiary education, gaining knowledge and skills that enhance the economic and social wellbeing of New Zealand.			
Primary Outcomes	Enhanced knowledge, skills and experiences of New Zealanders		A long-term affordable loan scheme for borrowers and taxpayers	
Immediate Outcomes	More borrowers gain relevant qualifications that assist employment	More people have the opportunity to access tertiary education	Borrowers meet their repayment obligations of their own accord	Increased value and performance of the student loan asset
This will mean that...	› students make better-informed study choices › more borrowing is focused towards quality, high-level courses › more graduates find relevant employment	› good information about career pathways, study options, and available support is more accessible › more young people are engaged in education, training or employment	› borrowers know and understand their repayment obligations › borrowers maintain contact with Te Tari Taake | Inland Revenue › overall compliance increases	› future lending has better returns › the return on the student loan asset improves

Part One

The loan scheme – its role, borrowing and repayment performance

The role of the Student Loan Scheme in tertiary education

The Student Loan Scheme (the Scheme) enables a wide range of people to access tertiary education, gaining knowledge and skills that enhance the economic and social wellbeing of New Zealand. This section looks at the primary outcomes.

The student support system includes the Student Loan Scheme and the Student Allowances Scheme.[1] These schemes contribute to the Government's objective of ensuring barrier-free access to tertiary education.

The student support system is complemented by tuition subsidies, fee subsidies and fee regulation. There are improved options for transition from school and vocational pathways with industry to support learners to move into further study or employment.

The overall tertiary education system is supported by the Government's strategic direction for tertiary education over a three- to five-year period.[2]

Tertiary education has benefits for individuals, society and the economy.

The non-economic benefits associated with having a higher qualification include a higher quality of life, better health, greater social cohesion and a smaller proportion of the population dependent on support through the health and social services systems.

In New Zealand, the costs of tertiary education are shared between the Government, individuals and their families to reflect the shared benefits. Cost sharing also helps to support more people into tertiary study so they can invest in their future.

1 Information and statistics about the Student Allowances Scheme can be found at: https://www.studylink.govt.nz/products/a-z-products/student-allowance/index.html; msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/studylink

2 The Government launched a Tertiary Education Strategy in 2020. It forms part of the Government's broader programme of work to begin a 30-year strategic approach to education. Further information can be found at: https://www.education.govt.nz/

Cost sharing

Government contribution to tertiary education

Table 1 shows that Government expenditure on student loans[3] in the 2023 calendar year was $552 million, an increase of $31 million compared with the previous calendar year.

Table 1 Funding of tertiary education

Government expenditure ($ million)		2021	2022	2023
Expenditure ($ million)	Student loans – fair value write-down on new borrowings	453	521	552
	Student allowances	606	552	524
	Tuition subsidies, Fees Free, TAFL and HAFL	2,714	2,638	2,452
	Total	**3,772**	**3,711**	**3,528**
	Total as % of GDP	1.10%	1.02%	0.89%

Source: Te Tāhuhu o te Mātauranga | Ministry of Education, Te Manatū Whakahiato Ora | Ministry of Social Development, Te Amorangi Mātauranga Matua | Tertiary Education Commission and Te Tari Taake | Inland Revenue.

Notes:

1. This table presents expenditure on a calendar year basis. In previous editions of the Student Loan Scheme Annual Report, this was presented on a fiscal year basis. Due to changes in appropriation structure, Government expenditure on tuition subsidies and fees-free can only be split into provider-based and workplace-based on a calendar year basis. It is expenditure on provider-based tertiary education tuition subsidies and fees-free that is presented in this table.
2. Fees Free represents the amount spent on paying tuition fees for Fees Free eligible students via the first-year Fees Free policy and the Targeted Training and Apprenticeship Fund (TTAF). The amount here only includes funding for students enrolled in provider-based tertiary education. TTAF ended in December 2022.
3. The following items of expenditure are not covered: industry training, community education, scholarships, Youth Guarantee, Centres of Research Excellence, funds for the administration of the tertiary education system, Performance-Based Research Fund (PBRF) and capital expenditure.

The increase can be attributed to rising interest rates. **Part Two** has more information about the impact of interest rates on the Student Loan Scheme.

Expenditure on tuition subsidies and Fees Free for provider-based tertiary education was $2,452 million in 2023, a decrease of $186 million from the previous year. The main reason for this decrease in expenditure was the ending of the Targeted Training and Apprenticeship Fund (TTAF) in 2022. A decrease in participation in provider-based tertiary education in 2022 and 2023 was one of the factors that led to decreased expenditure on student allowances (a decrease of $28 million on the previous year).

3 Student loan expenditure is represented using the write-down on new lending. For more information on new lending go to: **Page 54**

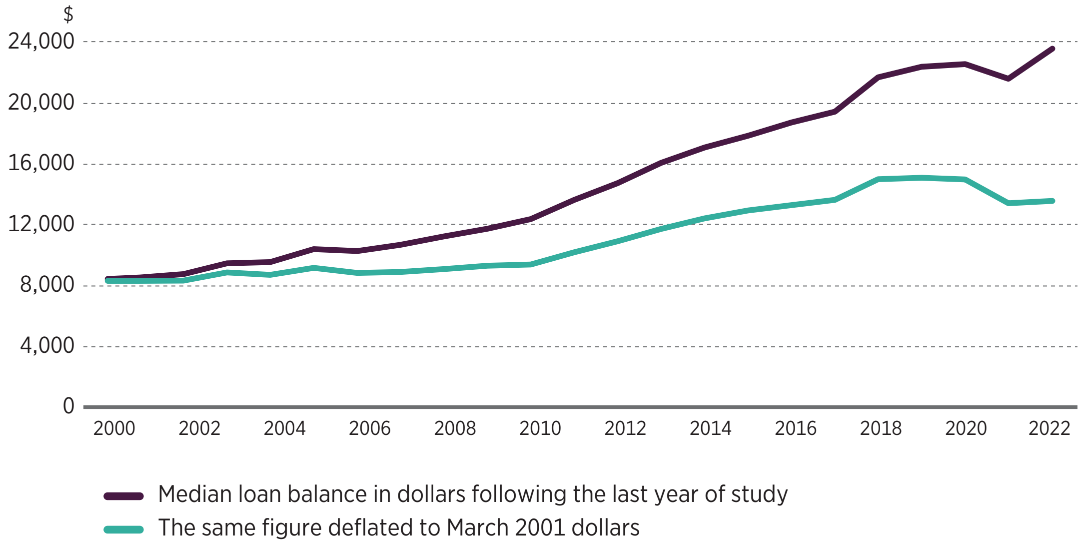
Student contribution to tertiary education

In the five years before 2018, students paid around 32 percent of the full cost of study through tuition fees. However, as a result of policies restricting fee increases, the introduction of first-year Fees Free and the TTAF, this figure decreased to around 27 percent in 2023. This means that the Government's share was 73 percent in 2023, but in practice it was much larger. Much of the students' share is met by interest-free borrowing through the Student Loan Scheme, and once this implicit subsidy is considered, the Government's share rises to 82 percent.

A way of assessing the full cost of the Scheme to borrowers is to consider their loan balances when they leave study, their incomes following study, and the time it takes them to repay their loans. At the same time, the Government is bearing the cost of the loans being interest-free while they are New Zealand-based.

Figure 2 shows the median loan balances for students at the time they left study between 2000 to 2022.

Figure 2 Median loan balance on leaving study



Source: Tatauranga Aotearoa | Stats NZ IDI.

Over the last 23 years, median loan balances on leaving study have increased by 62 percent after adjusting for inflation, with most of this occurring in the last 12 years. This increase is the result of course fees rising over time and more students studying for longer to achieve higher-level qualifications.[4]

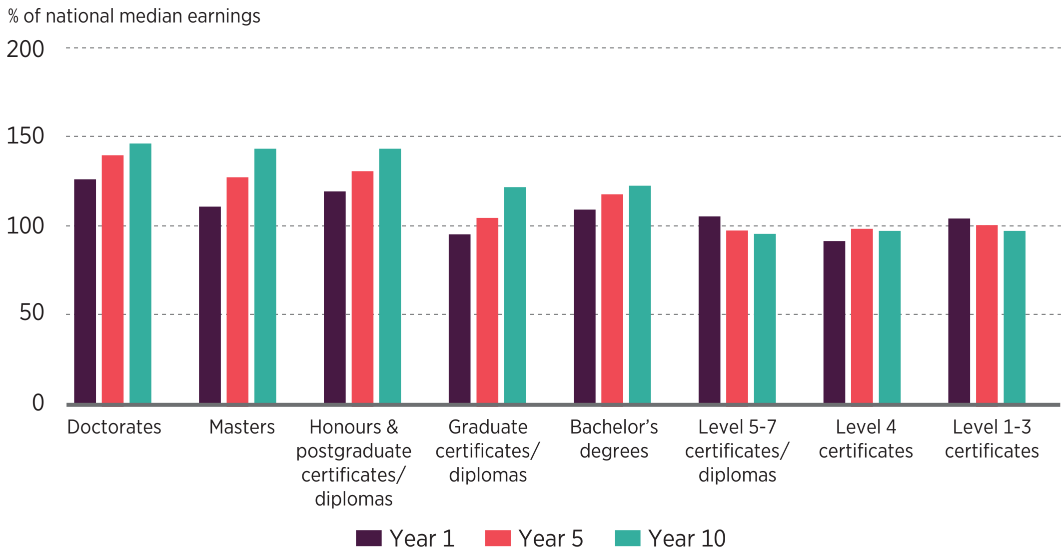
In 2022, the median loan balance on leaving study increased compared with 2021. Last year's decrease was the result of the Fees Free policy, with the first large cohort of bachelor's students leaving study having borrowed less. In 2022, the median loan balance increased at all levels, despite a slight decrease at bachelor's level.

4 Median loan balances by qualification and gender can be found at: educationcounts.govt.nz/statistics/tertiary-education/financial_support_for_students

Despite the rising costs of tertiary education, many economists measure gains to students by looking at earnings. In most cases, having a qualification enhances income-earning potential and employers pay a premium to those who have completed a qualification.

Figure 3 shows that in the tax year ending 2023, five years after graduation, people who completed a bachelor's degree and went into the workforce earned on average 18 percent above the national median earnings.

Figure 3 Earnings as a percentage of national median earnings by year after qualification



Source: Tatauranga Aotearoa | Stats NZ IDI, Te Amorangi Mātauranga Matua | Tertiary Education Commission interpretation.

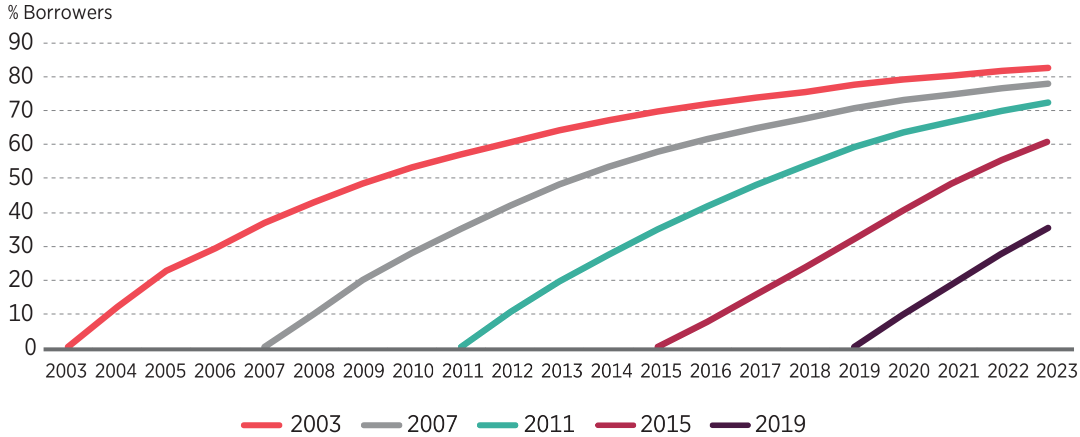
Notes:

1. Graduate earnings are attributed only to the highest qualification completed.
2. Sources of data used to identify the highest qualification completed include the Single Data Return, Industry Training Register and New Zealand Qualifications Authority (NZQA) register.
3. The definition of employed graduates and employed population is based on income from employed taxable sources. A person is considered employed if their yearly income in the 2023 tax year from employed sources exceeded $22,048 (one-half of the minimum wage over 52 weeks, with 40 working hours in a week).
4. All earnings are measured in the 2023 tax year. Any negative earnings (income losses) were zeroed.
5. For comparison purposes, the median earnings of the employed New Zealand population were calculated for age groups matching the median age of graduate groups in each year.
6. All median earnings were rounded to the nearest dollar. Percentages presented here are based on rounded earnings and are shown as whole numbers.

For New Zealand-based borrowers, a person's income determines the rate at which they repay their student loan, so another way to look at the performance of the Scheme is to look at the rate of repayment of loans.

Figure 4 indicates that of those borrowers who left study in 2003, 83 percent have fully repaid their student loan.

Figure 4 Percentage of borrowers who have fully repaid having left study in the year shown



Source: Tatauranga Aotearoa | Stats NZ IDI.

Notes:

1. The leaving cohorts are those who last studied in 2003, 2007, 2011, 2015 and 2019, had borrowed from the Scheme, and had a student loan balance of more than $20 at 31 March in the following year.
2. Full repayment is deemed to occur when the student loan balance has fallen to $20 or below.

It is expected that some borrowers will never repay their student loans for a variety of reasons. These numbers are very low for those who stay in New Zealand but higher for those who stay overseas.[5]

Repayment times are discussed further on **page 26**, where the data shows that those who pursue higher-level qualifications build up a larger student loan but can also expect to pay that loan off more quickly.

Students can fund their tertiary education in several ways, not just with a student loan. To make a good financial investment, it is important for students to have good information on their study and financial options and what income they can expect when they graduate. Several government agencies provide information and tools to supplement the career information and advisory services provided by schools and tertiary education organisations. A list of resources is provided in **Appendix 2**.

5 Research about persistent non-repaying borrowers can be found at: educationcounts.govt.nz/publications/80898/persistent-non-repayers

Participation and borrowing

Since being established in 1992, the Student Loan Scheme, together with the wider system of Government financial support, has contributed to the tertiary education system becoming more diverse, inclusive and accessible.

