

**Tertiary Education
Commission**
Te Amorangi Mātauranga Matua



Briefing for the Incoming Minister for Tertiary Education, Skills and Employment

December 2016

This document has been proactively released. Redactions made to the document have been made consistent with the provisions of the Official Information Act 1982.

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Key messages

The New Zealand education tertiary system is performing well...

Tertiary education is vitally important to New Zealand, driving better social, cultural, and environmental outcomes, and creating new knowledge and new areas of economic activity.

The current system performs well, with increasing numbers studying towards higher-level qualifications, studying full time, and completing qualifications. The achievement level of tertiary learners is increasing over time. Research quality, as measured by the Tertiary Education Commission (TEC) in administering the Performance-Based Research Fund, is also increasing.

...and there are some key opportunities:

There are a number of forces and changes shaping the tertiary education system. These present us with opportunities to improve the tertiary system, including:

- › improving outcomes for New Zealanders by improving the flexibility of the tertiary education system. This does not necessarily involve more funding.
- › enabling better decision-making and investment performance at all levels of the tertiary education system and by learners through the use of quality information.
- › shaping the future provision of careers information and advice.
- › achieving parity of participation and achievement with other learners for Māori and Pasifika through more targeted information, advice and investments.
- › enabling tertiary education organisations (TEOs) to better target areas of strategic and priority need, and reduce the level of government intervention required in the system.
- › engaging employers as an integral part of the skills development system.

There are some risks to the system, being actively addressed...

One of the TEC's core functions is to monitor the performance of the TEOs that we fund, and we have high expectations of them. However, at any one time there are a number of TEOs on our monitoring radar. At present, we have viability concerns about three TEOs.

We are significantly increasing our capability in – and the visibility of – our monitoring in a number of areas. These include increasing the frequency and scope of audits of TEOs, comparing data across agencies to identify anomalies requiring further analysis and review, and improving and refining our monitoring framework.

More broadly, there are risks related to the prolonged reduction in learner demand for tertiary education. The financial and non-financial impacts of this are being felt around the system and are proving particularly challenging for the institutes of technology and polytechnics (ITP) sector. Similarly, the integral nature of international student business to TEOs exacerbates the impact of regular business cycle changes in this area.

...and some critical areas you will need to engage with us over the coming months:

There are some key decisions you will need to make in the next few months. These decisions relate to:

- › TEOs of concern
- › Ministerial appointments to TEI councils
- › the proposed transfer of Careers New Zealand to the TEC
- › Budget 2017/18
- › the Waikato Medical School Proposal

We provide details about these decisions in Part Four of this document.

Part one: The TEC and the tertiary education system

Who we are and what we do

The TEC is a Crown agency under the Crown Entities Act 2004. We are governed by a Board of Commissioners whom you, as Minister for Tertiary Education, Skills and Employment, appoint with the assistance of the Ministry of Education (MoE).

We are a small operational agency with a staff of 211 FTEs, and an operating budget of around \$50 million.

The TEC has three functions:

- › investing Crown funds through Investment Plans and contracts with tertiary education providers
- › monitoring and managing the performance of tertiary education providers, and
- › providing information and advice to the Government (including ownership monitoring advice) about tertiary education providers and the tertiary education sector in general.

Our business strategy has three pillars:

- › **Champion** – to promote the value of tertiary education to all
- › **Build partnerships** – to maximise our impact by engaging with and leveraging our partners
- › **Invest** – to optimise the return from the tertiary education spend.

The TEC invests around \$2.8 billion in tertiary education annually on behalf of the Crown. The funding supports more than 700 TEOs across New Zealand to provide all forms of post-secondary school education - from foundation education such as adult literacy, adult and community education, to vocational education such as apprenticeships, and higher education including research in universities.

The largest funded TEO receives around \$450m, while the smallest receives a few thousand dollars. We monitor all TEOs on behalf of the Crown.

Our strategic context

The *Tertiary Education Strategy 2014–19* (the *Strategy*) sets out the Government’s strategic priorities for tertiary education. The *Strategy* is the primary guiding document for the TEC.

The *Strategy* outlines the Government’s six key priorities. The key priorities are:

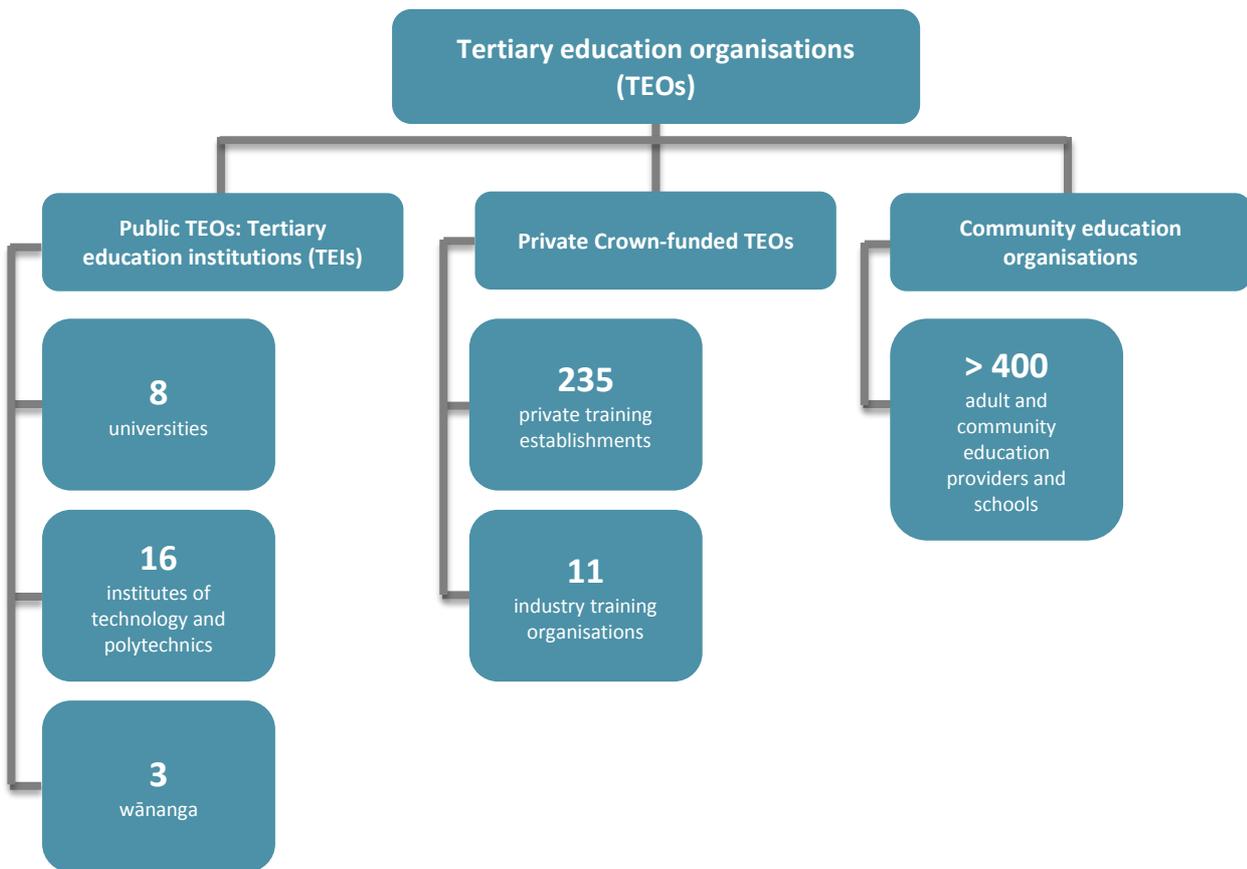
- › Priority 1: Delivering skills for industry
- › Priority 2: Getting at-risk young people into a career
- › Priority 3: Boosting achievement of Māori and Pasifika
- › Priority 4: Improving adult literacy and numeracy
- › Priority 5: Strengthening research-based institutions
- › Priority 6: Growing international linkages.

The TEC also contributes to the goals of the Business Growth Agenda to build a more productive and competitive economy, and to two Better Public Services targets:

- › by 2017, 80% of 18-year-olds will have achieved a National Certificate of Educational Achievement level 2 or an equivalent qualification,
- › by 2018, 60% of 25- to 34-year-olds will have a qualification at level 4 and above on the New Zealand Qualifications Framework.

