



Tertiary Education Commission  
Te Amorangi Mātauranga Matua

# Briefing to the Incoming Minister

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## Part A: Overview and how the tertiary education system works

### 1. Tertiary education and the social and economic strategic context

#### The international direction of tertiary education policy

New Zealand's tertiary education system is a key national strategic asset. Governments worldwide are increasingly looking to their tertiary education systems to help their countries succeed internationally. A recent Organisation for Economic Co-operation and Development report<sup>1</sup> notes a worldwide trend for governments to link their tertiary education systems to their social and economic objectives:

*The imperative for countries is to raise higher-level employment skills, to sustain a globally competitive research base and to improve knowledge dissemination to the benefit of society.*

*Tertiary education contributes to social and economic development through four major missions:*

- *The formation of human capital (primarily through teaching).*
- *The building of knowledge bases (primarily through research and knowledge development).*
- *The dissemination and use of knowledge (primarily through interactions with knowledge users).*
- *The maintenance of knowledge (inter-generational storage and transmission of knowledge)<sup>2</sup>.*

The report notes that, internationally, the outcomes sought by governments from tertiary education are underpinned by a number of common policy priorities. The priorities noted by the OECD include:

- *establishing a grand vision for tertiary education*
- *devising sound instruments for steering tertiary education*
- *developing a funding strategy that facilitates the contribution of the tertiary education system to society and the economy*
- *emphasising quality and relevance, and*
- *raising the profile of equity within national tertiary policy agendas<sup>3</sup>.*

<sup>1</sup>OECD, *Tertiary Education for the Knowledge Society - Volume 1*, 2008.

<sup>2</sup>Ibid, 13.

<sup>3</sup>OECD, 2008, 18-21.

## The New Zealand system reflects international trends

For New Zealand to participate effectively in the global environment, it needs to develop networks of world class firms, research institutions and tertiary education organisations that collaborate for the benefit of New Zealand's economic and social development, cultural identity and environmental sustainability.

Considerable progress has been made developing a more strategically-driven tertiary education system in New Zealand. This more strategic system now in place builds on the one that was introduced in 1990. That was geared to improving New Zealand's comparatively low participation rate in tertiary education by international standards. The funding system of the 1990s used a comparatively simple formulaic and rules-based approach, and the number of students participating increased rapidly.

The new system now in place is designed to achieve more complex objectives and a higher level of strategic performance. Fully developed, the tertiary education system in New Zealand will be:

### Consistently high-quality and well performing

- achieving quality outcomes for learners, employers and the wider community
- driving its own continual improvements in the quality and relevance of education and research to meet the needs and expectations of stakeholders
- evidence-based, providing incentives for continuous improvements in quality, relevance and value for money.

### Strategic

- designed to achieve long-term goals for productivity improvements, social outcomes, and innovation (including strategic outcomes for Māori and Pacific Peoples), thus strengthening the basis for the future development of New Zealand.

### Well-managed, robust, sustainable and financially sound

- effective and efficient government (and learner) investment in tertiary education
- featuring a funding system that will support the sector to achieve the outcomes expected of it.

### Transparent and information-rich

- providing robust, fit-for-purpose and publicly available evidence that informs decisions at all levels of the system
- learners and stakeholders are well informed about their choices.

### Collaborative

- a collaborative set of tertiary education organisations which work to their strengths and make the best use of scarce resources.

### High trust and highly accountable, with low compliance costs

- the sector is self-managing and makes as many decisions about the delivery of education as possible
- tertiary education organisations are accountable for the outcomes they produce and are largely self-monitoring
- compliance costs are kept to the minimum level necessary.

## **A more strategic system requires an approach where the government, the sector and stakeholders are partners**

A strategic system supports long-term, complex social, cultural, economic and environmental objectives within the context of fiscal discipline.

The New Zealand system manages this through a partnering approach. This requires shared strategic objectives to drive performance and behaviour. Strong capability in the sector is needed to respond to strategic goals and stakeholder needs, and to improve the quality and relevance of education and research. Equally, strong capability within government is needed to make robust system-level investment decisions, and to engage with the sector and stakeholders to achieve the outcomes required.

To be an effective partner within such a system, the Government has the capability through the Tertiary Education Commission (TEC) to:

- steer the system at a high level so that its tertiary education priorities are addressed, while retaining the advantages of institution-based decision making
- ensure that tertiary education is increasingly connected into the wider developmental needs of New Zealand, so that cross-government strategic priorities such as improvements in productivity and innovation are effectively supported
- engage closely with major tertiary education organisations and understand their individual contributions and capability
- provide robust fiscal management and assurance that government investment in tertiary education will be increasingly effective, sustainable, and good value for money, and
- effectively manage risks related to low-quality provision and occasional undesirable behaviour.

## 2. Features of the current tertiary education system

The New Zealand tertiary education system encompasses all post-school education and training, from university research to industry training to Adult and Community Education courses. In 2008/09, the TEC will invest approximately \$2.8 billion (GST exclusive) in tertiary education.

The key features of New Zealand's tertiary education system are:

**A strategic and policy framework** set by Government (via the Education Act 1989, other Acts of Parliament, the *Tertiary Education Strategy 2007-2012*, Budget and Cabinet decisions).

**Tertiary education organisations** including universities, wānanga, institutes of technology and polytechnics, industry training organisations, private training establishments, other tertiary education providers and community organisations, each with their own role and contribution.

**Individual students**, who make choices about what to study and which provider to enrol with. These choices are a powerful influence on who provides what in the system. Students also pay fees that contribute to the funding of tertiary education. Student loans and allowances are available to support students.

**Stakeholders** of tertiary education include industries, businesses, communities, Māori and iwi, local bodies and students. Stakeholders contribute to the sector's understanding of need and are the key end-user of tertiary education.

**Evidence** of tertiary education need and tertiary education organisation performance. This is determined through stakeholder, provider and TEC relationships and data analysis. It informs what education is offered by tertiary education organisations, and what the TEC invests in.

**The Tertiary Education Commission**, which is a Crown Entity governed by a Board of Commissioners. It steers the system and drives value from government investment in tertiary education by:

- working with tertiary education organisations to agree common objectives and monitor Investment Plans
- developing the evidence-base for the system
- approving investment in tertiary education organisations
- managing the Government's fiscal and ownership interests in tertiary education
- providing policy advice to Government.