Participation

In 2023:

- Domestic participation in provider-based tertiary education decreased by 0.2 percent. This followed a decrease in participation in 2022 and increases in 2020 and 2021, and a period of declining participation up to then. The changes since 2020 reflect impacts of COVID-19 on actual and perceived labour market prospects.
- The largest decline was observed at postgraduate level, which did not decrease in 2022 compared with bachelor's and non-degree levels. In general, changes in participation seemed to compensate across categories. Increases in participation for non-degree tertiary education and bachelor's coincided with a decrease in postgraduate participation. Changes were small and largely similar for males and females, and across age groups and ethnic groups.

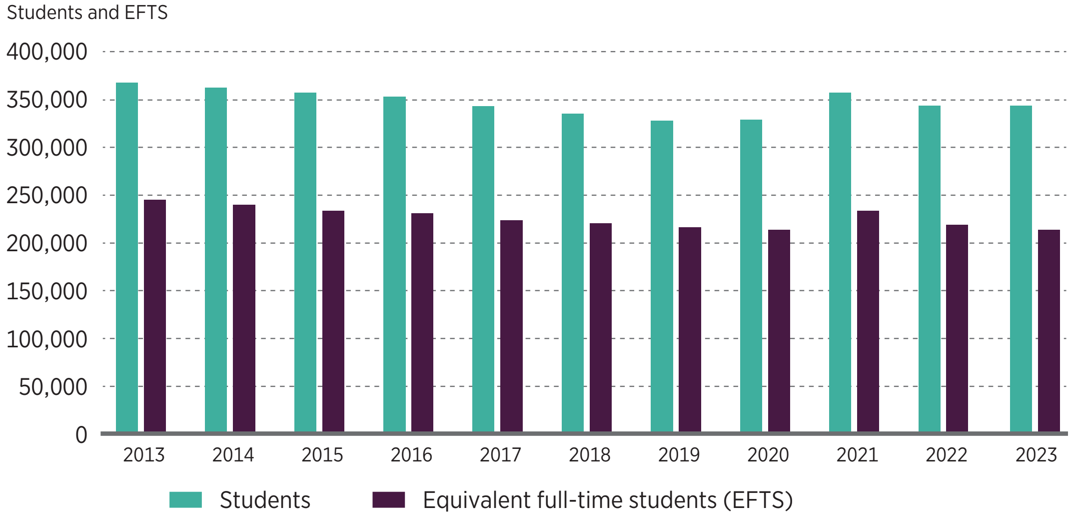
Recent trends in participation

Figure 5 shows that over the last decade, participation in tertiary education decreased steadily until 2020. Between 2013 and 2019, the number of domestic students decreased by 12 percent to 325,000. Much of this decline in participation was in non-degree tertiary education, which decreased by 21 percent. The number in postgraduate-level study increased by 15 percent. The stronger labour market over this period was a significant contributor to this trend.

This decline halted in 2020 as student numbers increased slightly to 328,000, and further increased significantly in 2021 to 358,000. Nearly 30,000 more people participated in tertiary education in 2021, up 9 percent from 2020. The number of equivalent full-time domestic students increased by 10 percent to 233,000. These increases were the largest growth in domestic participation in 20 years. They reflected impacts from the COVID-19 pandemic, including border closures, which restricted overseas travel, while reduced employment prospects as a result of the pandemic led some to opt instead to enter, remain in, or return to tertiary education.

Following the removal of COVID-19 restrictions in December 2021, a number of 2021 school leavers and tertiary students opted to enter or return to the labour market in preference to tertiary education. The total number of domestic students decreased in 2022 by 4 percent and in 2023 by 0.2 percent to 342,000. In full-time equivalent terms, the numbers of students decreased by 6 percent in 2022 and 2.6 percent in 2023 to 213,000.

Figure 5 Enrolment by domestic students in tertiary education



Source: Te Tāhuhu o te Mātauranga | Ministry of Education.

Notes:

1. Data relates to domestic students enrolled at any time during the year.
2. Participation excludes industry training, non-government-funded private training establishments (PTEs), formal courses of a week or less, and all non-formal learning.
3. The difference between student numbers and EFTS numbers relates to the proportion of part-time students enrolled and the study load they enrol for.

Table 2 provides additional information on participation by domestic students in provider-based tertiary education. The largest decline in 2023 was at postgraduate level. By gender, the participation increased for males and decreased for females. Among ethnic groups, it increased for Māori and Asian, and decreased for Europeans. Among the age groups, the participation increased only for 20 years old and under.

Over the last decade, the number of domestic students completing tertiary qualifications has decreased, largely in line with decreasing enrolments. Most of this decrease has been in non-degree tertiary education. As a result of COVID-19 impacts, there was an increase in enrolments in 2020 and 2021. There was also an increase in the number of students completing qualifications in 2021, for both qualifications at degree level and higher, and non-degree qualifications. However, after a post-COVID-19 decrease in 2022, the enrolments increased again in 2023 by 4 percent.

The second largest decrease was observed in the 21- to 26-year age group. After a 5 percent decrease in 2022, the enrolments in this group decreased by 4 percent in 2023. The percentage decrease in female enrolments halved from 4 percent in 2022 to 2 percent in 2023. Male enrolments increased by 2 percent in 2023 after a decrease by 4 percent in 2022.

Table 2 Participation by domestic students in tertiary education[6]

Participation and completion		2021	2022	2023
Domestic students participating in tertiary education	**Total (000)**	**359**	**344**	**342**
	20 years old and under	87	83	85
	21-26 years old	102	97	93
	27-50 years old	138	134	133
	Over 50 years old	32	31	31
	Female	219	210	205
	Male	139	132	135
	Another gender	1	2	2
	Māori	75	71	73
	Pacific peoples	36	34	34
	European	225	215	209
	Asian	61	63	65
Domestic students completing qualifications (000)	Non-degree	75	68	71
	Bachelor's	28	26	27
	Postgraduate	16	16	15
	Total	**118**	**109**	**112**

Source: Te Tāhuhu o te Mātauranga | Ministry of Education.

Notes:

1. Data relates to domestic students enrolled at any time during the year.
2. Participation excludes industry training, non-government-funded PTEs, formal courses of a week or less, and all non-formal learning.
3. A small number of students complete qualifications at different levels in the same year, so the sum of the three levels may be higher than the number of students completing their qualifications in a given year.
4. Students are counted in each ethnic group they identify with, so the sum of the various ethnic groups may not add to the total.
5. Counts for students reporting 'another gender' available from 2021.
6. Data in this table, including totals, has been rounded so the sum of individual counts may not add to the total.
7. Figures for historical years may differ to those published in previous Student Loan Annual Reports due to subsequent data updates.

Borrowing

Not all students participating in tertiary education borrow from the Student Loan Scheme. Active borrowers are all those people who borrowed in 2023, including those using the Scheme for the first time (first-time borrowers). The number of active borrowers declined by 6.8 percent in 2023 and the number of first-time borrowers decreased by 0.9 percent.

Compared with the 2022 calendar year, in 2023:

- $1,391 million was borrowed through the Scheme, an increase of 0.4 percent
- 120,918 students borrowed from the Scheme, a decrease of 6.8 percent
- there were 27,829 first-time borrowers, a decrease of 0.9 percent.

6 Further data on tertiary enrolments and completions can be found at: educationcounts.govt.nz/statistics?edcoundsfilters_sector=Tertiary.

For those students who borrowed in 2023:

› the average amount borrowed was $11,508, an increase of 7.7 percent ($819) on the previous year

› the median amount borrowed was $9,858, an increase of 6.5 percent ($603) on the previous year.[7]

A key contributor to the increase in the median and average is an increase in borrowing for living costs, largely due to the $25 per week increase in the maximum student loan living cost entitlement in April 2022 (in addition to the annual inflation adjustment).

Demographic characteristics of all active student loan borrowers

One of the primary outcomes sought from the Scheme is to allow greater access to tertiary education.

The Scheme has contributed to a more diverse tertiary student population than in previous decades, when university students were disproportionately European, male and school leavers.

Table 3 shows fewer male borrowers than female. In 2023, there has been a large decrease in the number of borrowers compared with 2022. This is seen across all age groups up to 50 years old, with larger decreases for those aged 21 to 26.

Table 3 Demographic characteristics of all active student loan borrowers

All active borrowers		2022	2023	2022-2023 change	
				No.	%
Total number		**129,711**	**120,918**	**-8,793**	**-6.8%**
Gender	Female	82,548	75,855	-6,693	-8.1%
	Male	46,200	43,866	-2,334	-5.1%
	Another gender	963	1,197	234	24.3%
Age	Average age	25	26		
	Median age	22	22		
	20 years and under	34,113	32,460	-1,653	-4.8%
	21-26 years	60,219	54,885	-5,334	-8.9%
	27-50 years	32,928	31,035	-1,893	-5.7%
	Over 50 years	2,451	2,535	84	3.4%
	20 years and under (%)	26.3	26.8		
	21-26 years (%)	46.4	45.4		
	27-50 years (%)	25.4	25.7		
	Over 50 years (%)	1.9	2.1		
Ethnic group	European (%)	63.9	64.2		
	Māori (%)	16.3	16.4		
	Pacific peoples (%)	9.1	9.0		
	Asian (%)	17.0	18.1		
	Other (%)	4.6	4.7		

Source: Te Manatū Whakahiato Ora | Ministry of Social Development.

Notes:

1. All percentages are of all active borrowers.
2. Active student loan borrowers are those who borrowed from the Scheme in the calendar year.
3. Borrowers can select more than one ethnic group, so the sum of all ethnic groups may not add to 100 percent.
4. Other includes borrowers who identified themselves with three or more ethnic groups.
5. The total number of borrowers includes those who identified as 'another gender'.
6. The counts of borrowers have been randomly rounded to base 3 and may not appear to add. The age group counts are sums of individual age level counts that are each randomly rounded to base 3.

7 Supporting information on median and average amounts borrowed and full-time and part-time uptake can be found at: educationcounts.govt.nz/statistics/tertiary-education/financial_support_for_students

Loan uptake

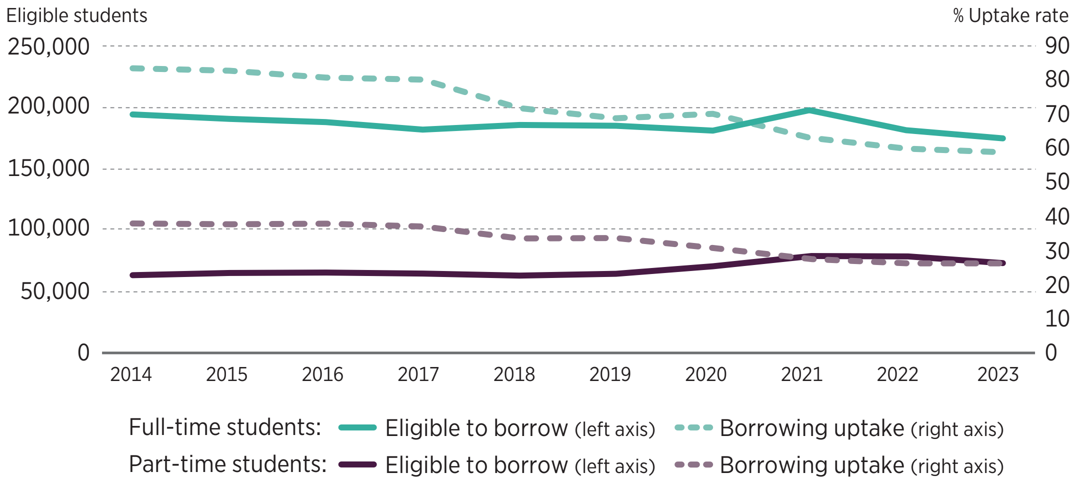
The overall uptake rate reflects the mix of full-time and part-time borrowers.

Recently, both the number of students who could take a loan and the proportion of these students who do take a loan has decreased.

The uptake rate of eligible full-time students decreased from 60 percent in 2022 to 59 percent in 2023. This follows a larger decrease from 70 percent in 2020. The part-time uptake rate this year is 26 percent, with no change from last year but down from 30 percent in 2020.

Figure 6 shows this uptake rate and the number of students eligible to borrow. We see that the number of students eligible to borrow has continued to decrease in 2023. The number of full-time eligible students decreased by 3.7 percent, while the number of part-time eligible students decreased by 6.1 percent.

Figure 6 Number of students eligible to borrow and the uptake rate



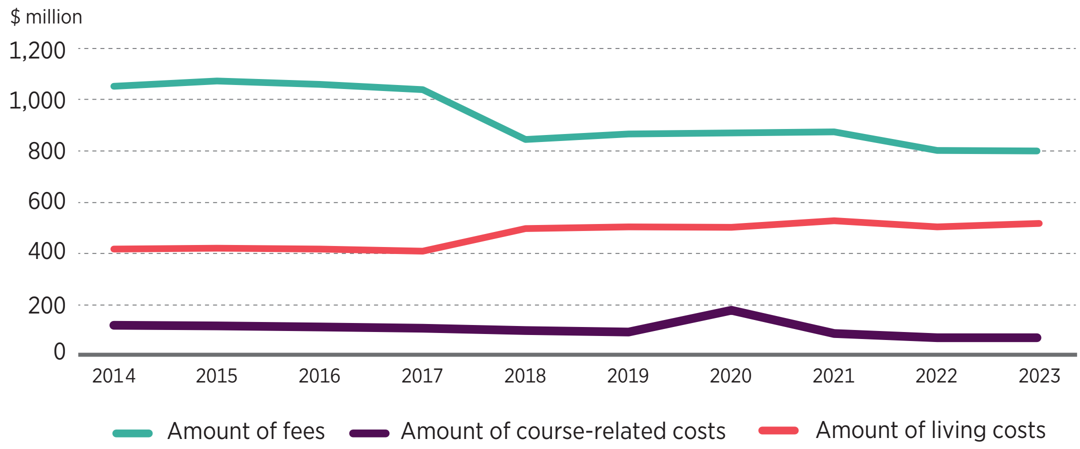
Source: Te Manatū Whakahiato Ora | Ministry of Social Development and Te Tāhuhu o te Mātauranga | Ministry of Education.