The tertiary education system

The tertiary education system includes more than 700 Crown-funded TEOs across New Zealand. Further details about the TEOs is included as Appendix A.



Our place in the system

The system is overseen at a policy level by the MoE and the Ministry of Business Innovation and Employment (MBIE).

We work collaboratively with the MoE and other education sector Crown entities to create a world-leading education system. We also work closely with MBIE to ensure the tertiary education system responds to the needs of employers and delivers the skills and knowledge that contributes to economic growth.

Learners in the system

Key facts and figures:

- › There were **nearly 540,000 learners** enrolled in formal tertiary qualifications in 2015.
- › **405,074 learners** (or 268,866 EFTS¹) studied at TEOs. Of these:
 - **336,603 learners** (221,872 EFTS) were funded out of the SAC² fund,
 - **54,430 students** (37,618 EFTS) were international full-fee paying students, and
 - **14,041 students** (9,376 EFTS) were enrolled in programmes funded out of the Youth Guarantee (YG) fund³.
- › **133,948 trainees** (44,513 STMs⁴) were engaged in industry-based training, including 35,344 Modern Apprenticeships and New Zealand Apprentices.
- › The achievement level of tertiary learners is increasing over time. Of SAC-funded learners in 2015:
 - **83%** achieved course completion
 - **77%** achieved qualification completion, and
 - universities head the pack with course and qualification completions at **86%** and **80%** respectively.

¹ Equivalent full-time student. It is the main unit of measurement of the production and consumption of education, and the basis for provider subsidies. 1.0 EFTS corresponds to one student enrolled full-time for one year (1,200 learning hours over 34 weeks) in a standard programme of study.

² Student Achievement Component. The largest of the Government's tertiary education funds, used to purchase provider-based tertiary education.

³ This fund purchases fees-free tertiary provision at Levels 1-3 of the New Zealand Qualifications Framework (including NCEA 1 or 2 delivered by a tertiary provider) for students aged 16 to 19.

⁴ Standard Training Measure. A measure of industry training quantity (the industry training equivalent of an EFTS). 1.0 STM corresponds to the amount of training required for a trainee to achieve 120 credits on the New Zealand Qualifications Framework.

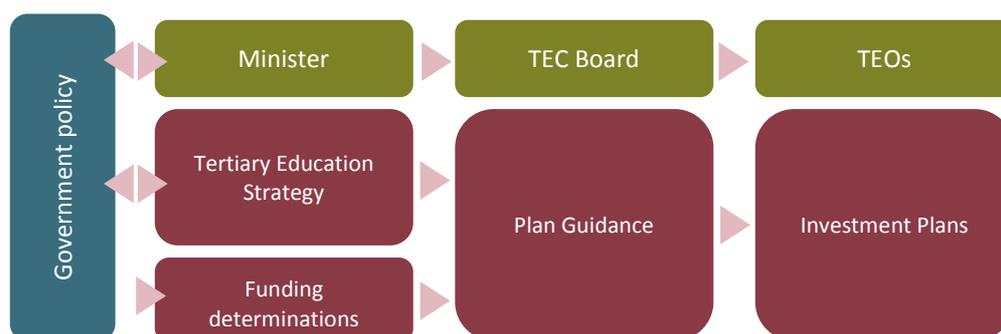
Our investment role

The tertiary funding system

This section outlines the investment Plan funding system, the Government's biggest lever for influencing the tertiary system. The key funds are outlined in Appendix B.

Government policy

The following diagram shows the role of the agencies (green) and mechanisms of influence (red) in the tertiary funding system.



Tertiary education strategy (TES)

The TEC responds to the TES priorities through measuring progress against them in its accountability documents and requiring the investment Plans of TEOs to reflect progress against relevant priorities.

Funding determinations

The Minister issues funding determinations under section 159L of the Education Act 1989. These establish the purpose of different pools of tertiary funding and may include setting funding rates, and any relevant eligibility criteria. They also stipulate whether funding is to be provided via investment Plans or through an alternative mechanism. The TEC must use its gazetted funding criteria for funding that is allocated via investment Plans.

Funding determinations, often referred to as “159Ls”, are an essential means by which the Minister determines the purpose of funding available to the TEC for allocation to TEOs. The amount of funding available is determined through the Government's Budget process.

Section 159J(4) of the Education Act 1989 keeps the Minister one step removed from the allocation of funding for specific TEOs. This is echoed in section 159M, which prevents the Minister from identifying a specified organisation or organisations for funding purposes when he or she determines the design of a funding mechanism (by issuing a funding determination). Funding decisions are then made by the TEC Board or delegated in some circumstances to the TEC Chief Executive.

Funding determinations are drafted by the Ministry of Education, in consultation with the TEC, on behalf of the Minister.

Allocation methodologies

Once the Minister has issued a funding determination, the TEC develops the operational details of how to implement the determinations in order to best give effect to the Tertiary Education Strategy. The TEC develops initial allocation methodologies that reward good performance and reduce funding for under-performance. Final funding decisions are made by applying the gazetted decision-making criteria for investment Plans.

Plan guidance

At the start of each investment cycle, the TEC releases Plan Guidance for the sector. This explains to TEOs what their proposed investment Plans must contain and how the TEC will assess proposed investment Plans for funding approval.

The TEC published the latest Plan Guidance document in Dec 2015 to inform plan development for the 2017-2018 funding period.

Plan Guidance is supported by a Gazette notice published by the TEC that sets out the content that Plans must contain and the criteria by which the TEC will assess Plans for funding approval.

Proposed investment plans

Each TEO develops a proposed investment Plan in response to the relevant Plan Guidance and in consultation with key stakeholders. TEOs then submit these proposed investment Plans to the TEC.

Sub-sector focused Investment Teams support TEOs to reflect critically on their past performance and future strategic direction as they develop their Plans. TEIs and ITOs have a dedicated Investment Manager who works with them on an ongoing basis, while our relationship with PTEs is managed by the whole sub-sector PTE team due to the volume of PTEs. Dedicated Investment Managers work with our 15 highest funded PTEs. Investment Teams provide advice about the TEC's expectations, based on the TES and Plan Guidance, and initial funding allocation advice to allow TEOs to submit realistically costed Plans.

Investment Managers work together to take a system view and ensure TEO Plans reflect a good investment to deliver on the TES. In this year's investment round, Investment Managers worked across sub-sectors and with other agencies to focus on strategic gains in Northland, South Auckland, and Primary Industries.

The TEC assesses each proposed Plan against the gazetted Plan assessment criteria and decides whether the TEO's Plan makes them eligible to receive funding. This is often an iterative process as Investment Teams work with TEOs to help them develop a Plan that meets the TEC's expectations.

Plans provide narrative about the TEO's mission and role in the system and how the outcomes it seeks to achieve in the Plan period will contribute to meeting government and stakeholder expectations. Plans include forecasts of the programmes and activities the TEO will deliver for the funding it receives and set performance commitments, including some that are specified by the TEC. A well-developed Plan will provide clear linkages between the narrative, the forecast mix of provision, and performance commitments.

Funding

Where a TEO submits a Plan that meets the gazetted assessment criteria, the TEC approves funding in accordance with Funding Determinations issued by the Minister under section 159L of the Education Act 1989. The TEC then administers payment through 12 roughly equal monthly payments. Unlike normal commercial terms TEOs are paid in advance. The TEC also monitors TEO delivery and performance against agreed levels in the investment Plan and discusses any variation in performance regularly with individual TEOs.

The TEC administers a large number of funds, each of which has its own rules and processes. Many funds require a multi-step allocation process, detailed rules and conditions, regular reporting by TEOs, and a recovery process to ensure the fund is fulfilling its policy intent and that the TEC is making good use of public funding. A simplification process over the last six years has seen the number of funds reduced from more than 40 to less than 20.

Our monitoring role

Under Section 159F of the Education Act 1989, the TEC is responsible for reporting to the Minister on the tertiary education sector, including section 159KBA reporting. Section 159KBA requires the Chief Executive of the TEC to report to the Minister on performance issues at TEIs, as the Minister (on behalf of the Crown) has an ownership interest in all 27 TEIs.