A number of **planning and funding regulatory arrangements** such as the TEC's *Investment Guidance* document, Investment Plans and funding mechanisms (policies) issued by the responsible Minister.

**Quality assurance bodies** - the New Zealand Qualifications Authority (and delegated bodies such as the Institutes of Technology and Polytechnics New Zealand) and the New Zealand Vice-Chancellors' Committee, which are responsible for systems that underpin quality in tertiary education. Tertiary education organisations are largely responsible for their own quality, working within the systems established by these bodies.

## How the system works

The system works in the following way:

### The Government's strategic direction and Budget decisions

At the Ministerial level, the Government influences the investment made in tertiary education in two primary ways:

- by setting a strategic direction and medium-term priorities that the TEC must give effect to in its investments, and
- by deciding the amount that is to be invested in each part of the tertiary education sector and the funding mechanisms that are to be used.

The Government's strategic goals and medium-term priorities are set out in the *Tertiary Education Strategy (2007-12)*. The Government's goals communicate its broad aspirations for the development of New Zealand. The *Tertiary Education Strategy* creates the link between the tertiary education system and the wider cultural, economic and social development of New Zealand.

There are four key priorities in the current *Tertiary Education Strategy*:

- Increasing educational success for young New Zealanders - more achieving qualifications at level four and above on the National Qualifications Framework by age 25.
- Increasing literacy, numeracy and language levels for the workforce.
- Increasing the achievement of advanced trade, technical and professional qualifications to meet regional and national industry needs.
- Improving research connections and linkages to create economic opportunities.

The Government decides how much funding to invest in different parts of the sector and the system overall in order to:

- give effect to the direction and priorities set out in the *Tertiary Education Strategy*, and
- manage fiscal risks.

The tertiary education budget is currently organised largely according to the different parts of the sector, in order to support the different roles within the system. Decisions about the levels of funding for each part of the sector shape the focus of the system overall.

The Government also determines funding mechanisms, which prescribe how the TEC must calculate funding for tertiary education organisations. This provides opportunities for Ministers to convey funding policy and to set some of the conditions for funding.

The TEC works with representative bodies from the sector including sector peak bodies (see the sections on each part of the sector in Part B), and the Association of University Staff, the Association of Staff in Tertiary Education and the New Zealand Union of Students' Associations.

The TEC also works closely with other government agencies responsible for innovation. These agencies include the Ministry of Economic Development, the Ministry of Research, Science and Technology, the Department of Labour, New Zealand Trade and Enterprise and the Foundation for Research, Science and Technology. This work informs the advice to Ministers on the linkages between the strategic direction for tertiary education, budget decisions and the achievement of wider economic, social and environmental goals.

## Evidence

The system requires robust evidence so that it can continually improve its performance for its stakeholders. The TEC is working closely with tertiary education organisations to improve the quality, relevance and transparency of the information base over time. Evidence comes from the sector's work with its stakeholders, performance data from the sector and from the TEC's own work with stakeholders to identify national and regional needs at a system level.

Analysis of the evidence will increasingly drive tertiary education organisations in both what education they offer and in how they improve their educational performance. It will also underpin the TEC's investment decisions. The quality and quantity of information that prospective students will be able to access about industry needs and provider performance will continue to expand so that they can make evidence-based decisions on what and where to study.

## Response by tertiary education organisations to Government priorities and tertiary education needs

The sector partners with stakeholders of tertiary education in order to achieve outcomes. In doing so, tertiary education organisations:

- work with the TEC to agree their response to government priorities set out in the *Tertiary Education Strategy* (and explained further in the TEC's *Investment Guidance*)
- develop their understanding of student demand. The decisions individual students make about what and where they wish to study are a key driver of the system
- develop relationships with stakeholders (including industry, professional bodies and Māori and Pacific communities) to understand what stakeholders expect from the courses they offer

- continually refine their capability to deliver tertiary education that meets these needs and expectations. This includes implementing robust quality assurance systems that underpin effective teaching and learning, and ensuring that the education stays relevant.

Institutes of technology and polytechnics and industry training organisations each play a specific co-ordination role in the sector's overall response to tertiary education needs.

Institutes of technology and polytechnics are responsible for developing regional education statements as part of their regional facilitation role. They do so in collaboration with stakeholders and other tertiary education organisations. The process provides the opportunity to build new relationships, with a specific focus on the network of tertiary education provision to meet changing regional needs.

Industry training organisations contribute a national industry-focused view of tertiary education need. They have a statutory role to provide skills and training needs leadership within their industries. This view can inform decisions across the tertiary education system. In particular, it will inform the Investment Plans of institutes of technology and polytechnics.

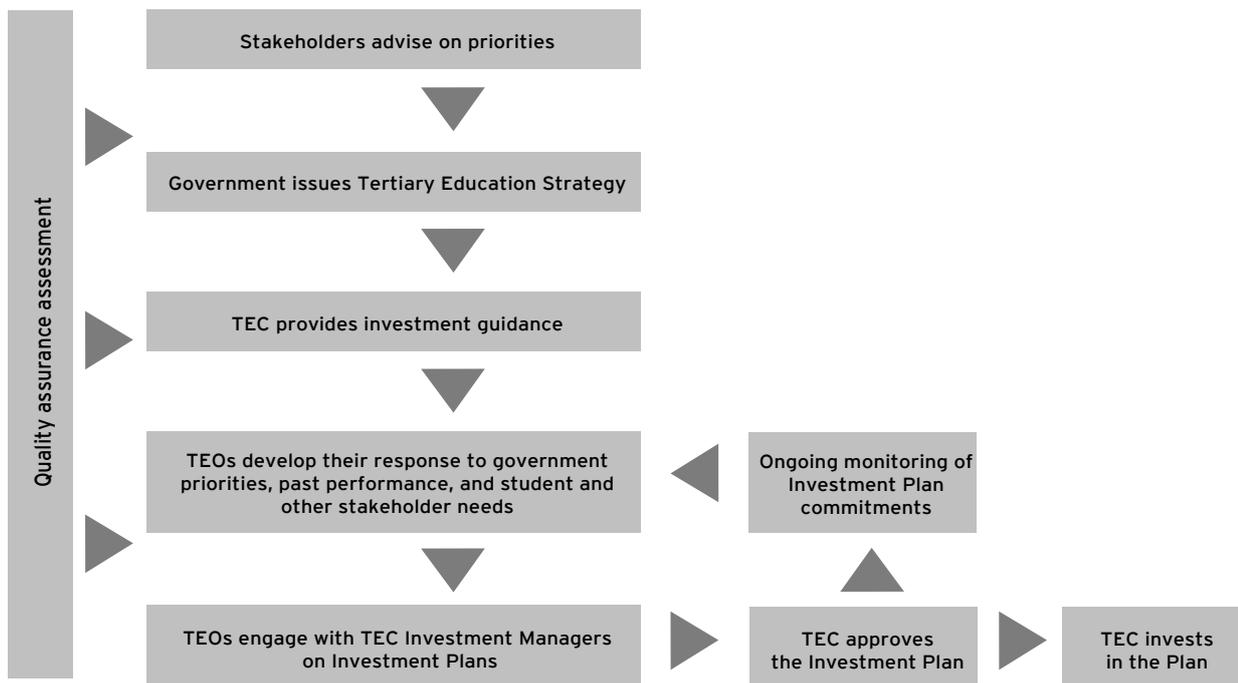
### **The Investment Plan process - the TEC and tertiary education organisations**