Loans by component

Borrowers can use the Scheme to pay for course fees unless they are entitled to first-year Fees Free or there is no fee charged. The Scheme also provides for living and course-related costs for those undertaking full-time study.

Figure 7 shows the impact of the introduction of Fees Free on borrowing in 2018. The steep increase in living costs in the same year is because of the $50 per week increase made available to students in 2018. The steep increase in course-related costs in 2020 is because of the support provided to tertiary students during the COVID-19 pandemic. Borrowing availability for course-related costs increased from $1,000 to $2,000 for students enrolled in 2020 only. In 2023, course fees and course-related fees decreased compared with 2022 because fewer students were borrowing. Living costs was the only component that increased compared with 2022.

Figure 7 Total amounts drawn by loan component



Source: Te Manatū Whakahiato Ora | Ministry of Social Development.

Amounts borrowed by sub-sector

The loan components by sub-sectors are shown in *Table 4*.

In 2023:

- 86 percent (104,181 students) used a student loan to pay for course fees
- 54 percent (65,872 students) used a student loan to help meet course-related costs
- 58 percent (70,672 students) used a student loan to help meet living costs.

Table 4 shows that to pay for course fees, on average students at Private Training Establishments (PTEs) borrowed 5.7 percent more than students attending university.[8] Students at Wānanga borrowed the least. University students borrowed the highest average amount in total ($12,495).

8 Student loan contracts are for a 52-week period. As many qualifications at PTEs do not follow a traditional academic year, some borrowers may have more than one contract in a calendar year. This means they may be able to access more than one student loan in that year.

Table 4 Amount borrowed by loan component and sub-sector

2023	Sub-sector	Number of borrowers	Borrowing amount ($ million)	Average borrowing ($)
Course fees	University	73,761	597.0	8,094
	Te Pūkenga	20,664	119.3	5,773
	Wānanga	999	4.4	4,400
	PTE	8,760	74.9	8,552
	Total	**104,181**	**795.6**	**7,638**
Course-related costs	University	43,602	42.4	972
	Te Pūkenga	14,418	14.3	992
	Wānanga	1,398	1.4	1,003
	PTE	6,453	6.5	1,007
	Total	**65,872**	**64.6**	**981**
Living costs	University	53,115	416.7	7,896
	Te Pūkenga	11,196	70.0	6,297
	Wānanga	741	5.1	6,883
	PTE	5,619	32.3	5,786
	Total	**70,672**	**524.1**	**7,416**
Totals	University	84,738	1,056.3	12,495
	Te Pūkenga	23,616	203.6	8,642
	Wānanga	1,770	10.9	6,162
	PTE	10,790	113.6	10,554
	Total	**120,918**	**1,384.4**	**11,449**

Source: Te Manatū Whakahiato Ora | Ministry of Social Development.

Notes:

1. Borrowing amount does not include establishment fees.
2. Total is a count of unique individuals.
3. The counts of borrowers have been randomly rounded to base 3 and may not appear to add.

Participation and borrowing history

The Student Loan Scheme has contributed to increased participation in tertiary education.

- From 1994 to 2023, the number of domestic students enrolled in provider-based tertiary education (including those who did not have a student loan) increased by 39 percent to 342,000 students.
- The number of domestic students overall peaked at 452,000 in 2005, while the number of EFTS peaked in 2010.
- Between 2010 and 2023, the number of domestic EFTS in non-degree tertiary education decreased by 34 percent, while the number of domestic EFTS in bachelor's or higher study decreased by just 1.6 percent. The decrease in the proportion of students in higher-level study is also reflected in the borrowing data. The proportion of borrowers enrolled in qualifications at degree level and above steadily increased from 60 percent in 2009 to 80 percent in 2021. This proportion increased to 84 percent in 2022 and remained steady in 2023. Between 2009 and 2021, the proportion of borrowers enrolled in Level 1-4 certificates decreased from 26 percent to 11 percent. Between 2021 and 2023, the proportions dropped further to 8 percent.

› Government policies and wider world events have an impact on participation and borrowing and this can be seen in *Figure 8*. For example, the impact of measures that the Government took in response to COVID-19, such as the temporary increase in student loan course-related costs, is reflected in increased borrowing figures for 2020.[9] Since 1992, 1.5 million students have borrowed a total of $34.3 billion through the Student Loan Scheme.

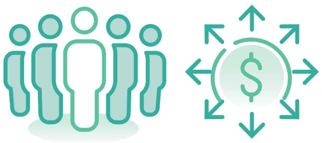
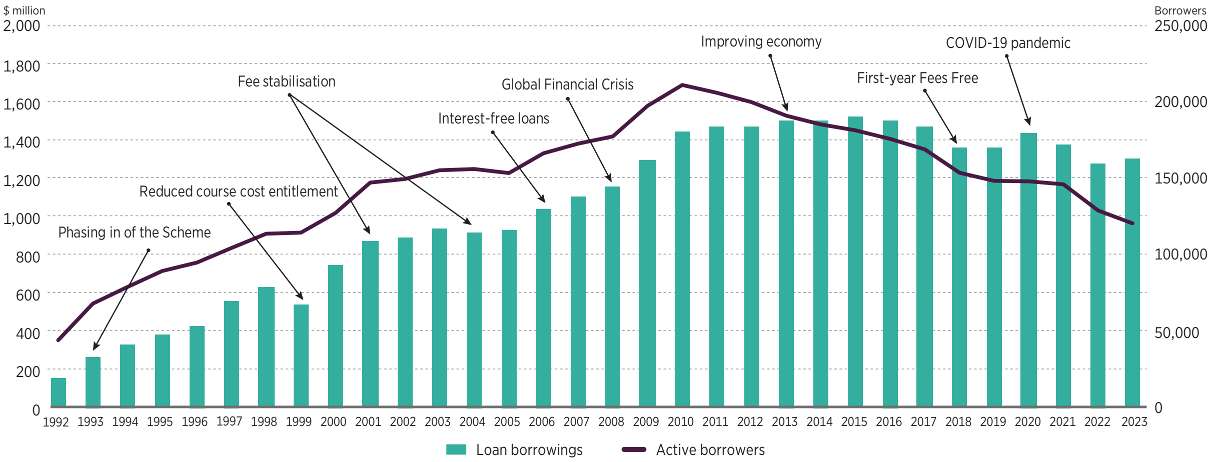


Figure 8 Borrowing trends since 1992



Source: Te Manatū Whakahiato Ora | Ministry of Social Development and Te Tāhuhu o te Mātauranga | Ministry of Education.

Note: Borrowing amount includes establishment fees but does not take into account refunds to Te Manatū Whakahiato Ora | Ministry of Social Development.

Leaving debt and forecast repayment times for leavers

One key measure of the affordability of tertiary education for students is how long we expect it will take borrowers to repay their loans in full once they leave study. This is also a critical part of calculating the value of the loan portfolio.

The level of loan balances at the time of leaving depends on many factors such as the:

› field and duration of study
› tertiary education provider
› individual's pass rate.

9 Further explanation of policies and events that impacted on borrowing are set out in previous Student Loan Scheme Annual Reports. A full list of student support policy changes since 1989, including those introduced as a response to COVID-19, can be found at: educationcounts.govt.nz

Likewise, repayment times are influenced by factors such as:

- the income earned after study
- government policy on tertiary education and student loans
- the strength of the labour market
- the amount borrowed
- whether a borrower stays in New Zealand or spends long periods overseas.

Table 5 shows the median leaving balances and repayment times for students who gained a qualification in 2022 and left tertiary study.

The median forecast repayment times for graduates has decreased again this year following the trend we have seen over the last few years. There are several interrelated factors involved, including policy changes such as first-year Fees Free contributing to lower leaving balances, and socio-economic factors such as the availability of work. Together, these factors reflect the strong domestic repayments from recent tertiary leavers, along with increased salary inflation expectations impacting the valuation model. A discussion of the changes in the valuation model can be found in **Note 3** of the financial schedules. *Table 5* also shows that people with a postgraduate qualification, while having larger loans, are expected to repay more quickly compared with bachelor's level graduates.

Table 5 Median debt and repayment time for graduates

2022		**Median leaving balance ($)**	**Median post-study repayment time (years)**
All	Level 1-4 certificates	10,720	5.4
	Level 5-7 diplomas	19,810	5.6
	Bachelor's and graduate certificates/diplomas	34,080	6.2
	Postgraduate	41,460	5.6
Male	Level 1-4 certificates	9,850	4.4
	Level 5-7 diplomas	20,390	5.4
	Bachelor's and graduate certificates/diplomas	36,040	6.1
	Postgraduate	45,290	5.8
Female	Level 1-4 certificates	11,440	5.9
	Level 5-7 diplomas	19,320	5.7
	Bachelor's and graduate certificates/diplomas	33,210	6.2
	Postgraduate	38,900	5.5

Source: Tatauranga Aotearoa | Stats NZ IDI and Te Tāhuhu o te Mātauranga | Ministry of Education SLIM.

Notes:

1. The population is those who studied in 2022, but did not study in 2023, and who completed a qualification at the level shown in 2022. Some people who graduate continue to study and they are excluded from this table.
2. 'Another gender' is not shown as they account for 1 percent of the data.

Forecast repayment times of recent tertiary leavers

Tables 6 and 7 look at the expected repayment times of those who left study in 2022. They also provide expected repayment times, depending on the leaving debt of borrowers and whether they remain in New Zealand.

The forecast median repayment time[10] for all borrowers is 5.7 years (previously 5.8 years). This is the time it is expected to take for half of the borrowers who left study in 2022 to have fully repaid their loans. This reduction in forecast repayment times is driven by the same factors that improved repayment times for recent graduates that have been discussed earlier.

Māori borrowers have longer median repayment times than other borrowers despite having smaller loans. Asian borrowers have the lowest overall median repayment time, but the highest overall median leaving debt. This suggests that Māori borrowers do not get the same level of return on their investment in tertiary education as other borrowers do.

At certificate Level 1-4, Māori borrowers have a median repayment time of 7.3 years, significantly higher than for other ethnicities. As the level of study increases, the median leaving debt is still higher than for other borrowers, although the difference in median repayment times is reduced. At postgraduate level, it is close to that of European (although Māori median leaving debt is lower).

Table 6 Median leaving debt and repayment time by ethnicity and level of study for leavers in 2022

	Certificates 1-4			Certificates/ diplomas 5-7			Bachelor's			Postgraduate			All levels		
	No.	**Median repay-ment time (years)**	**Median leaving debt ($)**	**No.**	**Median repay-ment time (years)**	**Median leaving debt ($)**	**No.**	**Median repay-ment time (years)**	**Median leaving debt ($)**	**No.**	**Median repay-ment time (years)**	**Median leaving debt ($)**	**No.**	**Median repay-ment time (years)**	**Median leaving debt ($)**
By ethnicity															
European	7,650	5.43	11,361	5,472	5.34	18,346	17,490	5.73	28,768	7,071	5.8	41,880	37,686	5.64	25,047
Māori	5,937	7.34	10,842	2,031	5.92	16,000	4,134	6.35	26,333	1,215	5.62	35,417	13,317	6.51	17,353
Pacific peoples	1,998	6.29	10,829	987	5.63	16,193	3,180	6.39	26,682	798	5.79	36,840	6,960	6.22	20,726
Asian	1,023	4.7	11,179	981	5.01	17,211	4,422	5.39	26,401	2,241	5.01	34,667	8,667	5.17	26,268

Source: Tatauranga Aotearoa | Stats NZ IDI and Te Tāhuhu o te Mātauranga | Ministry of Education SLIM.

Notes:

1. Shown is median leaving debt. Also shown is median post-study repayment time – a mixture of real experience and modelling. Note that these have been independently determined.
2. The population is those who studied in 2022 and did not study in 2023, which is irrespective of qualification completion status.
3. The ethnicity is reported using 'multiple response', meaning that people are counted in each broad ethnic group they identify with.

Whether a borrower stays in New Zealand or goes overseas makes a significant difference to the forecast repayment times. Half of the borrowers who remain in New Zealand can expect to repay their student loans within 5.2 years, while three-quarters can expect to repay within 9.1 years (*Table 7*).

10 Forecast repayment times are calculated using actual repayment data to the end of March 2022 and projections from the Student Loans Integrated Model (see **Appendix 1** for information about the model).

For borrowers who spend time overseas, half can expect to take 11.0 years to repay their student loan, while three-quarters can expect to repay within 18.6 years.

Table 7 Forecast repayment times for borrowers who left study in 2022

		Repayment times (years)		
	Percentage of leavers	25th percentile	Median	75th percentile
All	100%	2.9	5.7	10.1
By gender				
Another gender	0.7%			
Male	34.8%	2.8	5.5	9.3
Female	64.5%	2.9	5.9	10.5
By level of study				
Level 1-4 certificates	24.1%	2.3	5.9	13.5
Level 5-7 certificates/diplomas	14.4%	2.4	5.4	10.7
Bachelor’s and graduate certificates/diplomas	43.9%	3.3	5.8	9.5
Postgraduate	17.7%	2.9	5.6	8.9
By ethnicity				
European		2.9	5.6	9.6
Māori		3.0	6.5	13.2
Pacific peoples		3.0	6.2	11.4
Asian		2.8	5.2	8.9
By leaving debt band ($000)				
<5	12.9%	0.6	1.3	3.0
5-10	12.3%	1.5	2.6	5.3
10-15	10.0%	2.2	3.7	6.5
15-20	9.3%	2.8	4.5	7.5
20-25	8.2%	3.5	5.3	8.8
25-30	7.4%	4.0	6.0	9.6
30-35	6.3%	4.5	6.5	10.2
35-40	5.5%	5.0	7.2	11.1
40-45	5.2%	5.6	7.7	11.3
45-50	4.2%	6.1	8.4	12.2
50-55	3.4%	6.5	9.1	13.5
55-60	2.9%	7.1	9.5	13.8
60-65	2.6%	7.4	9.9	14.0
65-70	2.2%	7.6	10.1	14.4
>70	7.6%	9.1	12.5	18.0
By location				
Always New Zealand-based	88.0%	2.6	5.2	9.1
Not always New Zealand-based	12.0%	6.8	11.0	18.6

Source: Tatauranga Aotearoa | Stats NZ IDI and Te Tāhuhu o te Mātauranga | Ministry of Education SLIM.