We monitor the performance of TEIs by collecting educational and financial performance data and governance information during the year. We also monitor and advise on the financial performance of industry training organisations (ITOs) and private training establishments (PTEs) that we fund. We have put in place a new financial monitoring framework for ITOs, and we expect to develop a financial monitoring framework for PTEs within the next 18 months.

We have enhanced our monitoring of the sector over the last few years. The TEC's financial monitoring framework combines historical performance and forward-looking forecasts supplied by TEIs, supplemented by current performance data. We are currently consulting on a review of the financial monitoring framework which we expect to finalise in early 2017.

Audit, reviews and investigations

Recent investigations and reviews have identified isolated incidences of non-compliance with funding conditions. The number of providers from whom recovery has been sought is around 1% of total TEOs. The total funding recovered is around 0.2% of the total funding over the period we have been conducting investigations and reviews.

Statutory intervention framework

The TEC's monitoring of tertiary education institutions is designed to regularly assess, monitor and manage the Crown's residual risk in these institutions. The Secretary for Education publishes risk-assessment criteria in the *New Zealand Gazette*, and these are used to determine whether a formal or statutory intervention is appropriate. The MoE is currently leading a review of the assessment criteria.

Section 195A-G of the Education Act 1989 allows for formal intervention either by the Chief Executive of the TEC or by the Minister based on the level of risk to the financial and long-term operation of tertiary education institutions.

A more graduated interventions framework has been established for ITPs following the enactment of the Education (Polytechnics) Amendment Act 2009 (section 222). This also includes the ability to intervene

based on possible risk to the educational performance of students, not just on financial grounds as with other parts of the tertiary education system.

The Minister also has the power to dismiss council members, including the chairs and deputy chairs of ITPs.

Current ownership view of tertiary education institutions

Key factors affecting the current and future health of the tertiary education institution network are:

- › many institutional forecasts are premised on enrolment growth – most tertiary education institutions are still forecasting that their EFTS number will grow, and are dependent on this growth to continue to return a surplus for reinvestment. Recent trend and demographic analysis suggests that this is optimistic and that, across the network, EFTS demand is likely to stagnate or decline until approximately 2022.
- › investment in buildings – TEIs are currently engaged in a significant level of capital development aimed at attracting students with new, modern, and state of the art facilities. There is a risk that multiple developments across the network could result in capacity exceeding demand.
- › increased borrowing – the increased focus on capital development has resulted in an increased level of debt across the sector. As at 31 December 2015, the sector had total debt (including finance leases) of \$383m. This is forecast to rise to \$705m in 2018. We actively monitor performance against the financial covenants included in the borrowing consents, and in a number of cases are introducing increased reporting and monitoring arrangements as debt levels increase.

Specific current issues

At any one time, there are a number of TEOs on our monitoring radar. At present, we have viability concerns about three TEOs:

- › **Tai Poutini Polytechnic (TPP)** is a small polytechnic based on the West Coast, serving around 2,500 EFTS annually with tertiary education and vocational training. TPP is in serious financial difficulty, and Section 9(2)(g)(i) as confirmed by an independent review undertaken by PwC. Its financial position is a result of falling student numbers and a failure to adjust its diversified cost structure accordingly. We have been investigating TPP's educational provision due to concerns that TPP is being funded for more learning than it is providing. While the investigation has not yet been finalised, Section 9(2)(ba)(i), 9(2)(g)(i) and 9(2)(f)(iv)
- › **Lincoln University** serves about 2,500 EFTS annually across its main campus and the Lincoln-Telford Division. Lincoln has not generated an operating surplus since 2007. This predates the Canterbury earthquakes and its acquisition of Telford Rural Polytechnic in 2011. In September 2015, Lincoln and the TEC agreed to appoint an Independent Advisor to monitor Lincoln's financial situation. The business case for the rebuild of Lincoln and AgResearch's science facilities following the 2011 earthquakes Section 9(2)(f)(iv)
A Governance Oversight Group with representatives from the TEC, MBIE, Lincoln and AgResearch and an Independent Chair has recently been set up to monitor this process and regularly provide advice to you.
- › on 9(2)(ba)(i), 9(2)(g)(i) and 9(2)(f)(iv)

Governance

The tertiary education institutions are autonomous institutions, governed by councils, whose roles and functions are set out in the Education Act 1989. The Minister for Tertiary Education, Skills and Employment appoints three or four members to each council (depending on its size) with the remainder appointed in accordance with each council's constitution or statute.

University and wānanga councils have between eight and twelve members. Councils of ITPs, consist of eight members. The Minister also appoints the Chair and Deputy Chair of ITP councils.

The TEC's role is to monitor and evaluate the governance capability of tertiary education institutions' councils. We provide advice to the Minister on governance matters, including Ministerial appointments and council members' fees, and provide information and support councils to enhance governance capability.

Ministerial appointments

In the 2016 calendar year, the TEC provided advice to the Minister on candidates and managed the process of appointment for 32 appointments. 21 appointments are due for your consideration in early 2017. In December 2016, the TEC provided initial advice on six of these appointments where we considered the Minister may wish to make reappointments.

Governance of institutes of technology and polytechnics

The 2010 governance reform of the ITPs, which focused on increasing the skills base of councils and reduced their size, was intended to enhance the governance capability of the ITPs and strengthen their leadership. The aim was improved institutional performance and governing councils that could readily respond to change.

Governance in the university and wānanga sectors

The governance reform of universities and wānanga followed changes to the Education Act in 2015, reducing the size of councils, removing representative requirements, and making relevant knowledge, skills, and experience the most important factors in selecting council members. Universities and wānanga responded well to the changes and all councils reconstituted by the deadline of 30 June 2016.

Part two: Our operating context

Drivers of change in our operating environment

The tertiary education system is being shaped by a number of forces and changes:

- › The market for skills, talent, and educational services is becoming increasingly global. In 2015 we had nearly 116,000 international students in New Zealand, paying fees of over \$1 billion. Research performance of TEOs depends on their international research collaborations.
- › Demographic and social trends are putting pressure on the tertiary system. These include an ageing population, urbanisation (particularly in Auckland), static or declining learner populations in some regions, and the changing ethnic composition of New Zealand society.
- › Learners in the tertiary system overall broadly reflect New Zealand's demographic patterns, however participation differs depending on the level of study. Māori and Pasifika students are underrepresented at the higher levels of tertiary education, especially Level 7 (degree) and above.
- › Patterns of demand for tertiary education have changed in the last six years. There has been a reduction in the number of learners enrolled at universities, ITPs and PTEs and an increase in learners in industry training. The pattern is expected to continue until the early 2020s and is putting some institutions, particularly ITPs, under financial strain.
- › The decline in demand is driven by two key factors – the demographic changes in New Zealand with fewer students coming through school, and a strong labour market. Other factors include a drop in participation rates for learners 25 years and older, and providers offering fewer short qualifications (where several learners equate to only one EFTS). A number of factors may be contributing to this, including many of these older learners having achieved a qualification already, a strong labour market, and TEC reducing funding for lower value provision such as, for example, health and safety courses, and courses with poor completion rates.
- › Changes in industry structures and workplaces are impacting the way people learn. Industry and workplace change is requiring learners and workers to upskill and adapt. New technologies turn complex tasks into routines that can be automated or undertaken by less skilled workers. Some highly skilled jobs are increasingly outsourced to offshore providers.
- › Changes in technology can help us support increased tertiary sector productivity. The Productivity Commission's draft report found that while some frontline educators adopt technology to aid their teaching in innovative ways, there is little institutional capability to scale this activity. New technologies and delivery models such as e-learning and blended delivery have the potential to lift tertiary sector productivity.

Our opportunities to improve the tertiary system

The drivers shaping the tertiary education system present us with a number of opportunities, including:

1. Improving outcomes for New Zealanders by improving the flexibility of the tertiary education system. This does not necessarily involve new funding.