The TEC and individual tertiary education organisations work together to reach a common understanding of relevant needs and priorities. This culminates in the TEC Board approving Investment Plans (under s.159Y of the Education Act 1989) that reflect this understanding. Before doing so, the TEC considers the proposed Investment Plans in the context of the wider tertiary network to ensure that its investment decisions are coherent and will achieve the outcomes that are sought. Investment Plans operate with flexibility and encourage an environment of trust. Investment Plans may be approved for up to three years.

Approved Investment Plans set out the funding that will be paid for the agreed provision and how the achievement of the Investment Plan will be measured. A new capital fund has been set up that features sector involvement in decision making and allows allocations of capital expenditure to be aligned with other funding decisions.

Multi-year approval, combined with the agreement of shared long-term objectives, allows greater certainty of planning and a more sustainable system.

## Investment Plan process



The system is now part way through its first three-year Investment Plan cycle. For 2009, all universities, institutes of technology and polytechnics, wānanga, industry training organisations, private training establishments and other tertiary education providers have Investment Plans, through which most tertiary education funding is now approved.

Over the transitional period an increasing number of tertiary education organisations will have approved Investment Plans for three years. Because there are a large number of them, the private training establishments were brought into the system more slowly than tertiary education institutions. The TEC is planning towards the second Investment Plan cycle, for the period 2011-13.

### Monitoring and relationships

Tertiary education organisations 'own' their Investment Plans and monitor the quality and relevance of the education and research they provide. The TEC monitors its investment and the outcomes of Investment Plans in order to drive increased value from investment.

The monitoring system is implemented primarily via relationships.

- Tertiary education organisations have an interest in improving the quality and relevance of their education to meet the needs of stakeholders. They know that strong relationships with stakeholders and collaboration with other tertiary education organisations will improve outcomes for learners and be recognised in the planning process.
- The TEC is able to manage risks more effectively because tertiary education organisations have an interest in working with the TEC to achieve common goals. For example, risks of unexpected growth and low quality can be effectively managed.

- A partnering approach is more effective in addressing performance-related issues. A high trust relationship allows the TEC and tertiary education organisations to work together toward strengthening capability and improving performance where it is important to do so.

The TEC monitors and manages 'ownership' risks pertaining to tertiary education institutions (public providers) through the Tertiary Advisory Monitoring Unit (TAMU). TAMU manages the public interest in tertiary education institutions' viability and capital.

### Tertiary education funding system

Over 2008/09 the Government will invest approximately \$2,789 million<sup>4</sup> in direct subsidies to tertiary education organisations, most of which is administered by the TEC. This funding meets a wide range of educational objectives for different groups of learners, and is distributed through a number of different funding mechanisms.

Most funding is distributed through a bulk funding arrangement, involving a small number of separate but closely related funds. These funds are all linked to Investment Plans and have a three-year baseline that is updated at each Budget.

- The **Student Achievement Component** (\$1,533m) is the most significant part of the tertiary funding system. It is the single largest source of revenue for universities, wānanga, and institutes of technology and polytechnics, and is also allocated to many private training establishments and other tertiary education providers.

It provides subsidies for teaching and learning in mainstream tertiary qualifications (with most learners also paying tuition fees). Allocations are based on total student enrolments agreed in Investment Plans, and are calculated using a sophisticated formula with funding rates that vary significantly by the type of qualification and for each part of the sector.

- The **Tertiary Education Organisation Component** (\$624m) provides funding (mainly for universities, wānanga, and institutes of technology and polytechnics) to support a range of core roles, capability needs and innovation not directly related to student enrolments.

There are six elements within this component, of which the largest two are:

- The **Performance-Based Research Fund** (\$236m), which ensures that teaching is underpinned by excellent research and is allocated (mainly to universities) based on research outputs. This was reviewed in 2008. The review found that in general it was performing well.

<sup>4</sup>Except where noted, all figures in this section are for the 2008/09 fiscal year, are GST exclusive and include capital and operating funding.

- The **TEI Base Investment** (\$310m), which focuses institutions on their core roles and distinctive contributions. Until 2011 it is allocated via a transitional formula that is largely related to student enrolments. However, \$20m of funding<sup>5</sup> has been allocated to support the institutes of technology and polytechnics network, particularly institutions in small and rural regions. From 2011 all the TEI Base Investment will be allocated based on a new formula that is being developed with the sector.

The four other elements include funding for innovative projects and priority outcomes from the *Tertiary Education Strategy*, supporting major change programmes and the strategic leadership role of industry training organisations.

- The **Industry Training Fund** (\$166m) funds industry training organisations and subsidises the development of national qualifications and the delivery of workplace learning linked to their qualifications. Industry training is subsidised at a lower rate than the Student Achievement Component, reflecting the fact that learning primarily takes place on-job using the resources of the workplace, with only a limited off-job element. It is strongly supported by employers and has made a significant contribution to New Zealand's skills base.