Notes:

1. Counts have been randomly rounded and may not appear to add.
2. Ethnicity is reported using ‘multiple response’ i.e., people are counted in each broad ethnic group they identify with.
3. Shown are quartiles of post-study repayment time, which is a mixture of real experience and modelling. Also shown are percentiles of leaving debt.
4. ‘Not always New Zealand-based’ indicates a borrower who at some stage has met, or is modelled as meeting, the overseas-based borrower criteria.

Repayment performance

The borrower population is divided in two categories for repayment purposes: New Zealand-based and overseas-based. Repayment obligations differ for each category. The repayment performance of borrowers depends on many factors, such as how many people are actively repaying, economic conditions in New Zealand and overseas, and the effectiveness of collection activities.

For the year ended 30 June 2024:

- more borrowers repaid their loans in full and left the Scheme than first-time borrowers entered the Scheme
- the number of people with a loan, and the nominal balance, has dropped
- the total loan repayments decreased by 2.3 percent this year
- the total overdue amount went up by 7.4 percent
- overseas-based borrowers account for 92.6 percent of the overdue amounts
- 88.9 percent of overseas-based debt is over two years old, and of this 36 percent is between five and 10 years old, and 34.9 percent is over 10 years old.

Te Tari Taake | Inland Revenue's systems enable targeted compliance approaches to borrowers based on their individual circumstances. For example, taking a different approach to borrowers who have recently moved overseas, such as sending them more information to ensure they understand their new repayment obligations.

Te Tari Taake | Inland Revenue continues to look for ways to make it easy for borrowers to meet their obligations. The easiest way for borrowers to do this is to manage their loan in myIR. Just under 84 percent of all student loan borrowers are registered for myIR, with 73 percent having logged on in the past year. Overseas-based borrowers have significantly lower registration and login rates, with 64 percent registered (up from 60 percent in 2023) and 46 percent logged in over the past year.

Te Tari Taake | Inland Revenue's online repayment calculator helps borrowers to work out their student loan repayments based on their situation. It also shows how long it will take to pay off their loan, including the impact of making 'extra payments'.

Overview of student loans as at 30 June 2024

Table 8 gives an overview of each group and an overall position for the last three years.

Table 8 Overview of student loan borrowers

New Zealand-based borrowers	2021/22	2022/23	2023/24
Number of borrowers	555,606	530,550	507,619
Nominal balance ($ million)	12,610	12,226	11,850
Median loan ($)	16,281	16,385	16,508
Average loan ($)	22,764	23,022	23,342
Overseas-based borrowers	**2021/22**	**2022/23**	**2023/24**
Number of borrowers	102,719	104,685	110,389
Nominal balance ($ million)	3,527	3,716	4,018
Median loan ($)	23,407	24,254	25,092
Average loan ($)	34,491	35,501	36,601
All borrowers	**2021/22**	**2022/23**	**2023/24**
Number of borrowers	658,325	635,235	618,008
Nominal balance ($ million)	16,137	15,942	15,868
Median loan ($)	17,262	17,490	17,794
Average loan ($)	24,595	25,078	25,709

Source: Te Tari Taake | Inland Revenue administration data.

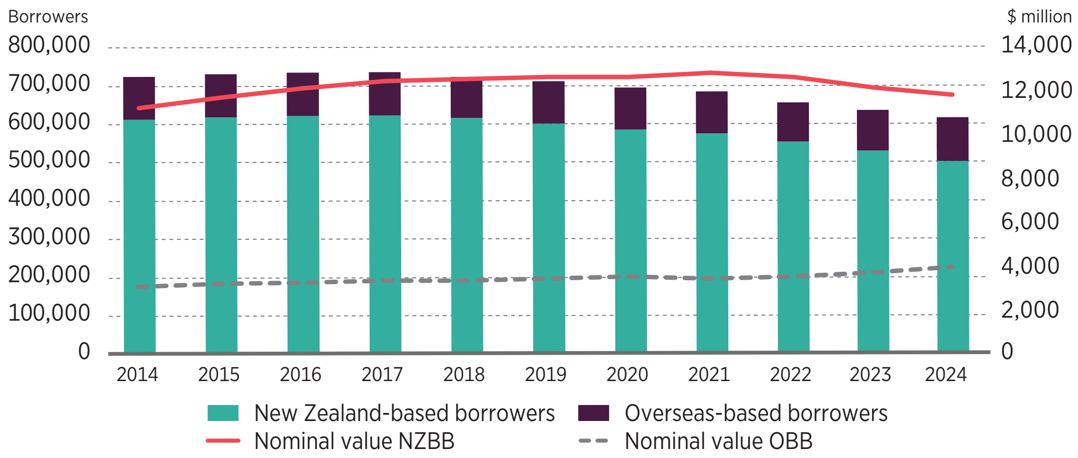
Number of borrowers and nominal value of loan balances

As at 30 June 2024, there were 618,008 student loan borrowers, compared with 635,235 as at 30 June 2023, a reduction of 2.7 percent.[11] The current borrowers owe a total nominal balance of $15,868 million.

Since 2019, more borrowers have left the Scheme than have entered, causing a reduction in the overall number.

11 Age range of borrowers can be found at: educationcounts.govt.nz/statistics/financial_support_for_students

Figure 9 Number of borrowers and nominal value of loan balances

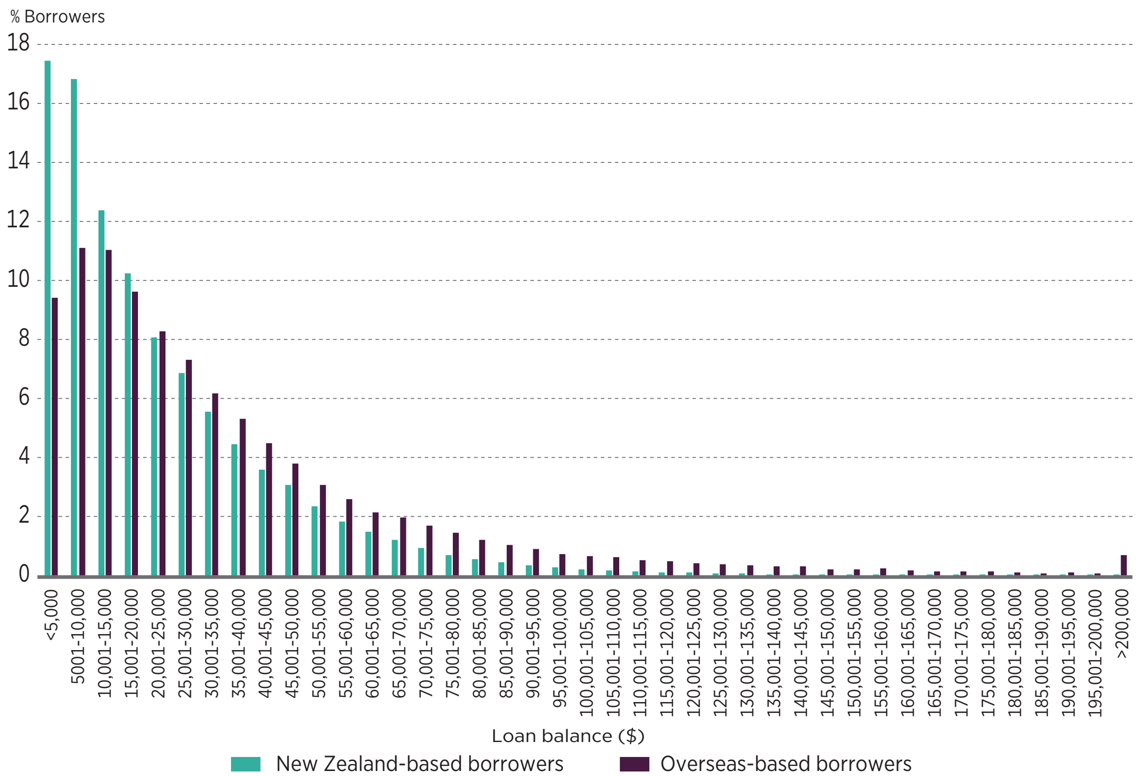


Source: Te Tari Taake | Inland Revenue administration data.

The nominal balance of all loans includes all borrower obligations – the loan principal still to be repaid, fee charges, interest and any late payment interest charged on overdue amounts, as well as any repayments or loans written off.[12]

Figure 10 shows the distribution of loan balances for New Zealand-based and overseas-based borrowers as at 30 June 2024.

Figure 10 Distribution of loan balances



Source: Te Tari Taake | Inland Revenue administration data.

12 Loan balances can be written off due to death, bankruptcy or fraud, or when they are $20 or less.

As at 30 June 2024:

- 58 percent of overseas-based borrowers had a loan balance of $20,000 or more, an increase of 1 percent on last year, compared with 43 percent of New Zealand-based borrowers, the same as 2023
- 23 percent of overseas-based borrowers had loans of $50,000 or more, an increase of 1 percent on 2023, compared with 11 percent of New Zealand-based borrowers, which is also the same as the previous year. Overseas-based borrowers are likely to have higher balances as a result of being charged interest on their loans, as well as the high level of non-compliance and subsequent late payment interest charges.[13]

Loan repayments

Borrowers have repaid $23,259 million since the Scheme began. The number of borrowers in the Scheme reduced by 2.7 percent over the year, resulting in a drop in payments of 1.4 percent. This is mainly due to a decrease in New Zealand-based borrowers and reduced repayments from salary and wages (PAYE).

Table 9 shows that in the year to 30 June 2024, Te Tari Taake | Inland Revenue received $1,596.5 million in student loan repayments.

Table 9 Loan repayments

Repayments	2021/22	2022/23	2023/24
		$ million	
PAYE	1194.8	1247.5	1205.2
Direct NZ	249.4	230.5	217.9
Direct Overseas	160.5	155.5	173.3
Total	**1604.7**	**1633.5**	**1596.5**
		Annual % change	
PAYE	11.9	4.4	-3.4
Direct NZ	8.8	-7.6	-5.5
Direct Overseas	-18.8	-3.1	11.4
Total	**7.3**	**1.8**	**-2.3**

Source: Te Tari Taake | Inland Revenue administration data.

Note: Totals may not appear to add because of rounding.

13 Borrower numbers by activity can be found at: educationcounts.govt.nz/statistics/financial_support_for_students

As at 30 June, the percentage of both New Zealand-based and overseas-based borrowers meeting their repayment obligations increased (up 0.3 percent and 2.9 percent respectively) compared with the same time last year. However, due to the declining proportion of New Zealand-based borrowers, the overall compliance dropped slightly to 82.9 percent compared with 83.1 percent last year. New Zealand-based compliance remains high at 94.6 percent. Overseas-based compliance increased slightly from 26.4 percent in 2023 to 29.3 percent in 2024. The drop in New Zealand-based borrowers resulted in overall repayments decreasing by 2.3 percent ($37.2 million) compared with last year. The decrease in numbers resulted in a 3.4 percent ($42.5 million) decrease in repayments made through employer deductions from salary and wages (PAYE).

Repayments received directly from borrowers increased by 1.4 percent overall compared with last year. This was driven by an increase in repayments from overseas-based borrowers (11.5 percent increase) and a decrease in payments directly from New Zealand-based borrowers (5.5 percent decrease). After a pause during the pandemic response, the increase in overseas repayments can be attributed to the lift in proactive compliance activities from 2024, including the resumption of working with third-party collection agencies Baycorp Australia and CCI Credit Management UK. The reduction in payments directly from New Zealand-based borrowers is a continuation of a trend that started in 2022, where fewer payments are made directly from borrowers and more deductions are made from PAYE.

Marketing campaigns carried out over 2024, and work undertaken by contracted third-party agencies, contributed to a 21.7 percent increase in payments from overseas-based borrowers ($8.6 million) in the last quarter of the 2024 financial year compared with the same period last year. This contributed to a slight lift in the percentage of overseas-based borrowers meeting their obligations at 30 June compared with last year. This proactive compliance work will continue into 2024/25.

Part Two shows that the total amount lent over 2023/24 was $1,348.1 million.[14] This is the seventh consecutive year that repayments have exceeded lending.

14 This is new borrowings less refunded course fees. See *Table 23* on **page 55**

Overdue repayments

Total overdue repayments

Student loan repayments become overdue when borrowers do not meet their repayment obligation by the due date. Most New Zealand-based borrowers are salary and wage earners, who have deductions made per pay period (through their PAYE) so are unlikely to default. Repayment due dates are sometimes missed by borrowers with self-employed or other assessable income and by overseas-based borrowers who have to pay Te Tari Taake | Inland Revenue directly.

Table 10 shows that, while the overall number of borrowers with overdue repayments has decreased by 1.5 percent, the average overdue amount has increased by 9.1 percent.

As at year-end 30 June 2024, 71 percent of overseas-based borrowers owe 92.6 percent of the total overdue student loan debt. Overseas-based borrower default makes up an increasingly large amount of overdue repayments. This is a continuation of a long-term trend.

Table 10 Overdue student loan repayments

Overdue repayments	2022/23	2023/24	% Change 2023-2024
New Zealand-based			
Overdue amount ($m)	168.1	175.6	4.4
Number of borrowers	30,037	27,346	-9.0
Average amount outstanding ($)	5,596.5	6,420.0	14.7
Overseas-based			
Overdue amount ($m)	2,042.7	2,199.3	7.7
Number of borrowers	77,048	78,088	1.3
Average amount outstanding ($)	26,512.5	28,164.6	6.2
Total/overall			
Overdue amount ($m)	2,210.8	2,374.9	7.4
Number of borrowers	107,085	105,434	-1.5
Average amount outstanding ($)	20,645.6	22,524.8	9.1

Source: Te Tari Taake | Inland Revenue administration data.
Note: Totals may not appear to add because of rounding.

The number of New Zealand-based borrowers in default decreased by 9 percent this year; the overdue amount grew by 4.4 percent. This is the first time that the number of New Zealand-based borrowers in default has decreased since 2020/21 and, while the debt continues to rise, it is growing at a slower rate than in 2022/23 (10.3 percent).

The number of overseas-based borrowers with overdue debt increased by 1.3 percent, and the value of the debt increased by 7.7 percent when compared with last year. This is because more than 85 percent of overseas-based borrowers in debt have been outside New Zealand for more than five years. With interest, late payment interest and the amount of assessed loan that is overdue, the amount is continuing to grow.