- › We have been working with the sector and colleague agencies on operating improvements to the system, and this includes the implementation of an investment approach within the sector.
- › The Productivity Commission released a draft report *New Models of Tertiary Education* in September, to which we have responded. The report indicates opportunities for the sector to respond to, and take advantage of, trends in technology, internationalisation, population, tuition costs and demand for skills, and to address potential barriers to innovation. The final report will be provided to Government in February 2017.

2. Using quality information to enable better decision-making by learners and investment in performance at all levels of the tertiary education system.

- › The new *TEO Published Information for Learners* and *Rate My Qualification* initiatives make key information available to learners, so they can make more informed tertiary education enrolment decisions. Learners will be able to use these new online information tools from early 2017.
- › We are building capability to analyse the outcomes of tertiary education (for example, employment rates of recent graduates) and use this information to inform funding decisions.

3. Shaping the future provision of careers information and advice.

- › Legislation transferring Careers New Zealand's functions to the TEC is expected to pass in April 2017. The transfer provides us with a broad opportunity to improve young people's transitions from school to tertiary education, training and employment. We are very excited about this opportunity.

4. Achieving parity of participation and achievement with other learners for Māori and Pasifika through more targeted information, advice and investment.

5. Improving the capability of TEOs, to enable them to better target areas of strategic and priority need, and reduce the level of government intervention required in the system.

- › We are developing frameworks and internal capability to help improve the capability of TEOs in areas such as governance, achievement for priority groups and operational performance.

6. Engaging employers as an integral part of the skills development system.

- › Many employers see themselves as the ultimate consumers of tertiary education but not necessarily part of the system itself. To get real gains from our tertiary education system, we need to help industry and business shift from a somewhat dissatisfied customer to an engaged partner.
- › In some parts of the system, notably industry training, employers are actively involved in education and training. We need to grow this involvement, not only to meet the skills shortages through more apprenticeships in the shorter term, but also to make it more 'business as usual' across all levels of tertiary education. Greater employer engagement ensures programme design and delivery are informed by the needs of industry and business, and therefore better meet them.
- › Some of our key current work advancing employer engagement includes engineering education to employment, sector workforce engagement programmes, Māori and Pasifika Trades Training, employer-led workplace literacy and numeracy, and industry training.

Part three: How we work with you

The TEC Board

As a Crown entity we are governed by a Board of Commissioners (the Board) whom you appoint as Minister. The TEC Board has eight members, currently chaired by John Spencer. The TEC Board:

- › sets our strategic direction, makes decisions about funding allocations and provides guidance on our operations.
- › monitors the performance of the Chief Executive and the organisation.
- › oversees management of strategic risk.

You can influence the direction of the TEC through the appointment of members to the Board. The MoE will brief you on the appointments process for appointing Board members⁵.

The current TEC Board members are profiled in Appendix C.

The TEC Chief Executive and senior staff

Tim Fowler was appointed to the role of Chief Executive in 2013. The Chief Executive is supported by the Senior Management Team (SMT), comprising five senior managers. The areas of responsibility of the SMT are outlined in Appendix C.

Accountability and monitoring

The MoE leads the monitoring of the TEC's finances and performance on your behalf. The Ministry provides advice on the TEC's management of its \$50 million annual operating expenditure and its \$2.8 billion annual investment for tertiary education.

The MoE ensures your priorities and directions for the education sector and the outputs you purchase from the TEC are properly reflected in the TEC's governance and accountability documents. The MoE also provides you with assurance that the TEC is discharging its public accountability obligations, such as publishing a Statement of Intent, Statement of Performance Expectations and Annual Report.

The starting point in the TEC's planning cycle is your Letter of Expectations (LoE). The LoE outlines your key priorities and expectations for the forthcoming year. The LoE is prepared by the MoE, with TEC's involvement. The LoE is usually sent to the TEC Board in February each year.

The TEC reports quarterly to you against its Statement of Performance Expectations. These reports inform you about financial, strategic and operational progress over the quarter.

⁵ The 2017 general election will have an impact on the appointment of Board members in the coming months. It has been the practice for governments to exercise restraint in making significant appointments in the pre-election period.

Part four: Critical areas for engagement

There are some decisions you will need to make in the next few months.

TEOs of concern

We will keep you closely informed about Tai Poutini Polytechnic, Section 9(2)(f)(iv)

You have no immediate decisions to make regarding Lincoln. However, there will be some decisions due over the course of 2017.

- › Lincoln and AgResearch are due to submit a business case for the redevelopment of their science facilities Section 9(2)(f)(iv). An Independent Quality Assurance report by EY that assesses the business case will then be provided to you in Section 9(2)(f)(iv)

Section 9(2)(f)(iv) We will provide you with advice on the business case at this time, including assessments from MBIE and the Treasury.

- › Section 9(2)(f)(iv)

Ministerial appointments to TEI councils

You will need to make decisions on Ministerial Appointments to TEI councils by 30 April 2017. Making such appointments is a statutory function for the Minister of Tertiary Education. There are 21 appointments due for your consideration, all at ITPs. We will brief you separately on this.

- › The window for consideration of these appointments is small. The process begins when the Cabinet Office circulates all Ministers at the end of January with details of government board vacancies for the coming year. We manage the process of appointment, including providing advice on candidates.
- › All ITPs have eight council members and you appoint four of those. You also appoint the Chair and Deputy Chair from any of the eight members. Section 9(2)(f)(iv)

- › There are no immediate vacancies for appointment to university or wānanga councils.

- › Section 9(2)(f)(iv) and 9(2)(a)

Transfer of Careers New Zealand to the TEC

You will need to make some legislative and funding decisions around the transfer of Careers New Zealand to the TEC that have not yet been addressed. We will brief you separately on this.

Initially all Careers New Zealand staff, excluding the Chief Executive, will transfer to the TEC. We will then work through a transition process to align its resources, including staffing, to its new business functions.

Budget 2017/18

You will be receiving advice from the MoE on Budget initiatives for 2017/18 in the tertiary education system. We are working closely with the MoE and we are contributing to that advice.

Waikato Medical School Proposal

The University of Waikato is proposing to establish a new graduate entry medical school which would require Section 9(2)(f)(iv) and 9(2)(g)(i). In collaboration with the Waikato District Health Board, the university submitted an early stage business case to Ministers Joyce and Coleman for their consideration. The business case was assessed by both the TEC and Ministry of Health. Section 9(2)(f)(iv) and 9(2)(g)(i)

You and the Minister of Health will need to consider the case in due course.

Appendix A: The TEO sub-sectors, by total funding

1. TEIs

8 universities: \$1.572 billion

Number of institutions	8		
Funding (amount and source)	\$1.572 billion (2016 calendar year) 54.7% of total TEC funding for tertiary education		
Governance and ownership arrangements	Universities (along with wānanga and ITPs) are TEIs under the Education Act 1989 and Crown entities under the Crown Entities Act 2004. Each university is governed by a council of 12 members. Four of these members are appointed by the Minister.		
Key organisations and people in the sector	Universities New Zealand Chris Whelan – Executive Director		
	University	Chancellor	Vice-Chancellor
	University of Auckland	Dr Ian Parton	Professor Stuart McCutcheon
	Auckland University of Technology	John Maasland	Derek McCormack
	University of Waikato	Rt Hon Jim Bolger	Professor Neil Quigley
	Massey University	Michael Ahie	Hon Steve Maharey CNZM (to 23 December 2016. Ted Zorn to 23 January 2017, when Jan Thomas takes over.)
	Victoria University of Wellington	Sir Neville Jordan KNZM	Professor Grant Guilford
	University of Canterbury	Dr John Wood	Dr Rod Carr
	Lincoln University	Tony Hall	Professor Robin Pollard
	University of Otago	John Ward	Professor Harlene Hayne

Key issues and opportunities in the university subsector

Demand for university study

The number of learners studying at university reduced from a high of 160,231 in 2010 to 149,536 in 2015. Over the same period, university sector EFTS reduced from 121,001 to 114,849. The potential funding impact of this decline in learners and EFTS has largely been offset by Budget decisions to increase SAC tuition subsidy rates.

Based on the MoE's forecasts of demand in 2017-2019, the SAC baseline for 2017-2018 reflects a \$20 million reduction from 2016 levels, and the 2019 baseline reduces by a further \$30 million.

