Highlights from the 2014 Budget

Overview of the Budget, Tertiary Sector and Massey Impacts

The 2014 Budget is the first Budget in six years to focus on managing a growing economy rather than economic recovery. Further, New Zealand is one of the first developed countries to return to normal economic conditions.

The 2014 Budget did not introduce any significant change to the funding of the tertiary sector. Therefore, apart from some specifically targeted areas of additional funding, the sector will face financial challenges over the next few years. While New Zealand is currently home to World Class Tertiary Institutions, it is arguable whether the current funding regime is World Class and the sector continues to lobby for change.

However, the 2014 Budget does contain some wins for the Tertiary Sector in the form of the following:

- $83 million of operating funding over four years to raise tuition subsidies in science provision (8.5 per cent), agriculture (8.5 per cent) and health sciences (pharmacy 16.4% and physiotherapy 12.4 percent).
- An additional $53 million over four years to establish another three Centres of Research Excellence (CoRE), bringing the total number to 10. This includes a Centre focusing on Māori research.
- An additional $57 million over four years for contestable research in science and innovation.
- $28.6 million new initiative funding for ICT training initiatives.

So what does this mean for Massey?

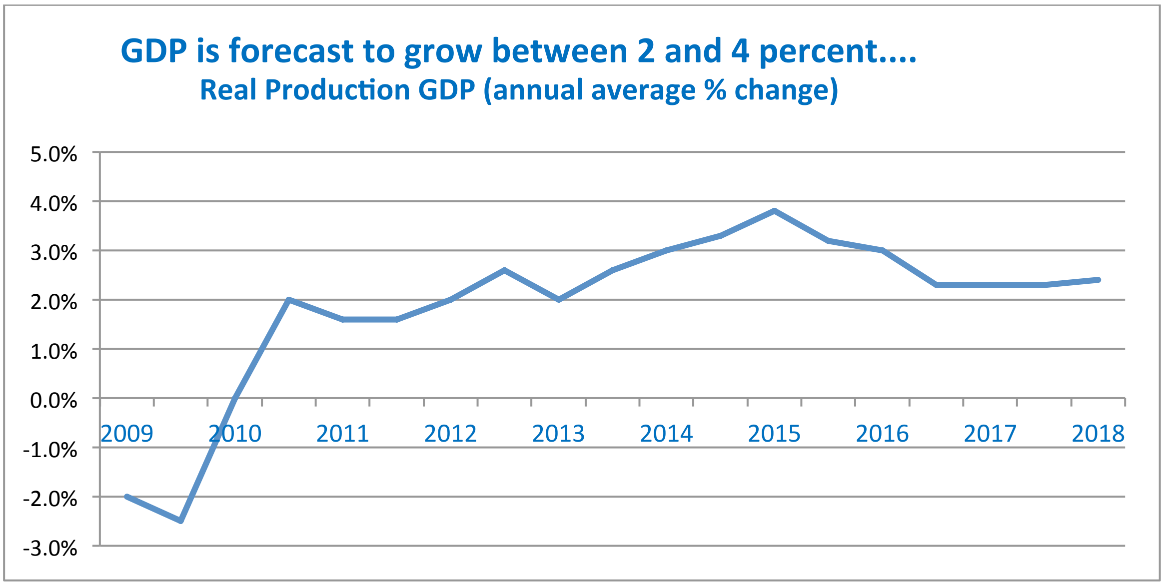
Tuition subsidies (commonly referred to as SAC funding) in science, agriculture and health sciences could lead to an increase in Massey's revenue of up to $3.1m.

From Massey's perspective, this additional investment in research is certainly welcome. While, it is uncertain whether Massey itself will benefit directly, Massey will be positioning itself to submit bids for this funding. The increase in funding is a clear indication of the importance of research to the New Zealand economy. Innovation, Research and Development are clear themes throughout the Budget which is consistent with the Big Goal Drivers in the Massey Strategy – Road to 2025. It is clear that Massey needs to ensure that it continues to focus on growing the role research plays in the overall academic programme.

The $29m ICT new initiative funding is expected to be the subject of a detailed announcement within 'the next few weeks'. It is currently unclear whether this will bring any benefit to Massey.

This specifically targeted increase in funding is welcome news. However, the overall theme for the Tertiary sector, particularly longer term and for those institutions south of Auckland remains one of a constrained environment with declining domestic student numbers. Consistent with Massey's 2014 student enrolment experience, the Government expects a reduction in demand for tertiary education over the next four years.

The following graph, from the 2014 Budget Executive Summary, shows that while in the next 12 months GDP is forecast to grow, longer term GDP will return to current (2014) levels.



It therefore remains important we continue to focus on growing revenue whilst controlling costs and further emphasises the need to continue to focus on alternative sources of revenue and growth as highlighted in the Road to 2025.

Other points of interest to Massey Staff and Students

The Budget has signalled that the government plans to conduct an auto-enrolment exercise for those who are currently non-members of Kiwisaver. However, it should be noted while auto-enrolment is planned it is not intended to be mandatory membership and there will be the option to opt out for those individuals who believe membership would bring financial hardship.

The government will extend paid parental leave from 14 weeks to 18 weeks via a stepped approach throughout 2015 and 2016. Parental leave payments will also be extended to those in less regular employment including seasonal and casual workers, those who have recently changed jobs, and workers with more than one employer.

The suspension of inflation adjustments to the student loan repayment threshold (currently $19,084 a year or $367 weekly) will be extended a further two years until 1 April 2017.