Throughout the pandemic, Te Tari Taake | Inland Revenue focused more on supporting borrowers with their repayment obligations than on proactive compliance activities such as recovery and enforcement.

Between April and June 2024, Inland Revenue returned to using a range of approaches to improve compliance and reduce overdue repayments. This resulted in 10,500 more customers meeting their obligations and a $13.6 million drop in overdue debt.

Age and location of overdue repayments

Table 11 shows overdue repayments continue to be impacted by aged default, particularly those over two years old. The biggest impact on overdue repayments is the non-compliance of overseas-based borrowers, which can also have flow-on impacts to New Zealand-based borrower's debt if they eventually return to this country. The longer a borrower is out of New Zealand, the less engaged they are with their student loan. More than 89 percent of overseas-based borrower default is more than two years old.

Table 11 Age of overdue repayments by location

Age of overdue repayments	New Zealand-based borrowers		Overseas-based borrowers	
	$ million	%	$ million	%
0-1 month	0.1	0.1	–	0.0
2-3 months	9.2	5.2	64.8	2.9
4-6 months	5.9	3.4	0.6	0.0
7-12 months	2.2	1.3	58.0	2.6
1-2 years	18.8	10.7	121.8	5.5
2-5 years	34.9	19.9	395.9	18.0
5-10 years	59.1	33.7	790.8	36.0
>10 years	45.3	25.8	767.4	34.9
Total	**175.6**	**100.0**	**2,199.3**	**100.0**

Source: Te Tari Taake | Inland Revenue administration data.
Note: Totals may not appear to add because of rounding.

Reduced repayments and hardship

There are circumstances where a borrower can have their repayment obligation reduced. This includes full-time students and people facing significant hardship.

Table 12 shows the number of borrowers who have been approved for a repayment deduction exemption or special deduction rate over the past three years. These rates only apply to borrowers who have deductions from their salary and wages.[15] Borrowers who have other income (for example, self-employed) or who are overseas-based can apply for hardship and, if successful, have any overdue amounts treated as no longer being overdue.

15 More information can be found at: https://www.ird.govt.nz/student-loans/tracking-my-student-loan-balance/difficulty-repaying-student-loan

There are three types of special rates that can be applied for:

- Repayment deduction exemption – borrowers who are studying full-time can apply for an exemption from making repayments if they meet certain criteria.
- Unused repayment threshold special deduction rate – if a borrower has more than one employer and their main source of income is under the pay-period threshold, they can apply for a special deduction rate.
- Hardship – if a customer cannot afford their required repayment deductions, Te Tari Taake | Inland Revenue may reduce their repayment rate.

Table 12 shows an increase in the number of borrowers using the repayment deduction exemption, as well as the unused repayment threshold special deduction rate and hardship. The number of applications has increased for all rate types. Repayment deduction exemptions (for borrowers earning under the repayment threshold) increased significantly from November 2023 as work was done to identify borrowers who might be eligible for the reduced rate.

Table 12 Special deduction rates

Special rate type	2021/22	2022/23	2023/24
Repayment deduction exemption	3,801	3,721	5,910
Unused repayment threshold	180	215	311
Hardship	1502	2,480	3,597
Totals	**5,486**	**6,416**	**9,818**

Source: Te Tari Taake | Inland Revenue administration data.

Note: 2023/24 results include work that was done in November 2023 to identify customers who might be eligible for this exemption.
As a result, there were an additional 1,400 cases added for the month and increased volumes for the remainder of the year.

Table 13 shows the number of borrowers and the value of overdue loans, which have been treated as no longer overdue due to hardship over the past three years. For New Zealand-based borrowers, their number has decreased by 15.3 percent from 2023, while the amount has reduced by 11 percent.

The number of overseas-based borrowers has reduced by 11 percent since 2023, and the amount has decreased by 8 percent.

Table 13 New Zealand-based capitalisations of overdue amounts

	2021/22	2022/23	2023/24
New Zealand-based capitalisations			
Number of borrowers	2,212	1,598	1,353
Amount capitalised ($ million)	11.4	10	8.9
Overseas-based capitalisations			
Number of borrowers	2,934	2,441	2,173
Amount capitalised ($ million)	15.6	23.8	21.9

Source: Te Tari Taake | Inland Revenue administration data.

Loans fully repaid

In the year to 30 June 2024, 52,368 borrowers repaid their loans in full. More than 934,000 borrowers have repaid their loans since the Scheme began.

Table 14 shows the number of loans repaid over the last 10 years.

Table 14 Number of loans fully repaid at 30 June 2024

Year	Loans repaid
2024	52,368
2023	55,405
2022	55,668
2021	51,712
2020	59,189
2019	45,205
2018	48,235
2017	42,465
2016	43,100
2015	41,134

Source: Te Tari Taake | Inland Revenue administration data.

The spike in 2020 in comparison to previous years was due to Te Tari Taake | Inland Revenue undertaking account maintenance in preparation for its transition into a new software system. This software has also enabled Te Tari Taake | Inland Revenue to more quickly identify customers who have paid off their loan, resulting in an increase in loans repaid from 2020.

Loans written off

Loan balances of borrowers who are declared bankrupt, die, or are victims of identity fraud are written off. *Table 15* shows that in the year to 30 June 2024:

- $5.7 million was written off due to bankruptcy. Write-offs for bankruptcy are now applied (from 1 April 2020) to the account only when the borrower is discharged. This ensures any dividends that may become available in the course of bankruptcy can be applied to the student loan balance before any write-offs occur.
- $28.8 million was written off due to the death of borrowers. There was a significant increase from the previous year in the number of deceased borrowers. Te Tari Taake | Inland Revenue works closely with other agencies, such as the Department of Internal Affairs (DIA), Australian Tax Office, KiwiSaver providers, StudyLink and internal sources to identify deceased customers so that accounts can be finalised as quickly as possible.
- -$0.05 million of fraud was reversed in 2024. This was a result of Inland Revenue incorrectly writing off balances, resulting in additional penalty and interest charges. These errors were corrected in October 2023.

Table 15 Write-off due to bankruptcy, death or fraud

Write-offs	2021/22	2022/23	2023/24
		$ million	
Bankrupt	-0.06	2.5	5.7
Deceased	24.0	29.7	28.8
Fraud	-0.11	0.01	-0.05
		Number of cases	
Bankrupt	34	76	151
Deceased	1,487	1,685	1,787
Fraud	<6	<6	8

Source: Te Tari Taake | Inland Revenue administration data.

Note: In April 2020, new legislation was introduced to allow for loans taken out prior to 2000 to be written off if identity theft has occurred and the correct borrower cannot be identified.

Part Two

Costs of the Scheme

Costs of the Scheme

The Government incurs costs in running the Student Loan Scheme in three ways: in lending to students, the subsidies built into the Scheme and its operation.

Interest rates and fair value

Interest rates

Overseas-based borrowers are charged interest at a rate that changes each tax year. The interest rate formula is set out in regulations and is based on the average rates of 10-year government stock over the preceding five years. In Budget 2024, the Government added an extra 1.0 percent to the loan interest rate for each of the next five years starting in April 2025. New Zealand-based borrowers are not charged interest.

Over the 2024 and 2025 tax years, the interest rate was 2.9 percent and 3.3 percent respectively. In recent years, interest rates have increased. This, together with the 1.0 percent increase means the loan scheme rate is set to rise. The forecast for the 2026 rate is 4.9 percent rising to a maximum of 6.6 percent in 2030 before declining to around 6.0 percent.

Fair value

The Scheme is valued on a fair value basis. This is the amount for which the student loan debt could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of the Scheme is $9,596 million ($9,373 million last year).

The fair value calculation discounts expected repayments using a current view of future interest rates (the discount rates). The discount rates used to value the Scheme as at 30 June 2024 are slightly lower than those used a year earlier, and this has increased the value of the Scheme by $80 million.

Other movements in value are called impairments. This is the result of changes in the expectation of future repayments and is independent of the effects of changing discount rates.

Figure 11 shows the movements in the fair value of the Scheme over the last five financial years due to impairments and changes in discount rates.

Over the last five years, the value of the Scheme has increased by $1,077 million due to an improved outlook for repayments.[16] Over the same period, the value has decreased by $827 million as a direct result of discount rate changes. In four of these five years, discount rates fell and increased the value of the Scheme. However, in 2022 discount rates rose sharply, more than offsetting these gains.

16 See **Note 3** to the accounts on **page 56** for a full description of these movements for this valuation.

It is important to note that the fair value is from a hypothetical market perspective. As a result, a risk adjustment is applied to the value to represent the price for bearing uncertainty in the cash flows. Without this risk adjustment (that is, valuing at only the Government's risk-free discount rates), the Scheme's value would be 6.1 percent ($580 million) higher.

Figure 11 Movement in fair value due to impairment and discount rate changes over the last five years

Source: Te Tāhuhu o te Mātauranga | Ministry of Education.

Note: Changes in value arising from changes in the collection expense assumptions have been attributed to impairment.

Cost of lending

The key measure of the Scheme's cost is the write-down on new borrowing. This estimates the long-term economic cost of lending (that is, the Government's implicit subsidy). The write-down value is the difference between the estimated value of future repayments using current discount rates[17] and the amount lent. It enables full recognition of cost[18] at the time funds are lent to the borrower.

17 The cost of lending is based on discount rates that applied at the time of lending.

18 This 'full cost' is an estimate limited by the accuracy of the projected repayments and the discount rates. Changes to the projections will change the value of the Scheme.

Figure 12 shows that in 2023/24 lending was $1,348 million[19] and there was an initial write-down on new lending of $544 million. This means that the best estimate of the lifetime cost of this lending was $544 million – or on average, 40.36 cents for each dollar lent in 2023/24 (a decrease over the 43.32 cents for each dollar lent in 2022/23). The decreased cost this year reflects the lower discount rates that applied over the year compared with last year.

Figure 12 Lending and initial write-down on this lending

Source: Te Tāhuhu o te Mātauranga | Ministry of Education.

There are several reasons why the cost of lending is large:

- There is no interest on the loan for New Zealand-based borrowers, which means that the longer it takes to repay, the less value the Government receives from the repayments.
- Borrowers in New Zealand are only required to make repayments when income exceeds the threshold ($464 per week until April 2025), so time spent out of the workforce delays repayments.
- Loans are written off by the Government when a borrower dies or becomes bankrupt.
- A large proportion of overseas-based borrowers do not meet their repayment obligation (see **Part One**).
- The discount rate is higher than risk-free rates – a risk adjustment (1.5 percent on average over the 2023/24 financial year) was added to risk-free rates to recognise future uncertainty.

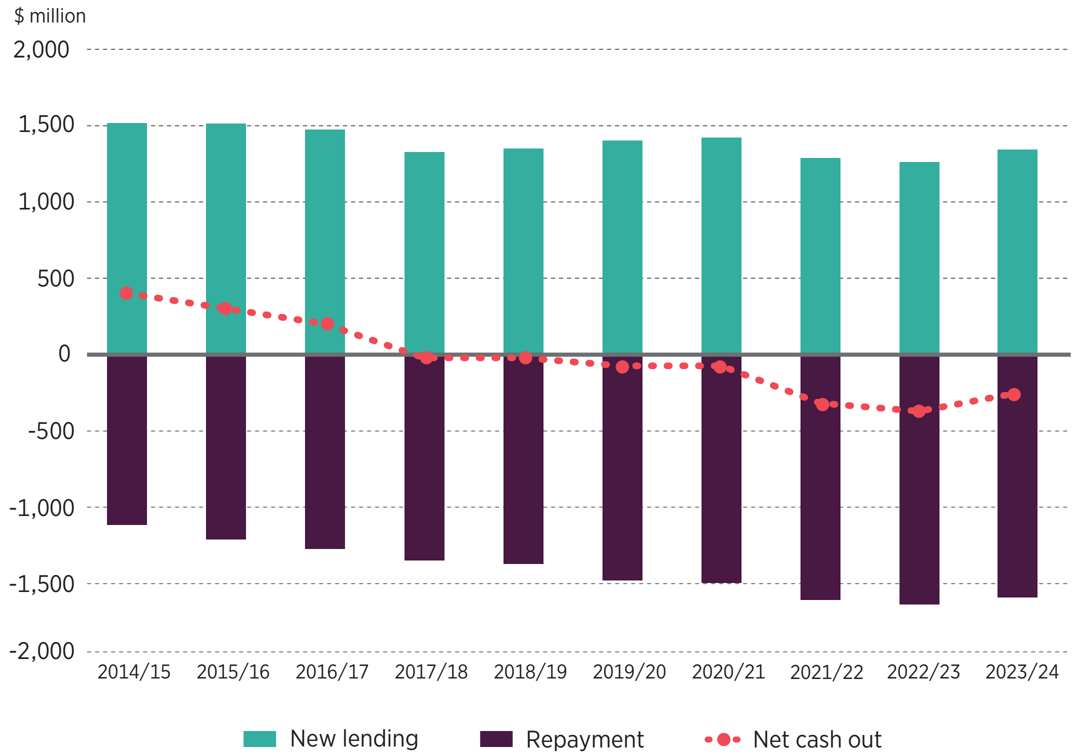
19 This lending is net of refunded course fees and included the establishment fee.

Cash cost

An alternative measure of the cost of the Scheme is the annual net cash cost – the difference between the amount lent and the repayments received. Historically, the Government has lent more than it receives back, but over the last seven years repayments have exceeded lending. This financial year, total cash lending was $1,341 million, while repayments to Te Tari Taake | Inland Revenue were $1,596 million, meaning the Scheme had a cash surplus of $255 million ($370 million last year).[20]

Figure 13 shows lending and repayments in the financial years from 2014/15 to 2023/24 and the difference between them as a dotted line.

Figure 13 Lending and repayments over the last 10 financial years



Source: Te Tāhuhu o te Mātauranga | Ministry of Education.

The net cash cost over the first three years shown in *Figure 13* was $909 million, while over the last seven years, there was a cash surplus of $1,129 million.

There are two main drivers for this fall in the cash cost:

- The number of people borrowing in a year fell by 30 percent from 186,477 in 2014 to 120,918 in 2023. This offset the increase in average lending over the period.
- The Fees Free policy has reduced lending for course fees by around $200 million a year.