Issues and risks

The main challenges for universities are:

- › Reducing enrolments, and a reduced ability to generate revenue through increases to learner tuition fees, which are putting pressure on universities' business models. We are actively tracking and managing demand to ensure funding is fully utilised and that each university's strategic planning and funding reflect a realistic and sustainable pathway.
- › Addressing under-representation of Māori, and under-achievement for both Māori and Pasifika learners at degree and postgraduate levels of study. We continue to engage with universities in this area. While Plans for 2017-2018 make positive commitments to increase participation and narrow the achievement gap, the sector's response over the last decade has been weak in this critical area.
- › Increased international competition for learners and researchers creates challenges for New Zealand universities in terms of growing revenue and reputation. While their validity is debated, placement in university world rankings is particularly important in terms of attracting international students.
- › The University of Canterbury and Lincoln University have faced a number of challenges since the Canterbury earthquakes of 2010 and 2011, with significant impacts on enrolments, business models, and financial viability.

16 Institutes of technology and polytechnics (ITPs): \$600m

Number of institutions	16		
Funding (amount and source)	\$600m (2016 calendar year) 20.9% of total government spending in tertiary education		
Governance and ownership arrangements	ITPs are TEIs under the Education Act 1989 and Crown entities under the Crown Entities Act 2004. Education Act 1989 amendments took effect in May 2010, setting ITP council membership at eight members, four of whom are appointed by the Minister, including the Chair and Deputy Chair. The changes also allowed for combined councils. The first combined ITP council took effect on 1 January 2012, joining the councils of Weltec and Whitireia, and consisting initially of 12 members.		
Key organisations and people in the sector	ITP	Council Chair	Chief Executive
	Ara Institute of Canterbury	Jenn Bestwick	Kay Giles
	Eastern Institute of Technology (EIT)	David Pearson	Chris Collins
	Manukau Institute of Technology (MIT)	Peter Winder	Gus Gilmore
	Nelson Marlborough Institute of Technology (NMIT)	Ross Butler	Tony Gray
	Northland Polytechnic (NorthTec)	Vern Dark	Mark Ewen (Acting)
	Otago Polytechnic	Kathy Grant	Phil Ker

	Southern Institute of Technology (SIT)	Sarah Brown	Penny Simmonds
	Tai Poutini Polytechnic (TPP)	Graeme McNally	Alex Cabrera (Acting)
	The Open Polytechnic of New Zealand	Murray Bain	Dr Caroline Seelig
	Toi Ohomai Institute of Technology	Cathy Cooney	Dr Leon de Wet Fourie
	Unitec Institute of Technology	Dr Lee Mathias	Dr Rick Ede
	Universal College of Learning (UCOL)	Malcolm Inglis	Leeza Boyce
	Waikato Institute of Technology (WINTEC)	Mary Cave-Palmer	Mark Flowers
	Wellington Institute of Technology (WelTec)	Hon Roger Sowry	Chris Gosling
	Western Institute of Technology at Taranaki (WITT)	Robin Brockie	Barbara George
	Whitireia Polytechnic	Hon Roger Sowry	Chris Gosling

Key issues and opportunities in the ITP subsector

Performance

Since 2010, educational performance in ITPs has improved. However, with 16 ITPs across New Zealand, some struggle to attract enough learners to sustain financial viability. The 2010 reforms improved ITP governance. There is still, however, a limited pool of council members and top managers who can provide the governance and leadership needed in all ITPs. ITPs' financial challenges have been exacerbated by recent losses in funding for Level 1 and 2 provision, and by static or reduced demand for some regional and metropolitan ITPs. ITPs have been successful in lifting international student revenue in recent years.

Links to industry

More effort needs to go into deepening the engagement of industry input into programme design to ensure qualifications are continually updating to reflect industry need.

Scale and flexibility in models of delivery to meet changing needs

ITPs need to deliver vocational education and training to learners who are in remote locations, balancing learning and working lives, may need to retrain, or may have literacy needs.

Issues of scale are particularly relevant to the ITP sector where, given their location, they are often asked to deliver to various groups. They may not be able to scale to make this viable on its own.

Tertiary Education Strategy priority groups

ITPs have generally responded well to lifting the educational performance of the TES priority groups, although there remain challenges in achieving parity for Māori and Pasifika learners, and drawing NEETs into tertiary education.

The Māori and Pasifika Trade Training initiative is creating new opportunities for encouraging Tertiary Education Strategy priority group learners into trades training using a consortium model.

Foundation education

ITPs often link their foundation programmes with vocational programmes to provide students with a comprehensive pathway to higher levels. The ITP sector generally performed poorly in the recent contestable SAC levels 1 and 2 processes resulting in a shift of approximately Section 18(d) in funding from ITPs to PTEs and Wānanga.

International education

Many ITPs now rely heavily on income from international students to offset declining domestic student enrolments and other funding decreases; or sometimes to support capital projects or provider-specific initiatives. Recent changes in policy around New Zealand’s Residency Programme, and an increased focus on Indian student visa applications by Immigration NZ, have seen rates for students from India increase. These changes may start to have an impact in 2017.

3 Wānanga: \$167m

Number of institutions	3		
Funding (amount and source)	\$167m (2016 calendar year) 5.8% of total government spending in tertiary education		
Governance and ownership arrangements	Wānanga are TEIs under the Education Act 1989 and Crown entities under the Crown Entities Act 2004. Each wānanga is governed by a council. Under the Education Act, wānanga councils are to consist of not fewer than nine members and not more than 12. Four of these members are appointed by the Minister.		
Key organisations and people in the sector	Wānanga	Chair	Chief Executive
	Te Wānanga o Aotearoa (TWoA)	Vanessa Eparaima	Jim Mather – Te Taiurungi (Chief Executive Officer)
	Te Wānanga-o-Raukawa	Robin Hapi	Mereana Selby (Tumuaki)
	Te Whare Wānanga o Awanuiārangi (TWWOA)	Distinguished Professor Hirini Moko Mead KNZM	Professor Wiremu Doherty

Key issues and opportunities in the wānanga subsector

Performance-Linked Funding and Educational Performance Indicators

Performance-Linked Funding is a formulaic method of funding recoveries (up to 5% of SAC funding) based on performance across all sectors against the TEC’s four Educational Performance Indicators (EPis). An issue

for the wānanga is the use of EPI measures and performance based on other institutions in other sectors rather than within the wānanga sector. The wānanga oppose using a one-size-fits-all approach to education performance when the starting or entry point of the wānanga learner has not been considered.

Literacy and Numeracy for Adults Assessment Tool

The wānanga have raised issues about the appropriateness of the Literacy and Numeracy for Adults Assessment Tool for wānanga learners and their preference for a Māori version of the tool.

Increased focus on younger learners

The age demographic for wānanga learners is higher than most other providers, as a large proportion of their learners are people who left compulsory schooling early and are engaging with tertiary education for the first time as older adults. As well as re-engaging adult learners back into education, wānanga are working to increase the number of young people studying with them.

Potential Treaty of Waitangi claim

Wānanga have expressed concern with the EPIs that the TEC use to measure performance and how the TEC applies this in Performance-Linked Funding. They believe that the role of wānanga, as defined under the Education Act and successive Tertiary Education Strategies, is not appropriately recognised in the design of the EPIs. Wānanga believe the indicators are too narrow, and that the performance consequences do not acknowledge the challenging learner profile at wānanga. Wānanga have also raised concerns about research funding and Māori language provision. As these concerns are policy related, the Ministry of Education has set up a work programme and will lead discussions with the wānanga to address these issues to mitigate the risk of a potential Treaty of Waitangi claim.