Outside the main bulk funding arrangements, the Government also operates a number of other funds (some of which are allocated via Investment Plans). The most important of these funds are as follows:

- A range of **Targeted Training Funds** (\$139m), including Training Opportunities and Youth Training. These provide fully funded targeted vocational training places to people with low qualifications who are seeking work. These long-standing and successful programmes are largely focused on unemployed people and school leavers. Training Opportunities is administered by the TEC on behalf of the Ministry of Social Development, and is funded via Vote: Social Development.
- **Modern Apprenticeships** (\$49m), which are funded alongside industry training. The Modern Apprenticeships programme is a key initiative that increases the participation of young employees in industry training. Modern Apprentices are supported by a Modern Apprenticeships Co-ordinator, who assists the apprentice to progress through their training programme. A number of industry training organisations also act as Modern Apprenticeships Co-ordinators.

As of June 2008, there were 17,287 Modern Apprentices either in training or completed. Funding in the baseline will support approximately 14,000 active Modern Apprentices at any one time.

<sup>5</sup>2009 calendar year.

- **Adult and Community Education** funding (\$45m), which mainly subsidises non-assessed learning in a wide range of settings including schools (including adult education classes), universities, wānanga, and institutes of technology and polytechnics.
- Funding for seven university-led **Centres of Research Excellence** (\$34m), providing world-class leadership in specific research areas.
- **Foundation Learning** funds (\$32m), allowing specialised interventions for learners with literacy and numeracy needs, including workplace literacy.
- **Gateway** (\$19m), which provides workplace learning opportunities for senior secondary school students. It has a strong relationship with the Youth Apprenticeships concept and is important when considering issues related to school to tertiary education transitions.
- The **Capital Investment Fund** (\$50m), which contributes to the costs of strategic capital developments at universities, wānanga, and institutes of technology and polytechnics, and includes a provision for situations where the Government needs to make capital injections to at-risk institutions to protect its interest. This fund was established in 2008, and allocation decisions are made by Ministers on the advice of the TEC and an expert panel.

In addition, the TEC administers a further \$117m of small grants for a wide range of specific purposes, including tertiary student scholarships (over \$25m), funding for developing research capability, capital grants for tertiary institutions (established prior to the introduction of the capital fund), funding for the National Centre for Tertiary Teaching Excellence, and funding for English language tuition for new migrants.

### 3. Opportunities and strategies for further development

The tertiary education system is continually changing in response to its environment. There has been significant Government-led change over a short period. While maintaining a stable planning environment for the sector, there are opportunities for further development and refinement.

There are four main ways for the Government to influence the tertiary education sector. These are:

- **Relationships:** achieving common understandings of expectations between tertiary education organisations, stakeholders and Government.
- **Evidence:** using increasingly robust and transparent evidence encouraging the sector to improve efficiency, responsiveness and educational performance.
- **Funding:** financially rewarding the outcomes sought by Government.
- **Regulation:** developing funding policy and investment parameters that regulate the behaviour of providers.

There are a number of projects and initiatives currently underway (or which could be undertaken) that provide opportunities to further develop and refine the system. These are set out below. The work streams discussed draw upon each of these different approaches to some degree, by refining the regulatory and funding frameworks, developing the evidence base and improving relationships.

The work streams cover development of the funding system, the network of provision, parts of the tertiary education sector, quality assurance and monitoring, and student and industry focused work.

#### Investment system - budget

##### Budget 2009

Budget decisions enable the Government to influence the amount and direction of investments in the system. Advice on Budget 2009 is being prepared in the context of the challenging fiscal climate and the need for the Government to take difficult decisions about prioritising any new expenditure.

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The TEC works with the Ministry of Education and other government agencies to provide Budget advice to Ministers.

## Investment system - funding system development

### Tertiary Education Institution Base Investment (TEI Base Investment)

The TEI Base Investment is the dominant part of the Tertiary Education Organisation Component, particularly for institutes of technology and polytechnics and wānanga. The Performance-Based Research Fund is more significant for universities.

Work is being undertaken to change, in a phased way, the methodology used to allocate the TEI Base Investment. The new methodology will enable the Tertiary Education Organisation Component to sustain the different roles that tertiary education institutions are expected to fulfil. The TEC is working closely with sector peak bodies to identify options for the new methodology.

### Tertiary education institution capital asset policies

An ongoing responsibility of the TEC is working with tertiary education institution councils to improve governance. For example, the TEC is leading a set of initiatives that are aligned to the Capital Asset Management agenda led by the Treasury<sup>6</sup>. These initiatives will ensure more efficient and effective management of capital assets by tertiary education institutions, and more strategic capital investment in tertiary education by the Government.

These initiatives fall into three areas:

- **Access to capital** - the establishment of a Capital Fund, a review of borrowing regulations, and work to improve asset ownership structures.
- **Information** - improving the Government's information about existing and future capital needs through a legacy review, and considering institutions' strategic capital intentions during Investment Plan development.
- **Promoting good practice** - building capital management capability (and over time aligning capital management capability and capital funding decisions) and providing the sector with appropriate levels of flexibility in managing capital.

<sup>6</sup>This is designed to better co-ordinate the use of capital across the government sector.

Of these, the Capital Fund is the most significant development. It replaces the previous ad-hoc Cabinet decision-making process and provides a mechanism for strategic, prioritised Government investment in institutions' assets, and links this to Investment Plans. This involves consideration of proposals by an expert panel in partnership with the sector. Capital allocation decisions are made by Ministers on the advice of the panel and the TEC Board.

The approach being taken to capital asset management is at an early stage of implementation. Further work is required to build some institutions' confidence about the new framework's relationship to their statutory autonomy.

### **Interface between Fee and Course Costs Maxima, student support and direct subsidies**

The introduction of controlled tertiary education funding creates some tension around the interface between direct subsidies to tertiary providers, fee regulation, and student loans and allowances policies. Most of the major sources of revenue for providers are regulated in some way. While the new system provides the Government with effective fiscal management and ensures affordability for students, it also restricts the ability of providers to respond flexibly to changes in demand or cost shifts.

The Government will need to consider how to manage the interface between the funding and fee regulation systems going forward. The TEC is working closely with the Ministry of Education to provide advice on how this work should be progressed, including the question of the impacts on the costs of student support.

### **The configuration of tertiary education funds**

The funding system for tertiary education is in transition. Currently one set of funds supports the achievement of Investment Plans and a further set remain outside the Investment Plan system. Work is underway to simplify the funding system to reduce compliance costs and improve efficiency while ensuring outcomes are achieved and accountability is maintained.

This work may result in proposals to change tertiary education appropriations in order to simplify or modify the funding system. This could involve merging or disestablishing some funds if there are better ways of achieving the same outcomes.