20 This excludes establishment fees.

Cost of Crown ownership

Assets on the Crown's balance sheet, such as the Student Loan Scheme, have a cost associated with them, which is the cost of capital.

Measuring the Crown's cost of capital is not straightforward. The Crown faces a direct and obvious cost of borrowing when it raises debt. This cost is almost always lower than that faced by the private sector because sovereign borrowers normally have a higher credit rating than private companies.

The Crown's cost of capital reflects both the direct cost of borrowing and the risks associated with each of the Crown's investments.

The appropriate proxy that represents the associated capital costs of the Scheme to the Crown is given by the discount rate of 6.48 percent, which is also the rate used to derive the fair value of the asset. This discount rate consists of the representative risk-free rate (4.78 percent), the risk adjustment (1.26 percent), and the costs of collection and administration of the Scheme (0.44 percent).

The proxy for the Crown's cost of holding the asset on 30 June 2024 is set out in *Table 16*.

Table 16 Government's cost of ownership of the Student Loan Scheme

Fair value of the asset	$ 9,596 million
Discount rate for the asset	6.48%
Cost of capital associated with the Student Loan Scheme	$622 million for the financial year 2024/25

Source: Te Tāhuhu o te Mātauranga | Ministry of Education.

Agency costs

The cost of administering the Scheme varies from year to year, depending on the number of borrowers, the number of transactions, and any system changes required to implement new policies.

Table 17 shows the costs for the agencies that administer the Scheme, which is a mix of estimated and actual costs. These costs differ by agency, depending on how their appropriations are structured.

Table 17 Student Loan Scheme administration costs

	2019/20	2020/21	2021/22	2022/23	2023/24
			$ million		
Ministry of Social Development	18.0	22.7	24.5	23.6	23.9
Inland Revenue	31.7	28.8	27.7	20.4	22.3
Ministry of Education	1.0	0.9	0.9	1.0	0.9
Stats NZ	0.9	1.0	1.0	1.1	1.1
Gross agency cost	**51.6**	**53.4**	**54.1**	**46.1**	**48.2**

Source: Te Manatū Whakahiato Ora | Ministry of Social Development, Te Tari Taake | Inland Revenue, Te Tāhuhu o te Mātauranga | Ministry of Education and Tatauranga Aotearoa | Stats NZ.

Notes:

1. All amounts exclude GST.
2. Te Tari Taake | Inland Revenue's administrative costs have been restated to exclude business transformation costs.

The agency costs associated with administering the Scheme in 2023/24 are estimated to be $48.2 million. Over this period, $1,341 million was lent by the Scheme and $1,596 million in repayments were collected, meaning that the agency costs as a proportion of Scheme turnover were 1.64 cents on the dollar.

Borrowers contribute to the cost of administering the loan scheme through a $60 establishment fee charged to their account by Te Manatū Whakahiato Ora | Ministry of Social Development when the loan is first drawn down. Borrowers are also charged an annual administration fee of $40 if the establishment fee has not been charged in the same tax year.

On a per loan basis, agency costs over 2023/24 were $73.60.[21]

21 Agency costs on a per loan basis were calculated using 626,600 as the average number of loans on issue over the 2023/24 year.

Table 18 Nominal and carrying value movements

		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Notes	$ million									
Nominal value											
Opening balance		14,235	14,837	15,340	15,735	15,869	16,034	16,134	16,260	16,137	15,942
New lending	3	1,518	1,512	1,475	1,328	1,351	1,404	1,422	1,287	1,264	1,341
Establishment fee	1	11	10	10	9	9	9	9	8	7	7
Administration fee	2	22	23	23	23	23	24	22	22	21	21
Repayment	3	-1,114	-1,209	-1,273	-1,348	-1,371	-1,477	-1,495	-1,605	-1,634	-1,596
Interest		141	135	120	111	110	87	93	69	55	62
Penalties		58	64	72	74	92	98	116	121	123	126
Death write-off		-19	-15	-13	-31	-26	-31	-37	-24	-30	-29
Bankruptcy write-off		-16	-18	-20	-32	-24	-14	-4	0	-2	-6
Closing balance		**14,837**	**15,340**	**15,735**	**15,869**	**16,034**	**16,134**	**16,260**	**16,137**	**15,942**	**15,867**
Carrying value											
Opening balance	4	8,716	8,864	8,982	9,197	9,929	10,731	10,395	10,841	9,209	9,373
New lending	3	1,518	1,512	1,475	1,328	1,351	1,404	1,422	1,287	1,264	1,341
Initial write-down on new borrowing		-602	-659	-662	-594	-563	-506	-469	-489	-551	-544
Establishment fee		11	10	10	9	9	9	9	8	7	7
Repayment		-1,114	-1,209	-1,273	-1,348	-1,371	-1,477	-1,495	-1,605	-1,634	-1,596
Interest unwind		604	603	602	604	394	331	235	280	577	634
Impairment		-269	-140	62	106	211	-476	488	519	277	275
Repayment collection allowance						36	36	37	38	29	28
Discount rate changes						734	343	220	-1,670	194	80
Closing carrying value		**8,864**	**8,982**	**9,197**	**9,302**	**10,731**	**10,395**	**10,841**	**9,209**	**9,372**	**9,596**
Average cost of lending in cents per dollar (headline)		39.35	43.31	44.56	44.43	41.42	35.82	32.75	37.79	43.32	40.36

Source: Te Tāhuhu o te Mātauranga | Ministry of Education, Te Tari Taake | Inland Revenue.

Notes:

1. The establishment fee is the amount charged by Te Manatū Whakahiato Ora | Ministry of Social Development to borrowers each time they take out a loan.
2. The administration fee is an annual fee added to loans on 31 March. This fee is only charged if an establishment fee has not been charged in the same tax year. This was first charged in 2011/12.
3. New lending is net of repayments made to Te Manatū Whakahiato Ora | Ministry of Social Development, which were mostly refunded course fees. The repayments are those made to Te Tari Taake | Inland Revenue only.
4. The closing carrying value at June 2018 differs from the opening value the next year by $627 million. This uplift occurs because of the switch to fair value accounting on 1 July 2018.

Financial schedules

Financial schedules for the year ended 30 June 2024

The financial schedules for the Scheme comprise schedules of revenue and expenditure, gains, losses, assets and cash flows. Te Manatū Whakahiato Ora | Ministry of Social Development and Te Tari Taake | Inland Revenue administer student loans on an agency basis within policy parameters set by Te Tāhuhu o Te Mātauranga | Ministry of Education on behalf of the Crown.

The financial information represents extracts from the non-departmental financial schedules of Vote Revenue and Vote Social Development to provide a consolidated view of the Scheme.

Schedule of Revenue and Expenditure

Table 19 Schedule of Revenue and Expenditure for the Year Ended 30 June 2024

2022/23		2023/24	2023/24	*2024/25*
Actual $ million		Actual $ million	Budget $ million	*Forecast $ million*
	Revenue			
7.1	Establishment fees	7.1	8.1	*7.2*
577.0	Interest unwind	661.6	621.0[22]	*603.0*
584.1	**Total revenue**	**668.7**	**629.1**	***610.2***
	Expenditure			
550.7	Initial fair value write-down on new borrowings	544.1	640.0	*633.0*
550.7	**Total expenditure**	**544.1**	**640.0**	***633.0***
33.4	**Net surplus/(deficit)**	**124.6**	**(10.9)**	***(22.8)***

Notes:

1. The accompanying accounting policies and notes form part of these financial schedules.
2. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024*.

22 The $26 million for the unwind of the cost of collection has been reclassified from the Schedule of Gains and Losses. Refer to **Note 1** under "Notes to the Financial Schedules" on **page 54**.

Schedule of Gains and Losses

Table 20 Schedule of Gains and Losses for the Year Ended 30 June 2024

2022/23		2023/24	2023/24	*2024/25*
Actual $ million		Actual $ million	Budget $ million	*Forecast $ million*
500.0	Net gains on student loans – fair value remeasurement	355.0	0.0[23]	*0.0*
500.0	**Total net gains**	**355.0**	**0.0**	***0.0***

Notes:

1. The accompanying accounting policies and notes form part of these financial schedules.
2. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024*.

Schedule of Assets

Table 21 Schedule of Assets as at 30 June 2024

2022/23		2023/24	2023/24	*2024/25*
Actual $ million		Actual $ million	Budget $ million	*Forecast $ million*
	Current assets			
1,611.0	Student loans	1,572.0	1,878.0	*1,823.0*
1,611.0	**Total current assets**	**1,572.0**	**1,878.0**	***1,823.0***
	Non-current assets			
7,761.5	Student loans	8,024.4	7,069.5	*7,738.5*
7,761.5	**Total non-current assets**	**8,024.4**	**7,069.5**	***7,738.5***
9,372.5	**Total assets**	**9,596.4**	**8,947.5**	***9,561.5***

Notes:

1. The accompanying accounting policies and notes form part of these financial schedules.
2. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.*

23 The $26 million for the unwind of the cost of collection has been reclassified to the Schedule of Revenue and Expenditure. Refer to **Note 1** under "Notes to the Financial Schedules" on **page 54**.

Schedule of Cash Flows

Table 22 Schedule of Cash Flows for the Year Ended 30 June 2024

2022/23		2023/24	2023/24	*2024/25*
Actual $ million		Actual $ million	Budget $ million	*Forecast $ million*
	Cash flows from investing activities			
	Cash was provided from:			
1,633.5	Repayments received	1,596.5	1,805.0	*1,729.0*
98.0	Refunded course fees	96.8	106.5	*110.0*
	Cash was disbursed for:			
(1,362.2)	New borrowings	(1,437.7)	(1,603.6)	*(1,728.8)*
0.1	Other	0.1	0.2	*0.0*
369.4	**Net cash inflow from investing activities**	**255.7**	**308.1**	***110.2***
369.4	**Net student loan cash inflow**	**255.7**	**308.1**	***110.2***

Notes:

1. The accompanying accounting policies and notes form part of these financial schedules.
2. For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024*.

Statement of accounting policies

Statutory authority

The Scheme is administered jointly by Te Tāhuhu o te Mātauranga | Ministry of Education, Te Tari Taake | Inland Revenue and Te Manatū Whakahiato Ora | Ministry of Social Development under the Student Loan Scheme Act 2011. The Education and Training Act 2020 is also relevant to the administration of the Scheme.

Reporting entity

The Scheme is a Crown activity, which is reported as part of the consolidated Financial Statements of the Government of New Zealand.

These financial schedules represent extracts from the non-departmental financial schedules of Vote Revenue and Vote Social Development to provide a consolidated view of actual and forecast information on behalf of the Crown. Details of the consolidated movements are provided in **Note 2**.

Reporting period

The reporting period for these financial schedules is for the year ended 30 June 2024. The unaudited forecast financial schedules are for the year ending 30 June 2025.

The financial schedules were approved for issue by the Secretary for Education on 22 November 2024.

Statement of compliance

The financial schedules have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Te Tai Ōhanga | The Treasury instructions.

Measurement and recognition rules applied in the preparation of these schedules are consistent with generally accepted accounting practice (Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

Basis of preparation

The financial schedules have been prepared on a going-concern basis, and the accounting policies set out below and in the notes to the financial schedules have been applied consistently to all periods presented in these financial schedules.

These financial schedules have been prepared on a historical-cost basis, unless otherwise stated. The accrual basis of accounting has been used.

Functional and presentation currency

These financial schedules are presented in New Zealand dollars, and all values are reported in millions, to one decimal place. The functional currency of the Scheme is New Zealand dollars.

Accounting standards issued and not yet effective

There are no relevant new standards that have been issued but are not yet effective.

Critical accounting estimations, judgements and assumptions

In preparing these financial schedules, critical estimates, judgements and assumptions have been made concerning the future.

These estimates, judgements and their associated assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience, including expectations of future events that are believed to be reasonable under the circumstances, and other factors. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

More information is provided in **Note 3**.

Comparatives

When presentation or classification of items in the financial schedules is amended or accounting policies are changed, comparative figures have been restated to ensure consistency with the current period, unless it is impracticable to do so.

Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial schedules. The accounting policies have been applied consistently throughout the year.

Budgets and forecast figures

The budget and forecast figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial schedules.

The budget and forecast financial schedules are not subject to audit.

The budget figures for 2023/24 are those included in *The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024*.

The forecast figures for 2024/25 are those included in *The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025*.

The budget and forecast figures have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements. The figures combine budgets and forecasts for Vote Revenue and Vote Social Development, as applicable.

Forecast policies

The forecasts have been compiled on the basis of existing government policies and Ministerial expectations at the time the schedules were finalised and reflect all government decisions up to 1 May 2024.

The fair value of student loans is based on a valuation model adapted to reflect current student loans policy. As such, the fair value over the forecast period is sensitive to changes in a number of underlying assumptions, including future income levels, repayment behaviour and macroeconomic factors, such as wage inflation and discount rates. Any change in these assumptions would affect the present fiscal forecast.

For other key fiscal forecasts assumptions, refer to the *Budget Economic and Fiscal Update 2024*: www.treasury.govt.nz/sites/default/files/2024-05/befu24.pdf

Any changes to budgets during 2024/25 will be incorporated into The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

Variations to forecast

The actual financial results for the forecast period covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these forecast financial schedules and the actual reported results include:

- changes to the budget through initiatives or legislation approved by Cabinet
- macroeconomic factors affecting capital lending, borrower incomes, borrower repayments, inflation, discount rates and interest rates.

Notes to the financial schedules

Note 1: Revenue and gains

Interest unwind

Student loans are initially discounted to fair value. This predominantly reflects the time value of money. As time moves on, student loans become closer to being repaid and are therefore worth more. This increase in value is recognised as interest unwind. The interest unwind has been calculated using the official cash rate plus a risk adjustment calculated by the consulting actuaries plus an expense allowance for Te Tari Taake | Inland Revenue to collect the loans.

In prior years, the expense allowance was incorrectly recorded in the Schedule of Non-Departmental Gains and Losses. In accordance with NZ PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors, the comparatives are not required to be restated because the amount is immaterial.