Issues and risks

The main challenges for wānanga are:

› Section 9(2)(f)(iv) and 9(2)(g)(i) [Redacted]

2. Other TEOs

11 industry training organisations (ITOs): \$171m

Number of organisations funded	11		
Funding (amount and source)	<p>\$171 million (2016 calendar year from Industry Training Fund and Strategic Leadership Fund)</p> <p>6.0% of total government spending in tertiary education</p>		
Governance and ownership arrangements	<p>Industry training organisations (ITOs) and their industry coverage are recognised by the Minister under the Industry Training and Apprenticeships Act 1992. ITOs are body corporates that are privately owned by industry. They have a variety of structures, including companies and charitable trusts. ITOs are required to have arrangements for involving employers in their governance.</p>		
Key organisations and people in the sector	<p>Industry Training Federation Josh Williams – Chief Executive Pat Walsh – Chair</p>		
	ITO Name/Trading Name	Chair	Chief Executive
	New Zealand Marine and Composites ITO	Tom Warren	Chris van der Hor
	Building and Construction Industry Training Organisation Incorporated (BCITO)	Mike King	Warwick Quinn
	Community Support Services Industry Training Organisation Limited (Careerforce)	Richard Westlake	Ray Lind
	Competenz Trust (Competenz)	Mike Simm	Fiona Kingsford
	New Zealand Hair and Beauty Industry Training Organisation Incorporated (HITO)	Flora Gilkison	Kay Nelson
	Infrastructure Industry Training Organisation Incorporated (Connexis)	Frances Hague	David Worsnop
	MITO New Zealand Incorporated (MITO)	David O’Kane	Janet Lane

Primary Industry Training Organisation Incorporated (Primary ITO)	Mark Darrow	Linda Sissons
Service Skills Institute Incorporated (ServiceIQ)	Rick Christie	Dean Minchington
The Skills Organisation Incorporated (The Skills Organisation)	Brian Nowell	Gary Fissenden
Skills Active Aotearoa Limited (Skills Active)	Sam Napia	Grant Davidson

Key issues and opportunities in the ITO subsector

Review of industry training (Ministry of Education-led)

A review of industry training was carried out in 2012 by the MoE with changes announced in 2013. Key changes were the introduction of New Zealand Apprenticeships from 2014, changes to funding rates, clearer roles and expectations of ITOs, the introduction of the Apprenticeship Reboot scheme and establishment of competition by allowing employers direct access to the Industry Training Fund. Implementing and embedding in these changes has continued to be a focus since 2014. The Government also clearly signalled its expectation of improving performance from the ITO sector.

Shape of the ITO sector

Over recent years there has been considerable consolidation within the ITO sector with numbers reducing from 39 ITOs in 2010 to 11 funded ITOs in 2015. This move to larger, well-scaled ITOs should lead to an enhanced level of service for employers, apprentices and trainees, as well as better educational outcomes.

Demand is rising in response to a stronger labour market and skill shortages

With an upswing in the economy and growth in construction and infrastructure projects related to the Christchurch rebuild and Auckland growth, training demand has increased significantly. Growth in training demand has put pressure on funding and may require a rebalancing of investment from provider-based delivery to industry training. The Government allocated an additional \$14.4 million for apprenticeships from 2017 to 2020 in Budget 2016. A target of 50,000 apprentices by 2020 was recently announced by the previous Minister of Tertiary Education, Skills and Employment.

Increased collaboration and vocational investment

With fewer but larger ITOs there is scope to address some of the traditional barriers to cooperation and collaboration with other parts of the tertiary system. In particular, the relationship with institutes of technology and polytechnics needs to be strengthened and there is an opportunity to develop an investment strategy that focuses on vocational education and training more broadly rather than a subsector-based approach.

In addition, ITOs can facilitate greater employer engagement across the tertiary education system. ITOs work directly with a large range of industries, are involved in strategic workforce planning, develop qualifications and set skills standards for industries. They are therefore well placed to help industry and employers articulate their needs and expectations of tertiary education.

235 private training establishments (PTEs), 24 community education (CE) organisations, 373 schools, 54 others; \$363m total

Number of organisations	689 organisations, comprising 238 private training establishments (PTEs), 24 community education (CE) organisations, 373 schools, and 54 “other”.
Funding (amount and source)	\$363 million (2016 calendar year) 12.6% of total TEC spending in tertiary education
Governance and ownership arrangements	Privately owned organisations (some for-profit, some charitable trusts, some owned by multi-national companies or listed on the NZX, or other ownership arrangements)
Key organisations and people in the sector	<p>Peak bodies</p> <p>Independent Tertiary Education New Zealand (ITENZ) – Christine Clark (Chair), Chen Palmer (Secretariat)</p> <p>Independent Tertiary Institutions (ITI) – Neil Miller (Executive Director), Wendy Pyne (Co-Chair), Tommy Honey (Co-Chair)</p> <p>Aotearoa Māori Providers of Tertiary Education and Employment (AMPTEE) – Janeene Panoho/Christine Warren</p>
Large groupings of PTEs	<p>Academic Colleges Group – John Williams, Group Chief Executive</p> <p>Aspire2 – Sussan Turner, Chief Executive</p> <p>Intueri Education Group – Rod Marvin, Interim Chief Executive Officer</p>

Key issues and opportunities in the private training establishment and community education subsector

Māori, Pasifika and under 25-year-old learner targets

Historically, the PTE sector has seen a large proportion of enrolments in priority groups: Māori, Pasifika, and young learners at all levels.

Overall, PTEs are performing well in this area, compared with other subsectors, but need to continue to focus on improving parity of educational performance between Māori and Pasifika learners and other groups.

In 2015 and 2016, there has been an increase in the number of PTEs joining Māori Pasifika Trades Trading consortia and we expect this trend to continue.

Changes to foundation education funding for PTEs

PTEs are often well placed to deliver foundation education due to their smaller sizes, niche foci, and often strong connections with community, iwi, and Pasifika communities.

In 2016, the TEC and the MoE introduced two new funding initiatives targeted at increasing the success and outcomes of foundation level learners – the Youth Guarantee DualPathways Pilot programme, and the SAC 3+2 model. Both of these funding initiatives allow learners to be enrolled both in secondary school and at a tertiary education organisation, and encourage a collaborative approach to achieving educational outcomes.

Competitive Student Achievement Component for PTEs

A portion of SAC levels 1 and 2 funding was made available through a competitive process for the first time in 2013. The 2015/2016 competitive process allocated \$13 million in TEC funding to 24 PTEs. Section 18(d) PTEs were successful through the SAC levels 3 and 4 competitive pilot for primary industry delivery for 2017/2018.

Despite the overall relative success of the PTE sector in the 2017 competitive funding rounds, it should be noted that in any contestable process, the impact on an individual PTE may be significant if it is unsuccessful in obtaining funding. This is due to the niche nature of provision and the relatively small size of a number of PTEs.

PTE amalgamations and mergers

The number of individual PTEs has decreased over the past five years, but a number of PTEs have grown in size due to mergers and acquisitions. Many PTEs view acquisitions as the only way they are likely to obtain additional TEC funding, due to a capped funding environment. In addition, the sector is dominated by three large common ownership groupings of PTEs: the Intueri Education Group, Academic Colleges Group and Aspire2 Group. The largest TEC funded PTE operating is New Zealand Management Academies, owned by the Academic Colleges Group.

Appendix B: Key funds

The TEC administers a large number of funds, including:

1. Funding for teaching and learning

Student Achievement Component (SAC): \$2.08 billion

SAC is the most significant pool of funding in the tertiary education system. It is the single largest source of revenue for universities, wānanga and ITPs, and is also allocated to many PTEs. The overall SAC fund is allocated in two streams: funding for teaching and learning at levels 1 and 2 on the NZQF, and funding for teaching and learning at levels 2 and above on the NZQF.

SAC Levels 1 and 2

The SAC levels 1 and 2 is a fund targeted at foundation level education and is predominantly utilised by adults, school leavers and NEETs who require general employment skills, literacy and numeracy and related education. From 2017, all foundation level education will be fees-free. Since 2012, SAC levels 1 and 2 funding has been progressively opened up to a competitive process. Competitive rounds have been run in 2012, 2014 and most recent this year. In 2016, all of the approximately \$100m was subject to a competitive process. For this round we have allocated \$75.3m to 40 TEOs: 27 PTEs, 12 ITPs and one wānanga.

Competitive processes are aimed at securing better quality provision at the same or lower price than we would get from a regular investment round.

The success of these rounds has enabled us to evaluate the impact of our investment in foundation education, ensure we are investing in quality provision from high quality providers, and improve the value for money.