### **Training Opportunities, Youth Training and Skill Enhancement**

A significant proportion of funding to the private training establishments sector is for Training Opportunities, Youth Training and Skill Enhancement programmes. These fully funded programmes are designed to increase the ability of school leavers, and the long-term unemployed with low qualifications, to enter into employment or further education.

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## Investment system - network of provision

### Review of Auckland

During 2009 the TEC plans to undertake a review of tertiary education in greater Auckland. The review will identify the key requirements of tertiary education to contribute to the future development of Auckland.

The review will build on existing networks, research and knowledge regarding Auckland. The review will take into account existing pan-Auckland strategies such as *One Plan for Auckland* and the *Auckland Sustainability Framework*. Importantly, the review will be used to guide Auckland-based tertiary education organisations in their development of Investment Plans for 2011-13 and the TEC in its investment decisions for Auckland over the same period and beyond.

### Review of provision of education and training in the land-based industries

The aim of the review is to allow the TEC and other stakeholders to gain an informed picture of the tertiary education needs of agriculture, horticulture and viticulture industries, and determine how best the tertiary education system, through government and industry support and investment, can meet these needs. A steering group drawn from industry and tertiary education organisations provides governance of the review, and will provide recommendations to the TEC Commissioners regarding the outcomes of the review.

Submissions on a consultation document will be considered by the steering group in November 2008. The steering group is expected to make recommendations to the TEC Commissioners in December 2008.

The outcome of the review will be valid and reliable evidence to enable future TEC investment in education and training to meet the needs of the land-based industries. Identified gaps or overlaps in current provision may lead to changes to current delivery models and funding priorities.

## Investment system – sector development

### Framework for managing private training establishment investment

The TEC currently funds 376 private training establishments (of some 730 registered by the New Zealand Qualifications Authority altogether) for a large variety of education programmes at all levels of the system. Individual private training establishments provide education to particular communities of students, provide choice for students, and in some cases provide education that is technically specialised and that no other tertiary provider delivers.

The current policy settings that apply to private training establishments are not sufficiently flexible for Government and are experienced by private training establishments as too constraining. Providing a strategic decision-making framework for investment in private training establishments will improve the overall value of this investment. It will also enhance the contribution of private training establishments to tertiary education, place this sector on a sustainable footing and enable the TEC to better manage risks.

A new framework would provide clearer guidance about the circumstances under which investment and disinvestment in private training establishments should be made, including any funding to develop capability in areas of specific need. This is discussed further in the section on private training establishments in Part B.

### Collaboration between institutes of technology and polytechnics and industry training organisations

There would be considerable benefits in a more co-operative approach between institutes of technology and polytechnics and industry training organisations. This would help to ensure that institution-based vocational training and the industry training system are working effectively together to support improved productivity and skills development, and that stakeholder needs are being met.

Issues that need to be tackled include improving the coherence of the regulatory and funding arrangements for these two sectors to facilitate a more co-operative approach. A particular issue is the tensions that arise when institutes of technology and polytechnics provide services to employers and employees in the nature of industry training. This is discussed further in the section on industry training organisations in Part B.

Other issues include making more systematic use of the strategic leadership role of industry training organisations and the regional facilitation role of institutes of technology and polytechnics respectively, and incentivising the provision of national rather than local qualifications.

## Quality assurance and monitoring

### The developing quality assurance and monitoring system

The independent operation of quality assurance in the tertiary education system is maintained through:

- the TEC commissioning quality assurance systems from the New Zealand Qualifications Authority for the non-university sector, and
- the TEC working with and developing a Memorandum of Understanding with the New Zealand Vice-Chancellors' Committee for the university sector.

Tertiary education organisations are also responsible for their own quality management. The quality assurance and monitoring system is intended to deliver the following outcomes:

- that tertiary education organisations improve their own performance, respond to strategic change and build their capacity for self-improvement
- that quality enhancement consists of authentic self-reflection and strategies for improvement
- that there is developmental and continuous improvement in tertiary education organisations' performance, through Investment Plans, and
- that there is a systematic and ongoing responsiveness to stakeholders.

The quality assurance system is currently under development to better support the Investment Plan system. The self-assessment approach backed up with independent verification is being phased in over the next three years. There is still significant work to complete, including managing transitional issues, further developing the information and evidence base and, consequently, further developing the monitoring system.

## Student and industry-focused

### Trilateral agencies

The Trilateral group of agencies comprise the TEC, New Zealand Trade and Enterprise, and the Foundation for Research, Science and Technology. They are involved in joint activities targeting the growth of new industries that have the potential to be significant. The trilateral agencies are currently working on two major projects, **high temperature superconductors** and **metal powder processing**, to embed technology developed in New Zealand in significant new industries.

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## The New Zealand Skills Strategy

The *New Zealand Skills Strategy* is a partnership between the Government, Business New Zealand, the Council of Trade Unions, and the Industry Training Federation. It is primarily designed to improve co-ordination across various skills initiatives. The co-ordination and implementation mechanism of the *Skills Strategy* is led by a dedicated Programme Office situated in the Department of Labour. The TEC provides advisory support to the Skill New Zealand Tripartite Forum, chaired by the Minister for Tertiary Education.

The over-arching goals of the *Skills Strategy* focus on:

- improving the use and retention of skills at all levels
- increasing employer and worker awareness of their skill needs
- influencing the supply of those skills through a more responsive education and training system
- having a unified approach to defining, valuing and measuring skills, and
- making the most of the available workforce by supporting everyone to work, through skills development and supportive workplace practices.

The *Skills Strategy* focuses on the current workforce. As 80 percent of people working now will still be in the workforce in 2020 it is vital to improve the skills of the current workforce and the value of the work they do.

The *Skills Strategy* aims to build understanding of the challenges New Zealand faces in meeting the demands of a growing economy so that a consensus can be reached about the priorities for action and develop solutions. There is a strong focus on how the workforce develops, uses, and retains skills needed to drive labour productivity and economic growth in the workplaces of the future.

## Literacy, language and numeracy

The 2006 results from the *International Adult Literacy and Life Skills Survey* show that 40-50 percent of working age New Zealanders have literacy, language, and numeracy skills below those thought necessary for full participation in society and the economy. Raising workforce literacy, language and numeracy is a key area of action under the *Skills Strategy*.