Fair value remeasurement

Fair value remeasurement is the change in the value in the student loan portfolio over the year. Student loans are initially measured at fair value. The changes to fair value between periods are recognised as a gain or loss in the Schedule of Gains and Losses. More information is provided in Note 2 (below).

Note 2: Consolidated movements

Student loan nominal value

The nominal balance is the sum of all obligations that borrowers have, including loan principal, interest, fees and penalties. The change in nominal value from year to year reflects the net growth of the portfolio through new lending less repayments and other adjustments, such as write-offs due to deaths and bankruptcies. The nominal balance is the basis for fair value.

Student loan fair value

Fair value is the amount for which the student loan debt could be exchanged between knowledgeable, willing parties in an arm's length transaction as at 30 June 2024. The fair value of the student loan debt as at 30 June 2024 has been determined to be $9,596 million (2023: $9,373 million).

Table 23 shows the nominal and fair values of student loans for the year ending 30 June 2024.

Details of risks and uncertainties are provided in **Note 3**.

Table 23 Consolidated Movements Schedule for the Year Ended 30 June 2024

2022/23 Consolidated Actual $ million		2023/24 Consolidated Actual $ million	2023/24 Inland Revenue Actual $ million	2023/24 Ministry of Social Development Actual $ million
16,137.2	Opening nominal balance	15,942.2	15,942.2	0.0
(1,633.5)	Repayments	(1,596.5)	(1,596.5)	0.0
1,362.2	New borrowings	1,437.7	0.0	1,437.7
(98.0)	Refunded course fees	(96.8)	0.0	(96.8)
28.5	Administration and establishment fees	27.7	20.6	7.1
0.0	Borrowings transferred	0.0	1,348.1	(1,348.1)
54.8	Interest	61.8	61.8	0.0
123.3	Penalties	126.0	126.0	0.0
(32.2)	Deaths and bankruptcies	(34.5)	(34.5)	0.0
(0.1)	Other	(0.1)	(0.2)	0.1
(195.0)		(74.7)	(74.7)	0.0
15,942.2	**Closing nominal balance**	**15,867.5**	**15,867.5**	**0.0**
9,208.5	Opening fair value	9,372.5	9,372.5	0.0
(1,633.5)	Repayments	(1,596.5)	(1,596.5)	0.0
1,362.2	New borrowings	1,437.7	0.0	1,437.7
(98.0)	Refunded course fees	(96.8)	0.0	(96.8)
7.1	Establishment fees	7.1	0.0	7.1
0.0	Borrowings transferred	0.0	1,348.1	(1,348.1)
(550.7)	Initial fair value write-down on new borrowings	(544.1)	(544.1)	0.0
500.0	Fair value remeasurements*	355.0	355.0	0.0
577.0	Interest unwind	661.6	661.6	0.0
(0.1)	Other	(0.1)	(0.2)	0.1
164.0		223.9	223.9	0.0
9,372.5	**Closing fair value**	**9,596.4**	**9,596.4**	**0.0**
	Current and non-current apportionment			
1,611.0	Student loans – current	1,572.0	1,572.0	0.0
7,761.5	Student loans – non-current	8,024.4	8,024.4	0.0
9,372.5	**Closing fair value**	**9,596.4**	**9,596.4**	**0.0**

Note: Fair value remeasurements as defined in **Note 3**

Interest

For overseas-based student loan borrowers, interest is calculated on the nominal student loan account balance on a daily basis at a rate determined by the Government. This was 2.9 percent per annum in the period 1 April 2023 to 31 March 2024. The interest rate from 1 April 2024 to 30 June 2024 was 3.3 percent.

Note 3: Financial instruments

StudyLink (Te Manatū Whakahiato Ora |The Ministry of Social Development) administers the initial capital lending and issues student loans, which are then transferred to Te Tari Taake | Inland Revenue. Te Tari Taake | Inland Revenue holds the total nominal debt, administers the initial fair value write-down expense and any subsequent fair value adjustments, and is also responsible for the collection of debt.

Student loans are designated at fair value through surplus or deficit under PBE IPSAS 41 Financial Instruments because borrowers only start repayments if they earn an income above a certain threshold.

The difference between the amount of the student loan and the fair value on initial recognition is recognised as an expense. The initial fair value is lower than the amount of the initial student loan for a number of reasons, including that:

- some borrowers will never earn enough to repay their loans
- some overseas-based borrowers will default on their payment obligations
- because there is no interest charged on New Zealand-based borrowers' balances, the time value of money will erode the value of future repayments.

After loans are issued, an adjustment is made each month to unwind the interest and cost of collection. This adjusts the present value of the write-down over time. Te Tari Taake | inland Revenue also receives repayments from borrowers.

At the end of the year, actuarial models are used to compare the carrying value with the fair value of the student loan portfolio, and the difference is recognised in the surplus and deficit of the Financial Statements of the Government of New Zealand. The difference is also shown in the Schedule of Gains and Losses. Details of the models are provided later in this note.

Financial instruments – fair value hierarchy disclosures

For financial assets recognised at fair value in the Schedule of Assets, fair values are determined according to the following hierarchy:

- quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
- valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant input is not observable.

Student loans as at 30 June 2024 are valued using significant non-observable inputs (level 3). There are no quoted market prices (level 1) and no observable inputs (level 2).

The next section provides details on the model, and *Table 25* on **page 60** outlines the significant assumptions and sensitivities for the level 3 valuation technique.

Student loan valuation model

At the end of the year, the student loan portfolio is revalued to fair value by an independent external valuer using actuarial models. Tatauranga Aotearoa | Stats NZ collates most of the data for the actuarial valuation model from: Te Tari Taake | Inland Revenue, Te Tāhuhu o te Mātauranga | Ministry of Education, and Te Manatū Whakahiato Ora | Ministry of Social Development.

The data is made up of borrowings, repayments, income, educational factors and socio-economic factors. It is current up to 31 March 2023. In addition, supplementary data from Te Tari Taake | Inland Revenue and Te Mana Ārai o Aotearoa | New Zealand Customs Service about loan transactions and borrowers' cross-border movements for the period up to 31 March 2024 is also included.

The fair value movement, recognised in the Schedule of Gains and Losses, relates to changes in discount rate and a reassessment of the expected repayments of loans. The fair value movement at 30 June 2024 is an increase of $355 million (2023: $500 million increase). This increase incorporates the following changes to the fair value:

› The discount rate adjustments have increased the value of the Scheme by $80 million (2023: $194 million increase). This is largely due to risk-free rate and risk adjustment changes. The discount rates used for determining the fair value are equal to Te Tai Ōhanga | The Treasury's prescribed risk-free rates for accounting valuations plus a risk adjustment. Since 30 June 2023, risk-free rates have generally increased, which has decreased the fair value of the student loan portfolio by $88 million. Differences in the discount rates applied to interest unwind and initial fair value write-down contributed a further $6 million decrease in fair value. The risk adjustment decreased from 1.71 percent to 1.26 percent, which is in line with market data, increasing the fair value by $174 million.

› Data and modelling changes have increased the value of the Scheme by $308 million (2023: $48 million increase). This is mainly due to:
  - Updated domestic income and repayment assumptions, which have increased the fair value by $154 million.
  - Additional funding introduced through Budget 2024 towards initiatives to improve overseas-based borrower compliance. These initiatives are expected to increase the probability of repayment and have increased the value of the Scheme by $150 million.
  - Other modelling changes, including the roll-forward of data, which have increased the value by $4 million.

› Other expected repayment adjustments have decreased the fair value of the Scheme by $33 million (2023: $229 million increase). These include:
  - Updated macroeconomic assumptions – these have decreased the fair value by $59 million (2023: $48 million increase). This can be broken down into three components:
    - a decrease of $51 million due to lower salary inflation assumptions, resulting in lower projected domestic incomes and domestic borrower repayment obligations
    - a decrease of $12 million due to lower loan and late-payment interest rate assumptions (i.e. less interest collected)
    - an increase of $4 million due to decreases to CPI assumptions meaning higher domestic repayment obligations.

- The experience variance – this has decreased the value by $7 million (2023: $44 million increase), largely due to lower-than-expected repayments and lower-than-expected write-offs.
- Updates to the expense assumption – these have increased the value by $7 million (2023: $2 million increase).
- A policy change implemented through Budget 2024 to increase the overseas loan and late payment interest rates by one percent each tax year from 1 April 2025 to 31 March 2030. This increased the fair value by $26 million.

A breakdown of the fair value remeasurement – student loans, reported in the Schedule of Gains and Losses, is set out in *Table 24* below.

Table 24 Breakdown of fair value remeasurement

2022/23 Actual $ million		2023/24 Actual $ million
(345.0)	Risk-free rates	(94.0)
539.0	Risk adjustment	174.0
194.0	**Discount rate adjustment**	**80.0**
48.0	Macroeconomic effects	(59.0)
44.0	Experience variance	(7.0)
2.0	Expense assumption	7.0
0.0	Policy changes	26.0
48.0	Data and modelling changes	308.0
135.0	COVID-19 impacts – model changes	0.0
277.0	**Expected repayment adjustment**	**275.0**
29.0	Repayment collection allowance	0.0
500.0	**Total fair value remeasurement – student loans**	**355.0**

Source: Te Tari Taake | Inland Revenue

The student loan valuation model reflects macroeconomic assumptions, current student loan policy and announced policy where relevant.

The fair value is sensitive to changes in a number of underlying assumptions and judgements, including future income levels, repayment behaviour and macroeconomic factors, such as inflation and discount rates. As noted by the valuer, it is not possible to assess with any certainty the implications of the global economic uncertainty on the fair value of the Scheme or the economy as a whole, in terms of the length or degree of impact. For these reasons, the valuation has a high degree of inherent uncertainty and there is a significant risk of material adjustment to the fair value in future accounting periods. The key risks are:

- The proportion of overseas-based borrowers making a repayment is an important metric for the Scheme, as the value of the loans for these borrowers hinges on the level of their compliance. As part of Budget 2024, Te Tari Taake | Inland Revenue was allocated funding to administer initiatives aimed at improving overseas-based borrower compliance. The valuers have increased the probability that overseas-based borrowers will make loan repayments. While there are historical precedents for initiatives to improve overseas-based borrower repayment behaviour, the Budget 2024 initiatives commenced on 1 July 2024, meaning there is no concrete data to verify the impact at the time of the valuation. This lack of data poses a risk that the fair value of the Scheme may be overstated or understated.
- There is uncertainty in the domestic and global economies as economies around the world experience high inflation. While inflation is beginning to be brought under control in New Zealand, subsequent effects on unemployment and interest rates may continue to emerge. There has been no explicit adjustment to the valuation to account for this. However, the fair value includes a risk adjustment, part of which accounts for general uncertainty in the economic outlook. In addition, macroeconomic forecasts used in the valuation take into account the current economic outlook. There is a risk that the fair value of the Scheme may decrease at future valuations if the economic outlook worsens.
- Migration in and out of New Zealand has been severely impacted by the COVID-19 pandemic. In the 2024 tax year, we saw emigration out of New Zealand exceeding the levels seen before the pandemic, potentially due to pent-up demand for moving overseas and macroeconomic trends. There remains significant uncertainty about future net migration and there is therefore a risk that experience may differ significantly from the assumptions made.
- There is uncertainty around the characteristics and behaviour of borrowers leaving study and those who do not have substantive employment. There is a risk that experience for this group may differ significantly from assumptions.

The significant assumptions and sensitivities behind the fair value are presented in *Table 25* below.

Table 25 Significant assumptions and sensitivities: fair value

Actual June 2023		Actual June 2024
	Assumptions	
9,372.5	Fair value ($ million)	9,596.4
6.94%	Discount rate including an allowance for expenses	6.48%
2.80%-5.80%	Interest rate applied to loans for overseas-based borrowers	2.90%-6.60%
1.93%-7.28%	Consumer Price Index	2.00%-5.65%
3.00%-5.87%	Future salary inflation	2.95%-4.96%
	Sensitivities	
82.0	Impact on fair value of a 1% increase in average wage earnings inflation over five years ($ million)	83.0
(86.0)	Impact on fair value of a 1% decrease in average wage earnings inflation over five years ($ million)	(87.0)
224.0	Impact on fair value of a 2.5% increase in the probability of overseas-based borrowers making repayments ($ million)	218.0
(166.0)	Impact on fair value of a 2.5% decrease in the probability of overseas-based borrowers making repayments ($ million)	(177.0)
(397.0)	Impact on fair value of a 1% increase in discount rate ($ million)	(416.0)
436.0	Impact on fair value of a 1% decrease in discount rate ($ million)	457.0
29.0	Impact on fair value of 1% increase in the probability of borrowers going overseas ($ million)	68.0
(22.0)	Impact on fair value of a 1% decrease in the probability of borrowers going overseas ($ million)	(45.0)
68.0	Impact on fair value of a 1% increase in the probability of borrowers returning to New Zealand ($ million)	59.0
(76.0)	Impact on fair value of a 1% decrease in the probability of borrowers returning to New Zealand ($ million)	(63.0)
55.0	Impact on fair value of a 1% increase in the probability of borrowers moving from low earner to high earner ($ million)	52.0
(59.0)	Impact on fair value of a 1% decrease in the probability of borrowers moving from low earner to high earner ($ million)	(55.0)

Source: Te Tari Taake | Inland Revenue.

The student loan portfolio is exposed to a variety of financial instrument risks, including credit risk and interest rate risk.

Credit risk

Credit risk is the risk that borrowers will default on their obligation to repay their loans or die before their loan is repaid, causing the Scheme to incur a loss. The risk of death or default cannot be quantified.

The Scheme does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the Scheme does not have any material individual concentrations of credit risk.

The credit risk is reduced by the collection of compulsory repayments through the tax system. This is less effective with overseas-based borrowers. Many New Zealand-based borrowers earning over the income threshold have compulsory deductions from salary and wages to repay their loans. Overseas-based borrowers are required to make repayments twice a year based on their loan balance. Te Tari Taake | Inland Revenue uses a variety of communications and campaigns to reduce the risk of non-payment of obligations.

Loans are written off in the event of death or bankruptcy.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates.

Changes in interest rates impact discount rates. There is a risk that if interest rates rise, the value of the Scheme will significantly decrease as the discount rates applied to the expected future repayments will be higher, decreasing their value.