Performance-linked funding

Five percent of a TEO's SAC funding is linked to the TEO's performance in the previous year, measured against up to four educational performance indicators: qualification completions, course completions, retention and progression to a higher level of study. In 2016, the TEC changed how it calculates two of these indicators which will likely result in some minor changes to how performance linked funding operates.

Youth Guarantee: \$120m

The Youth Guarantee (YG) fees-free fund provides 'disengaged' or at-risk young people with an opportunity to achieve a foundation-level qualification, particularly the National Certificate in Educational Achievement (NCEA) level 2, in a tertiary setting. YG is part of a wider suite of initiatives that includes secondary-tertiary programmes (e.g. Trades Academies), Service Academies, and the Vocational Pathways.

DualPathways Pilot

In 2016, we launched a new pilot called *DualPathways* to allocate a portion of YG funding (\$5.98m) to support secondary-tertiary transitions. Funding for the *DualPathways* pilot will support TEOs to work in collaboration and partnership with employers/industries. Up to 1,200 student places will be made available in 2017, building on the 370 (approximately) student places funded in 2015 and 2016 through the current Secondary-Tertiary Pilot. There will be another funding round for 2018 delivery in 2017.

Industry Training Fund: \$180m

The Industry Training Fund funds industry training organisations (ITOs), and subsidises the development of New Zealand qualifications and the delivery of workplace learning linked to qualifications – mainly at levels 1 to 4 on the NZQF. The Industry Training Fund is strongly supported by employers.

Gateway: \$19m

Gateway provides workplace learning opportunities for senior secondary-school students (Year 11 to Year 13+), and enables them to earn credits towards qualifications while continuing to study at school.

Community Education: \$25m

Community Education funding mainly subsidises non-assessed learning in a range of settings including schools, community organisations, ITPs and wānanga. The funding provides adults with foundation skills and pathways into other learning opportunities that meet identified community needs.

2. Research funding

Performance-Based Research Fund: \$300m

The Performance-Based Research Fund (PBRF) incentivises and rewards research excellence. It is allocated based on research outputs. Around 97% of the fund goes to the universities.

The fund is allocated based on past performance in three components:

- research quality evaluation (55% of the fund).
- research degree completions (25%).
- external research income: (20%).

The operational guidelines for the 2018 Quality Evaluation were released on 30 June 2016. The next Quality Evaluation will be held in 2018 and will allocate funding from 2019 until 2024, while the two other components are determined annually. As well as determining funding, the PBRF also ranks the quality of research, and the reputational drivers are as strong for TEOs as the financial drivers.

Centres of Research Excellence (CoREs): \$50m

There are ten university-led CoREs funded until December 2020. The fund was established in 2001 to encourage the development of excellent tertiary-education based research that is collaborative, strategically focussed and creates significant knowledge transfer activities. The CoREs fund is fully contestable and funding is allocated and monitored by the TEC. In 2017 the TEC will review the CoREs to ensure they are making good progress toward achieving their objectives.

Appendix C: The TEC's Board and Management

Board of Commissioners

The TEC's Board comprises eight Commissioners. The Chair is appointed by you as Minister.



Commission Chair, John Spencer

John is a Wellington-based businessman and company director. He has been our Chair since August 2012 and brings substantial governance experience to his role.

He has been a director and Chair of several companies over the last 10 years and is also:

- › Chair of Raukawa Iwi Development Ltd and Waikato Regional Airport Ltd
- › on the Board of Mitre 10.

John's background includes a period as the Chief Executive of NZ Dairy Group – one of the two dairy companies that merged to form Fonterra.



Commissioner, Nigel Gould ONZM

Nigel is a chartered accountant, with a career in management positions including managing director of a publicly listed company. He has been a Commissioner on our Board since May 2013 and is:

- › Chair of the Civil Aviation Authority of NZ, the Young Enterprise Trust and Destination Marlborough
- › a director of other companies.

Nigel served on the Massey University Council for 10 years, including six years as Chancellor. In 1980, he was elected to the Wellington Harbour Board and became Chair. He continued this involvement with port governance as Chair of Centreport until 2008. He is a past President of the Wellington Regional and New Zealand Chambers of Commerce.

Over the past 30 years, Nigel has established companies in the information technology, primary and exporting sectors, and has recently taken an active interest in tourism. He is a Fellow of the New Zealand Institute of Chartered Accountants and the Institute of Directors. In 2010, he was made an Officer of the New Zealand Order of Merit and awarded an honorary doctorate of commerce by Massey University.



Commissioner, Dale Karauria

Dale is Ngāti Porou and Ngāti Kahungunu. Dale joined the Board in September 2016 and is also the Chair of the Careers NZ Board. She has over 15 years' experience in government policy and strategy roles, primarily focused on Māori development, education, training and employment. This includes her being part of the team that established the TEC, and secured the TEC's Māori name, Te Amorangi Mātauranga Matua, from her 'pāpā' the late Dr Apirana Mahuika. She also has wide experience as a private sector consultant, and is currently a director of Dakoda Visions Ltd, a consultancy providing strategic advice across the government sector.



Commissioner, Sir Christopher Mace

Chris has a background in business and business governance in the government, public and private sectors. He has been a Commissioner on our Board since May 2013 and:

- › is Chairman of the National Institute of Water and Atmospheric Research
- › was a founding trustee of the Sir Peter Blake Trust.

Chris works closely with the tertiary sector, with a focus on marine science and research. He chaired a support group for the redevelopment of the Marine Research Campus for the University of Auckland at Leigh. He is a former Chair of the Institute of Environmental and Scientific Research (ESR) and Antarctica New Zealand.

In 2004, Chris was made a Companion of the New Zealand Order of Merit for services to Antarctica and the community. In 2015, he was inducted into the Business Hall of Fame and, in 2016, made a Knight Companion of the New Zealand Order of Merit for services to science and education. He was Māori Business Leader of the Year in 2011.



Commissioner, John Morris ONZM

John has extensive experience in education and has been a Commissioner on the TEC Board since November 2012. He is a member of the Education New Zealand Board and the Partnership Schools' Authorisation Board, and is:

- › founding Chair of the Association of Cambridge Schools in New Zealand
- › Senior Education Advisor for Cambridge International Examinations.

John is a former Chair of the Education Forum. He was the Headmaster at Auckland Grammar School for 20 years, the Principal of Takapuna Grammar School and a member of the University of Auckland Council. In 2013, John was made an Officer of the New Zealand Order of Merit for services to education. In 1999, he was awarded a Woolf Fisher Fellowship for Outstanding Educational Leadership.



Commissioner, Phil O'Reilly ONZM

Formerly Chief Executive of BusinessNZ, New Zealand's largest business advocacy group, Phil is now the Director of Iron Duke Partners Limited. He has been a Commissioner on our Board since September 2013 and is:

- › Chair of the Board of the Business and Industry Advisory Committee to the OECD
- › a member of the governing body of the International Labour Organisation
- › Chair or member of several public and private advisory boards in areas as diverse as manufacturing, exports, trade, tax, retirement, research and development, innovation, employment, child poverty, health and safety, skills, government procurement and sustainable business.

Phil and his Wellington-based team work with companies, organisations and political and other decision-makers, advocating for New Zealand's success through sustainable economic growth. Phil chaired New Zealand's Green Growth Advisory Group. In 2016, he was made an Officer of the New Zealand Order of Merit for his services to business and governance.



Commissioner, Susan Paterson ONZM

Susan has been a professional director for the past 18 years. She has been a Commissioner on our Board since June 2015 and is:

- › Chair of Theta Systems Ltd
- › Director of the Electricity Authority, Goodman NZ, Arvida Group Ltd and Les Mills NZ Ltd.

Susan completed an MBA at the London Business School, before working in management roles in the UK and New Zealand. For 10 years, she was a strategy consultant for Boston-based Index Group throughout Europe and USA. Previous directorships include Ports of Auckland Ltd, Transpower NZ Ltd, Auckland Regional Holdings and Tower Health and Life.

Susan is Chair of the Home of Cycling (Avantidrome), past Chair of NZ Eco-Labeling Trust and Auckland Hockey, and a past board member of St Cuthbert's College and the Energy Efficiency & Conservation Authority (EECA). In 2015, she was made an Officer of the New Zealand Order of Merit for her services to corporate governance. She is also a Chartered Fellow of the Institute of Directors.