The *Literacy, Language, and Numeracy Action Plan 2008-2012* (the Action Plan) outlines a cross- government programme that is led by the TEC and includes input from Business New Zealand, the New Zealand Council of Trade Unions and the Industry Training Federation, as well as the Department of Labour, Ministry of Social Development, New Zealand Qualifications Authority, Ministry of Education and other agencies that purchase literacy and numeracy, such as the Department of Corrections and the Accident Compensation Corporation.

The Action Plan outlines a programme of work to progressively increase the amount and quality of literacy, language, and numeracy that is delivered across the tertiary education system. Funding was made available in Budget 2008 to support the Action Plan. This includes learning in the workplace, in institutions, and in communities. The Action Plan includes a programme of work to build awareness and demand for raising workforce literacy, language, and numeracy skills.

### **School to tertiary - effective options for young people**

Currently, almost 25 percent of young people leave school before their seventeenth birthday, and around 35 percent of secondary students leave with less than a Level 2 NCEA qualification. A disproportionate number of these are Māori and Pacific Peoples. Overall, New Zealand has a low participation rate in education for 15 to 19 year olds compared to other OECD countries. This is reflected by the high number (around 10,000) of young people aged 15 to 17 in Census 2006 data who were estimated to not be engaged in work, training, or education. This lack of engagement has a strong negative impact on the lives of these young people and their communities.

Providing additional relevant, targeted and accessible education and training pathways will help to re-engage the cohort of young people that are currently leaving education or training before their eighteenth birthday. This includes options such as trades education at school, trades academies and better access to tertiary education for New Zealanders under 18. The TEC already works with some 380 secondary schools through the provision of funding for Gateway and Adult and Community Education.

There are significant issues to be worked through in order to better integrate the secondary and tertiary education systems, including how to align quite different funding and accountability arrangements. The TEC and the Ministry of Education are currently examining these issues with the goal of providing a more seamless transition between secondary school and the tertiary system for young people.

### **Māori and Pacific learners**

There is a history of under-achievement by Māori and Pacific learners across the education system, including in tertiary education. Some progress has been made in encouraging improved outcomes for these groups in recent years.

In order to further improve outcomes for Māori and Pacific learners, the TEC set out expectations for improved Māori and Pacific achievement in the *Investment Guidance*. Tertiary education organisations will be accountable for achieving key performance indicators that they agreed to in their Investment Plans. The current investment approach, which links tertiary education organisation Investment Plans, funding and performance, enables more progress to be made on these issues than previously.

Further opportunities to improve the achievement of Māori and Pacific learners might focus on the following areas, some of which are already under consideration:

- enhancing successful transitions from school to tertiary education (see *Effective options for young people*, above)
- improving levels of adult literacy, language and numeracy in the workforce and communities. This would improve productivity and social outcomes (see *Literacy, language and numeracy*, above)
- participation and achievement at certificate, diploma and degree level in proportion to the general population. Currently Māori and Pacific learners are concentrated at certificate level
- improving participation and achievement in degree and postgraduate study. This requires improved pathways from school into universities. For 2009, \$5 million (GST exclusive) has been allocated to universities to work with schools to develop improved pathways
- a better distribution of Māori and Pacific participation and achievement across subject areas (for example sciences and engineering).

## Part B: The parts of the tertiary education sector and the Tertiary Education Commission

### Overview

The tertiary education system is diverse in terms of size, ownership and governance arrangements and roles. This creates considerable administrative complexity. For example, the eight New Zealand universities receive approximately half of all tertiary education funding. The other half of the funding is distributed amongst several hundred other organisations, including 376 private training establishments.

The tables below provide a snapshot of the size and funding for each part of the tertiary education sector:

Numbers of organisations, learners and equivalent full-time students (EFTS) for each part of the sector			
	Organisations	learners <sup>7</sup>	EFTS <sup>8</sup>
Universities	8	147,000	110,000
Wānanga	3	42,000	22,000
ITPs	20	207,000	72,000
PTEs	376	70,000 <sup>9</sup>	36,000 <sup>10</sup>
ACE	290	250,000+	n/a

			STMs <sup>11</sup>
ITOs	39	186,000	52,000

Baseline funding for each part of the sector, 2009-2011			
Overall Baselines <sup>12</sup>	\$m (GST Excl)		
	2009	2010	2011
University	1,277	1,331	1,363
Wānanga	161	168	167
ITPs	596	606	575
ITOs	173	183	187
PTEs	136 <sup>13</sup>	140	143

The following sections describe the different parts of the sector in more detail, including the issues and challenges each face.

<sup>7</sup> 2007 total.

<sup>8</sup> 2007 total.

<sup>9</sup> This figure includes all students enrolled in approved tertiary education courses at PTEs in 2007. Not all of these students will have attracted direct Government funding within the baseline available for PTEs. In addition, PTEs enrolled some 30,000 learners in Training Opportunities and Youth Training programmes in 2007.

<sup>10</sup> This figure includes all EFTS in approved tertiary education courses at PTEs in 2007. Not all of these EFTS will have attracted direct Government funding within the baseline available for PTEs. In addition, PTEs enrolled some 30,000 learners in Training Opportunities and Youth Training programmes in 2007.

<sup>11</sup> Standard Training Measure, 2007 total.

<sup>12</sup> Other funding (for example for Training Opportunities, Youth Training, Modern Apprenticeships, Centres for Research Excellence, and capital funding) is additional to these baselines as it is currently outside the Investing in a Plan system.

<sup>13</sup> PTEs also receive the majority of Training Opportunities and Youth Training Funding, collectively worth \$135 million (GST excl).

## Universities

- provide a wide range of research-led degree and postgraduate education that is of international quality and develops intellectual independence
- undertake excellent research in a broad range of fields inter-dependently with teaching and learning
- engage with external stakeholders in the dissemination and application of knowledge and in promoting learning.

New Zealand's eight universities produce high quality education and research which develop knowledge and skills that support New Zealand's international competitiveness. Universities are key centres of innovation and receive significant amounts of private investment as well as public funding for research and development. High quality universities are important for New Zealand's cultural identity and social development. In addition, universities are significant providers of international education. The positive economic impact of international education in terms of value added by the public tertiary education system was estimated as just under \$1.2 billion in 2004<sup>14</sup>.

### Universities at a glance

- 8 universities
- 147,000 students in 2007
- 110,000 Equivalent Full-Time Students in 2007
- a baseline of \$1,277 million (GST exclusive) to invest in 2009<sup>15</sup>.