Changes in interest rates could also impact on the Government's return on loans advanced. The interest rate and the interest write-off provisions attached to student loans are set by the Government.

Auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Student Loan Scheme financial schedules for the year ended 30 June 2024

The Auditor-General is the auditor of the Student Loan Scheme (the Scheme). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit of the financial schedules of the Scheme on his behalf.

Opinion

We have audited the financial schedules of the Scheme on pages 49 to 61, that comprise the schedule of assets as at 30 June 2024, the schedule of revenue and expenditure, schedule of gains and losses, schedule of cash flows, and statement of accounting policies for the year ended on that date and notes to the financial schedules that include other explanatory information.

In our opinion, the financial schedules of the Scheme on pages 49 to 61 are prepared, in all material respects, in accordance with the accounting policies of the Scheme.

Our audit was completed on 22 November 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to certain matters. In addition, we outline the responsibilities of the Secretary of Education and our responsibilities relating to the financial schedules, we comment on other information, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Boards. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the financial schedules* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosures:

Basis of accounting

The statement of compliance section on page 52 outlines the basis of accounting applied to prepare the financial schedules. As described on page 52, the financial schedules represent extracts from the non-departmental financial schedules of Vote Revenue and Vote Social Development and are prepared to provide a consolidated view of actual and forecast information. As a result, the financial schedules may not be suitable for another purpose.

Significant uncertainties in estimating the fair value of the student loan portfolio

Note 3 on pages 56 to 60 outlines the significant uncertainties, assumptions, and sensitivities in estimating the fair value of the student loan portfolio as at 30 June 2024. The fair value is based on expected future income levels and debt repayments. The expected future income levels and debt repayments are uncertain because they are dependent on macroeconomic factors and the behaviour of borrowers.

Responsibilities of the Secretary for Education for the financial schedules

The Secretary for Education is responsible on behalf of the Scheme for the preparation of the financial schedules in accordance with the accounting policies of the Scheme; this includes determining that the accounting policies are an acceptable basis for the preparation of the financial schedules in the circumstances. The Secretary of Education is responsible for such internal control as is determined is necessary to enable the preparation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Responsibilities of the auditor for the audit of the financial schedules

Our objectives are to obtain reasonable assurance about whether the financial schedules are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial schedules.

For the forecast information reported in the financial schedules, our procedures were limited to checking that the information agreed to the amounts reflected in the accounts of the Ministry of Social Development and Inland Revenue Department.

We did not evaluate the security and controls over the electronic publication of the financial schedules.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control; and

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with the Secretary for Education regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information in the document containing the audited information.

The other information comprises the information included on pages 4 to 48 and 67 to 75 but does not include the financial schedules and our auditor's report thereon.

The Secretary for Education is responsible for the other information.

Our opinion on the financial schedules does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial schedules, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Scheme.

Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Appendices

Appendix 1: Student Loans Integrated Model (SLIM)

Table 26 Student Loans Integrated Model assumptions

Area	Assumption
Economic assumptions	Te Tai Ōhanga | The Treasury publishes a central table of Consumer Price Index (CPI) inflation assumptions that are to be used in major accounting valuations for reporting to the Crown. These figures have been adopted for the valuation. The remaining economic assumptions are set by the consulting actuaries in consultation with Te Tai Ōhanga | The Treasury, Te Tari Taake | Inland Revenue, Te Manatū Whakahiato Ora | Ministry of Social Development and Te Tāhuhu o te Mātauranga | Ministry of Education. These assumptions are summarised in *Table 25* on **page 60**.
Discount rates	The discount rates used in the valuation incorporate a risk-free component and a risk adjustment. As with the CPI, the risk-free rates are as prescribed by Te Tai Ōhanga | The Treasury. The risk adjustment was determined by the consulting actuaries as 1.26 percent.
Repayment threshold	$24,128 until 31 March 2025 and increasing by annual CPI thereafter. Repayment obligations are based on pay periods rather than total annual earnings. This means that some borrowers earning below the annual threshold of $24,128 may still end up having repayment obligations.
Transitions between studying, employment and going overseas	Modelled from the recent experience of the Scheme's participants.
Income of borrowers	Personal income growth from 'career advancement' is modelled from the experience of the Scheme and from Census data for longer durations. Salary inflation is imposed on top of this 'career advancement' analysis as an economic assumption.
In-study repayments	For current students, there is a model of the probability of a repayment occurring, and should there be a repayment, a model of the repayment amount.
Repayments from former students in New Zealand	A similar approach is taken for New Zealand-based former students, but with separate pairs of models for those with incomes under $25,000 (in 2015 dollars) and for those with higher income.
Repayments from overseas-based borrowers	Overseas-based borrowers have a repayment obligation based on the larger of the size of their loan when they left New Zealand or the current amount owed. The modelling approach starts with the probability of a repayment being made and, after this, there are models based on underpaying, meeting or exceeding the repayment obligation.
Bankruptcy	Bankruptcy is modelled based on the experience of the Scheme and is sensitive to age, gender and loan balance.
Mortality	Mortality rates are based on the experience of the Scheme. Mortality is generally at or below the New Zealand Life Tables 2017-19 up to age 34 but tends to be higher for older ages.

Source: Te Tāhuhu o te Mātauranga | Ministry of Education.

Appendix 2: Resources to support study choices

Table 27 Resources to support study choices

Information/service	Provided by	Overview
Resources to inform study decisions		
Career information and tools **Key information for students** careers.govt.nz	**Te Amorangi Mātauranga Matua | Tertiary Education Commission**	Users of careers.govt.nz and the Careers Facebook page can access a wide range of information and tools about learning and work options and how these connect and apply to different skills and interests. Key Information for Students is a service with information about government-funded Level 5 and above qualifications. Tertiary education organisations publish Key Information for Students on their websites.
Vocational Pathways youthguarantee.education.govt.nz/	**Te Tāhuhu o te Mātauranga | Ministry of Education**	Vocational Pathways connects educational requirements to employment needs across six sectors of the economy: Primary Industries, Construction and Infrastructure, Manufacturing and Technology, Social and Community Services, Service Industries and Creative Arts.
Resources to inform financial decisions		
Sorted sorted.org.nz/guides/planning-and-budgeting/studying	**Commission for Financial Capability**	The Sorted website has a Budgeting when Studying guide, which provides information on choosing a qualification, student costs and income while studying. Information is also provided on repayments, including what happens if a borrower goes overseas.
Managing your student loan ird.govt.nz/student-loans/repaying-my-student-loan	**Te Tari Taake | Inland Revenue**	Self-service options make it easier to borrowers to manage their student loan. Through their online account, they can: › see what they owe › make repayments › apply for special deduction rates, instalment arrangements, concessions for hardship and exemptions.
Student loan repayment calculator ird.govt.nz/student-loans/managing-my-student-loan/working-out-when-i-will-have-paid-off-my-student-loan/how-the-student-loan-repayment-calculator-works	**Te Tari Taake | Inland Revenue**	The student loan repayment calculator works out repayment obligations, how long it will take to pay off a student loan if borrowers stay in New Zealand or go overseas and what impact extra payments can make.
StudyLink studylink.govt.nz	**Te Manatū Whakahiato Ora | Ministry of Social Development**	The StudyLink website provides prospective tertiary students with information to help them with their study choices and options for funding their study. It includes how to work out living expenses, with examples of what it could cost to live in various areas in New Zealand, and links to the Sorted budgeting tool. Students can apply for and manage their student finances online.
Fees Free eligibility feesfree.govt.nz	**Te Amorangi Mātauranga Matua | Tertiary Education Commission**	Students can find out whether they are eligible for Fees Free education and training.

Appendix 3: Glossary

Academic year	The academic year is traditionally from 1 January to 31 December, but it can span any 12-month study period. The traditional academic year is also referred to as a calendar year.
Active borrower	Someone who is currently studying and borrowing from the Scheme.
Administration fee	A $40 fee charged by Te Tari Taake | Inland Revenue for each year a borrower has a loan balance. This fee is not charged in those tax years that the borrower is charged an establishment fee by Te Manatū Whakahiato Ora | Ministry of Social Development.
Borrower	Any person who has drawn from the Student Loan Scheme and has not yet repaid in full.
Carrying value	The value of the Scheme asset, which is maintained in the Scheme's accounts. It increases during the year as new loans are issued and decreases as repayments are made. Adjustments are made each year following an annual valuation of the asset to reach a fair value. Valuations are made in accordance with New Zealand equivalents to Public Benefit Entity International Accounting Standards.
Cohort	A group of people with a common statistical factor. For example, a cohort could be a group of students for whom 2020 is their first year of tertiary education.
Compulsory fees	Tuition fees (sometimes referred to as compulsory course fees) and student service fees charged by tertiary education providers.
Course	A component of education. A paper, module or unit standard may all be different types of courses. A course or collection of courses forms a programme of study which, if completed successfully, results in the award of a qualification.
Course-related costs	Additional expenses associated with tertiary study that are not compulsory for all students.
Debt	The total amount borrowed by an individual under the Scheme, including any fees or interest, less any repayments they have made. This amount is also referred to as the 'loan balance'.
Default	The amount of the repayment obligation not paid by the due date. This is also referred to as overdue debt.

Discount rates	The interest rates used in discounted cash flow analysis to determine the present value of future cash flows.
Equivalent full-time student (EFTS) unit	A measure of the amount of study or the workload involved in undertaking a course. A student taking a normal year's full-time study generates one EFTS unit. Part-time or part-year study are fractions of a unit.
Establishment fee	A $60 fee charged by Te Manatū Whakahiato Ora | Ministry of Social Development every time a borrower establishes a new loan account.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fees Free tertiary education and training policy	The policy introduced from 1 January 2018 made the first year of tertiary education or training Fees Free for new students and trainees. The Government has announced that Fees Free for the first year of study and training will finish at the end of 2024 and be replaced with a final-year Fees Free scheme starting from January 2025.
Financial year	The Government's accounting year – starting on 1 July and ending on 30 June.
First-time borrower	A borrower who entered the Scheme for the first time in a given year.
Full-time	Any programme of study undertaken by a student that is either: › 32 weeks or more and at least 0.8 EFTS (this is designated full-time, full-year), or › 12 weeks or more and at least 0.3 EFTS or the equivalent on a pro rata basis (for example, 24 weeks and 0.6 EFTS is designated full-time, part-year). This definition is used to determine eligibility for the living costs and course-related cost components of the student loan and for student allowances.
Impairment	A decrease in the value of a long-term asset. When a valuation results in an increase in the value, the resulting change is called a negative impairment.
Interest	The interest charged on loans. Interest is adjusted annually on 1 April. Student loans are interest-free for borrowers deemed to be New Zealand-based.

Late payment interest	Charges on overdue amounts if repayment obligations are not met by the due date.
Loan balance	The total amount borrowed by an individual under the Scheme, including any fees or interest, less any repayments they have made. This amount may also be referred to as 'debt'.
New Zealand-based borrower	A borrower is New Zealand-based if they are not defined as overseas-based. New Zealand-based borrowers qualify for an interest-free student loan. Repayments are generally made through the tax system based on income earned over a threshold set by the Government.
Nominal value	The total amount owed by borrowers at a point in time, including loan principal, loan interest, fees and late payment interest.
Non-degree	Non-degree level applies to programmes of study and qualifications beyond/post-school level that are not at degree or postgraduate level.
Overseas-based borrower	A borrower becomes overseas-based if, after 184 days, they have been out of New Zealand for at least 153 days of those 184 days. The interest applies to a loan from the day after the borrower leaves New Zealand. The repayment obligation for overseas-based borrowers is set at a fixed repayment threshold. For compliant borrowers, the threshold is based on their balance when they left New Zealand.
Pay as you earn (PAYE)	The tax system used when income is from salary and wages. Tax is deducted automatically by employers. Employees who are taxed through PAYE and have a student loan must advise their employer. This ensures that borrowers make the correct repayments on their student loan according to their level of income.
Private training establishments (PTEs)	Private providers of tertiary education registered with Mana Tohu Mātauranga o Aotearoa | New Zealand Qualifications Authority.
Programme of study	A collection of courses, classes or work that leads to a qualification.
Qualification	An official award given in recognition of the successful completion of a recognised programme of study.
Repayment deductions	Amounts deducted by employers from salary or wages when a borrower's income exceeds the pay period repayment threshold.
Repayment obligation	The amount a borrower must repay towards their loan in any given tax year unless they are exempt.

Repayment threshold	The amount a New Zealand-based borrower can earn before having to make repayments on their loan. This is adjusted on 1 April each year. The pay period repayment threshold is the amount borrowers can earn in a pay period before student loan repayments need to be made from salary or wages.
Student Loan Integrated Model (SLIM)	A model using predictive variables used to provide an annual valuation of the Scheme and price policy options. Refer to **Appendix 1** for more details.
Tax year	From 1 April to 31 March the following year.
Te Pūkenga (New Zealand Institute of Skills and Technology)	From 1 April 2021, polytechnics and industry training organisations were replaced with a new entity called Te Pūkenga, which provided on-the-job, on-campus and online vocational education and training through a unified public network of regionally accessible education.
Tertiary education	All involvement in post-school learning activities, including industry training and community education. It also includes in-school programmes such as Gateway and the Secondary Tertiary Alignment Resource.
Tertiary education organisations (TEOs)	All institutions and organisations that provide or facilitate tertiary education. They include tertiary education providers and transitional industry training organisations.
Tuition fees	Compulsory fees charged for tuition by public and private tertiary education providers.
Wānanga	A tertiary education institution that Māori, primarily iwi, have been instrumental in establishing. Wānanga follow practices that are consistent with mātauranga Māori and tikanga Māori in all levels of governance and operations. They are kaitiaki of mātauranga Māori, te reo Māori and tikanga Māori within the tertiary education system.

Index

List of figures

List of tables

List of online tables

These tables support the high-level data supplied in this Annual Report and have been numbered accordingly. Retrieved from: educationcounts.govt.nz/statistics/financial_support_for_students

Te Tāhuhu o te Mātauranga
Ministry of Education

education.govt.nz

He mea tārai e mātou te mātaurangakia rangatira ai, kia mana taurite ai ōna huanga.

We shape an education system that delivers equitable and excellent outcomes.

Te Kāwanatanga o Aotearoa
New Zealand Government