Commissioner, Vanessa Stoddart

Vanessa has been a Commissioner on our Board since September 2013 and is:

- › a member of the Financial Markets Authority Board
- › an independent director for NZ Refinery Limited, The Warehouse Group Limited and Paymark Limited
- › a board member of Global Women and on the Board of Kings College School
- › BusinessNZ's representative on the Defence Forces Employer Support Council, and
- › a member of the Audit and Risk Committees of the Department of Conservation and MBIE
- › a Director of Heartland Ltd.

Vanessa was also previously a member of the Better Public Services Advisory Board and Chair of the Otago University Business School Advisory Board. Before her governance career, for nearly 10 years, Vanessa was Group General Manager of People at Air New Zealand and, in later years, Technical Operations. Before that, she was Chief Executive at Carter Holt Harvey Packaging Australia.

Vanessa is a member of both the Australian and New Zealand Institute of Directors and an honorary fellow of the Human Resources Institute of New Zealand. She is also a Companion of the Institute of Professional Engineers New Zealand.

The Senior Management Team



Chief Executive, Tim Fowler

Tim has held the position of Chief Executive since April 2013. He was previously Deputy Chief Executive, Quality Assurance at the New Zealand Qualifications Authority. Tim has held leadership positions in Australia and New Zealand in both the private and university sectors, after starting his career in the Department of Prime Minister and Cabinet. Tim has an Honours Degree from Victoria University, a Masters from the East-West Center and the University of Hawaii, and executive education from INSEAD and the Wharton School at the University of Pennsylvania.



Deputy Chief Executive Operations (Acting), Deirdre Marshall

Deirdre joined the TEC in March 2016 as Deputy Chief Operating Officer and is currently acting as Deputy Chief Executive Operations. In this role, she leads our Operations directorate, which encompasses all of our tertiary education sector-facing activities, including investing, monitoring and relationship management. After 10 years as a litigation lawyer, Deirdre worked at the Ministry of Justice for a number of years. During this time she led a large organisational change project and spent three years as the National Operations Manager for the District Courts of New Zealand. She has expertise in leadership, operational delivery, improving organisational performance, change management and relationship management.

Deputy Chief Executive Operations, Mike Blanchard

Mike will take up the role on 30 January 2017. He is currently Chief Procurement Officer/General Manager – Strategic Procurement for Sydney Trains, and was previously Chief Procurement Officer – Group Manager for Transpower NZ Ltd. Mike has experience ranging from commercial, legal and contract management, governance and risk, and customer service. He was also previously Managing Director of start-up firm Teleware NZ Ltd, which delivers unified communication solutions globally to the Telecommunications sector.



Deputy Chief Executive Finance, John Soulis

John recently joined us from MBIE, where he was the Manager of the Strategic Finance team and Capital Portfolio Office for three years. At MBIE's inception he developed its Strategic Financial Plan, the basis for forecasting its financial position. John has oversight of a large financial management function, including external auditing of TEOs. His team manages our HR, organisational performance and reporting, project management and statutory accountability documents. A CA qualified accountant, John has 25 years experience in financial services, banking and telecommunications.



Deputy Chief Executive Information, Brendan Kelly

Brendan leads the development and operation of the information systems and products that underpin the TEC's business. Before joining the TEC in 2014 Brendan worked on two large ICT hospital projects in Melbourne. He was the ICT Program Manager for the \$447.5m redevelopment of Box Hill Hospital, and Director IT Architecture for the \$1.2 billion New Royal Children's Hospital. He was previously Chief Advisor Health Information Strategy and Policy at the New Zealand Ministry of Health.



Deputy Chief Executive Careers Transition, Paula Collins

Paula is of Ngā Rauru and Ngāti Ruanui whakapapa, and is a whāngai of Ngāti Toa Rangatira. Paula has worked across organisational development and spent several years helping PTEs to develop their business. Her move into strategic planning and operational management in ICT set her up to lead key government policy work programmes in broadcasting, and she was a chair of the whole-of-government Māori Language Strategy group. Paula spent 10 years as a consultant for private and public organisations. She is a Board member of a Māori social service provider, holds a Victoria University Master of Communications and Information Technology degree, and is a Māori language speaker. She was previously Chief Advisor Māori.

Chief Advisor Māori, Keith Ikin

Keith is of Ngāti Maniapoto, Ngāti Apakura, and Ngāpuhi in Whanganui whakapapa. Keith will take up the role of Chief Advisor Māori while Paula Collins is on secondment as DCE Careers Transition, and will be joining the TEC full time from April to October 2017. He is an experienced senior manager in both the public and private sectors, and is currently Director, Māori Land Service Design for Te Puni Kōkiri. Before this he was General Manager Māori Development at Landcare Research, and held roles at Waiariki Institute of Technology and the Ministry of Education. Keith has significant governance experience, and has been Deputy Chair of Maniapoto Māori Trust Board.

Glossary

ACE	Adult and Community Education – community-based education that provides adults with foundation skills and pathways into other learning opportunities that meet identified community needs and funded priorities.
CoREs	Centres of Research Excellence – inter-institutional research networks with researchers working together on a commonly agreed work programme; each hosted by a university and generally comprising a number of partner organisations, including other universities, Crown Research Institutes and wānanga.
EPIs	Educational Performance Indicators – the criteria used to measure the performance of TEOs; currently, course completion, qualification completion, student progression and student retention, except for industry training organisations (ITOs) where the measures are credit achievement and completion of programmes.
EFTS	Equivalent full-time students – the main unit of measurement of the consumption of education (with one student enrolled in a programme of study full-time for the full-year equating to 1.0 EFTS); also the basic unit of measurement of tertiary teaching input for Student Achievement Component funding.
Gateway	A programme available to state and integrated schools to support senior secondary students undertaking structured workplace learning across a range of industries and businesses, while continuing to study at school.
ITF	Industry Training Fund – funding of training that will be, or is likely to be of use to a particular industry; delivered by and to people involved in the relevant industry.
ITO	Industry training organisation – an industry specific body recognised under section 5 or 8(1) of the Industry Training and Apprenticeships Act 1992 that facilitates workplace learning for trainees in employment by setting national skills standards for their industry.
ITPs	Institutes of technology and polytechnics.
LNAAT	Literacy and Numeracy for Adults Assessment Tool – an online software tool that provides robust and reliable information on the reading, writing, numeracy and vocabulary skills of adults. TEOs delivering foundation education must use the Tool as a condition of TEC funding.
NCEA	National Certificates of Educational Achievement – the set of national qualifications for senior secondary school students.
NEETS	Not in employment, education or training.
NZQA	New Zealand Qualifications Authority – a Crown entity charged with approving qualifications and components, and registering and accrediting TEOs (other than universities) to deliver against these qualifications and/or assess against standards.
NZQF	New Zealand Qualifications Framework – the list of all nationally registered qualifications.
PBRF	Performance-Based Research Fund – a fund established to ensure that excellent research in the tertiary education sector is funded and rewarded. The PBRF is accessed by universities, institutes of technology and polytechnics, wānanga and private training establishments.
PLF	Performance-Linked Funding – one of a number of approaches intended to improve educational outcomes for students and employers and improve value for taxpayers' money through targeting funding to encourage all TEOs to reach an acceptable standard of educational performance.
SAC	Student Achievement Component – the Government's contribution to the direct costs of

	teaching and learning and other costs driven by learner numbers; the largest single government fund that supports tertiary education.
STEM	Science, technology, engineering and mathematics.
TEIs	Tertiary education institutions – providers of tertiary education that are Crown entities under section 162 of the Education Act 1989; namely universities, institutes of technology and polytechnics, and formally established wānanga.
TEOs	Tertiary education organisation – the overarching term for all public, private or community-based organisations that offer tertiary education or tertiary-related services.
TES	Tertiary Education Strategy – the high-level set of priorities and associated strategies issued periodically by the Minister for Tertiary Education as required by legislation.
VET	Vocational education and training.
YG	Youth Guarantee – an initiative to provide a variety of opportunities for young people, alongside or instead of senior secondary school, to achieve an NCEA Level 2 or equivalent qualification. This includes fees-free tertiary places for those aged 16–19.