Universities (along with wānanga and institutes of technology and polytechnics) are tertiary education institutions under the Education Act 1989 and Crown Entities under the Crown Entities Act 2004.

In addition to receiving the largest portion of funding for teaching and learning (via the Student Achievement Component), universities receive a significant amount of funding via the Performance-Based Research Fund, for Centres of Research Excellence, Partnerships for Excellence and research through Vote Research Science and Technology.

The New Zealand Vice-Chancellors' Committee is a statutory body with statutory functions and powers and is made up of the Vice-Chancellors of each university. The Government works with the New Zealand Vice-Chancellors' Committee and with individual universities as appropriate. The Government, the New Zealand Vice-Chancellors' Committee and Vice-Chancellors and representatives of the combined staff unions meet as a Tripartite Forum to address staffing salaries, staffing and other resourcing issues.

<sup>14</sup>Ministry of Education 2006, "The Economic Impact of Foreign Fee-paying Students", Infometrics, February 2006.

<sup>15</sup>Student numbers and EFTS are rounded to the nearest thousand. The budget figure is the Student Achievement and Tertiary Education Organisation Component baseline funding allocation for the 2009 calendar year, as announced following Budget 2008. Some funding that is available to multiple parts of the sector is not included in the total baseline indicated here.

## Issues and challenges

### Enhancing the contribution of universities to New Zealand's economic, social and cultural development

Universities are increasingly important to modern complex economies and societies. There is a growing demand for higher-level qualifications and university research that will support economic growth and social development.

Given its relatively low Gross Domestic Product per capita within the OECD, New Zealand faces significant challenges in maintaining the quality and reputation of its universities due to competition for staff, and increasingly students, in an international market. Australian universities are expanding their recruitment efforts in New Zealand.

The TEC and universities have had discussions about the future shape of the New Zealand university sector, the roles of individual universities, and how a university system featuring more differentiation between institutions can make best use of scarce resources.

### Maintaining the international competitiveness of New Zealand's university system

It is important for the university system that New Zealand's universities are highly regarded internationally. International rankings are an important indicator of their performance and reputation in the international context. Having one or two internationally recognised high-quality institutions positively affects the way the overall system is regarded.

However, there are challenges in achieving high rankings for New Zealand with its small dispersed population and relatively low Gross Domestic Product, including challenges related to funding levels. Universities have been framing what they describe as an under-funding issue in terms of striking a better balance between investment in student support and direct investment in institutions, and the basis on which cost pressures are met through the funding system.

The current policy approach is to progress toward a more differentiated system that would support New Zealand's top universities attaining international levels of excellence. Current constraints on Government investment and student fees (which together make up most of universities' income) may limit the emergence of a more differentiated university system.

### Research

Internationally, universities are expected to be leaders in research and innovation. Strong performance in research will help to drive the development of new technologies and new firms and thus help drive stronger economic performance. The issue for New Zealand is to create incentives that encourage universities to fill this leadership role, sometimes through collaboration between institutions.

### **Māori and Pacific achievement**

Universities have made progress on encouraging greater participation and achievement among Māori and Pacific students in degree and postgraduate education. This progress needs to be built upon. Funding is provided to universities to encourage improved participation and achievement at higher levels. This funding includes targeted equity funding and funding to build strategies for the achievement of undergraduate degrees by Māori and Pacific students.

## Wānanga

- provide quality education in accordance with kaupapa Māori philosophies, principles and approaches
- maintain and develop teaching, learning and research environments based on āhuetanga Māori in accordance with tikanga Māori
- have a continuing role in re-engaging learners into education
- continue to develop quality learning opportunities (programmes and research) informed and embodied by mātauranga Māori.

New Zealand's three wānanga are important for the development of tertiary education for Māori, and the preservation and advancement of Māori knowledge. Although it is small, the sector is diverse, with each of the three wānanga occupying a distinctive space within New Zealand's tertiary education system. A strong, viable and well-performing network of wānanga contributes to New Zealand's social, cultural and economic development by providing foundation, vocational and degree-level qualifications that meet the need of their students and stakeholders.

### Wānanga at a glance

- 3 wānanga
- 42,000 students in 2007
- 22,000 Equivalent Full-Time Students in 2007
- a baseline of \$161 million (GST exclusive) to invest in 2009<sup>16</sup>.

The three wānanga, (along with universities and institutes of technology and polytechnics), are tertiary education institutions under the Education Act 1989 and Crown Entities under the Crown Entities Act 2004.

Wānanga are strategically focused organisations and are positive about the shift to focus on quality and educational value. Each of the wānanga has a strategic direction that it has worked out with its stakeholders, including iwi.

Further work with the sector will refine the relationship between the three distinctive institutions and their kaupapa and iwi responsibilities. Te Wānanga o Aotearoa dominates the sector in terms of size, which influences any sector-wide analysis. Wānanga are increasingly working collaboratively with each other and with other parts of the tertiary network.

<sup>16</sup>Student numbers and EFTS are rounded to the nearest thousand. The budget figure is the Student Achievement and Tertiary Education Organisation Component baseline funding allocation for the 2009 calendar year, as announced following Budget 2008. Some funding that is available to multiple parts of the sector is not included in the total baseline indicated here.

Some of the key shifts in tertiary education delivery expected of wānanga include strengthening their provision at the diploma level and above, and improving the sector's capability to achieve increased quality and performance. Each wānanga has identified strategies to respond to these key shifts.

The TEC and Te Wānanga o Aotearoa worked together over the last three years to place the wānanga on a more solid, future-focused footing. The goodwill developed by both sides during this work exemplifies the advantages of taking a partnering approach to developing the tertiary education system.

Te Taihū o Ngā Wānanga is a body that includes all the Chairs of Councils and Chief Executives of the three wānanga. The Government works with Te Taihū o Ngā Wānanga and also with individual wānanga as appropriate.

## Issues and challenges

### Funding issues

The sector is working closely with the TEC on refining elements of the new investment system, including discussions between the TEC and wānanga at senior levels. In addition, a wānanga investment working group has been established and meets regularly with the TEC to discuss the mechanisms that will support the allocation of the TEI Base Investment for wānanga. The working group will discuss other elements of the investment system as appropriate.

### Treaty of Waitangi

A number of capital settlements with each of the wānanga have been signed in recent years, resulting from a Waitangi Tribunal Claim (WAI 718).

### Research fit with Performance-Based Research Fund

Wānanga have expressed concerns that the Performance-Based Research Fund evaluative framework does not adequately acknowledge a Māori world-view of knowledge creation. Te Wānanga o Raukawa has questioned the policy framework that underpins the Performance-Based Research Fund, and has sought consideration for historical impacts on the wānanga. The TEC has acknowledged these concerns and is discussing these issues with the three wānanga. Wānanga receive funding (\$1.5m per year, GST exclusive) to increase the amount and quality of academic research in the wānanga, especially in areas of wānanga specialisation.

## Institutes of technology and polytechnics

- provide skills for employment and productivity
- support progression to higher levels of learning or work through foundation education
- act as regional facilitators.

A sustainable and high-quality network of institutes of technology and polytechnics is a powerful factor in skills and productivity improvements for regions and New Zealand. They are increasingly well-placed to identify skills needs for their region and to make this information available to the public, through close working relationships with their stakeholders and other tertiary education organisations.

### Institutes of technology and polytechnics at a glance

- 20 institutes of technology and polytechnics
- 207,000 students in 2007
- 72,000 Equivalent Full-Time Students in 2007
- a baseline of \$596 million (GST exclusive) to invest in 2009<sup>17</sup>.

Polytechnics (along with universities and wānanga) are tertiary education institutions under the Education Act 1989.

All institutes of technology and polytechnics have Investment Plans through which most of the sector's funding is approved.

Institutes of technology and polytechnics are changing their provision in line with the priorities set out in the *Tertiary Education Strategy*. For example they have made progress in expanding their provision of higher level vocational education that meets the needs of New Zealand's industries, while exiting from lower quality provision.

Institutes of Technology and Polytechnics New Zealand collectively represents institutes of technology and polytechnics as their peak body. The Government works with Institutes of Technology and Polytechnics New Zealand and also with individual institutes of technology and polytechnics as appropriate on issues pertaining to the sector.

<sup>17</sup>Student numbers and EFTS are rounded to the nearest thousand. The budget figure is the Student Achievement and Tertiary Education Organisation Component baseline funding allocation for the 2009 calendar year, as announced following Budget 2008. Some funding that is available to multiple parts of the sector is not included in the total baseline indicated here.

## Issues and challenges

There are two major issues facing this sector. These are:

- the financial and educational sustainability of the current network over time
- the diversity of the institutions in the sector and of the regions they serve.

### Sustainability

Previous business models at institutes of technology and polytechnics were largely based on growth. In some cases, this led to significant increases in low quality courses. Investment Plans focus institutes of technology and polytechnics on providing high quality education and achieving relevant outcomes for their regions, within managed funding. The challenge is to work with the sector to transition to sustainable business models that support this focus on quality and outcomes. Strategies include:

- institutes of technology and polytechnics working collaboratively to make best use of limited resources and avoid unnecessary duplication
- establishing a New Zealand Benchmarking Tool to provide comparable evidence on institutes of technology and polytechnic performance and the funding required to sustain viable institutions. This tool has just been rolled out to the whole sector. The sector recognises that it is a powerful and rigorous means for measuring, comparing and improving performance.

### Diversity

The sector is diverse. It ranges from large urban institutions that offer education over a broad range of subject areas, to smaller more rural and/or specialised institutions which support regions with varied needs.

The diversity of the sector presents a number of challenges. One challenge is to develop funding arrangements that can be tailored to individual circumstances and support a range of distinctive contributions within the sector. At the same time, it will be important to maintain low transaction costs and to encourage providers to be as efficient as possible.

## Industry training organisations

- provide industry leadership on matters relating to skill and training need
- design national qualifications, and standards for registration on the National Qualifications Framework
- arrange for the delivery of industry training.

Industry training organisations are a unique form of tertiary education organisation. They arrange (but do not directly provide) training for employees in the workplace, and purchase 'off-job' training from tertiary education providers such as institutes of technology and polytechnics or private training establishments.

A well-performing industry training sector is very important for productivity improvements in New Zealand's firms, and for increasing the workforce's skills base generally. Industry training organisations have an important role in developing the literacy and numeracy levels of New Zealand's workforce.

### Industry training organisations at a glance

- 39 industry training organisations
- 186,000 industry trainees in 2007
- 52,000 Standard Training Measures funded in 2007
- a baseline of \$173 million (GST exclusive) to invest in 2009<sup>18</sup>.

Each industry training organisation has been recognised by the Minister under the Industry Training Act 1992 to represent specified industries and to set national standards for them.

Most of New Zealand's industries fall under the coverage of an industry training organisation. Industry training organisations are owned by industry, with the system dependent on the voluntary participation of employers and employees. Industries provide a significant cash and in-kind contribution toward the costs of industry training.

Industry training is generally delivered at levels 1-4 of the National Qualification Framework.

The Industry Training Federation collectively represents industry training organisations as their peak body. The Government works with the Industry Training Federation and also with individual industry training organisations as appropriate on issues pertaining to the sector.

<sup>18</sup>Student numbers and Standard Training measures are rounded to the nearest thousand. The budget figure is the Industry Training Fund and ITO Strategic Leadership Fund for the 2009 calendar year, as announced following Budget 2008.

## Issues and challenges

### Sector leadership role

Industry training organisations are expected to provide a strategic view of industry needs across the tertiary education system. This view is not restricted to just the delivery of industry training. Industry training organisations are developing and updating strategic training plans that identify and prioritise the education and training activities required to meet the current and future skill needs of industry.

These plans are expected to inform the Investment Plans of institutes of technology and polytechnics in particular. However, this interface between industry driven requirements and the tertiary provider sector is at an early stage of development.

### Overlapping provision

Overlapping provision is a strategic issue for the tertiary education system. Overlapping provision occurs when institutes of technology and polytechnics provide training services to employers similar to those provided by industry training organisations. The two types of organisation are funded through two quite different funding systems, and are regulated differently.

The development of more collaborative relationships between institutes of technology and polytechnics and industry training organisations is important to ensure that employer needs are being met. Considerable effort has been made to resolve these issues, but limited progress has been made.

### Skills Strategy

Industry training organisations play a significant role in the *New Zealand Skills Strategy*, and the Industry Training Federation is a strategic partner in the Skill New Zealand Tripartite forum. Industry training organisations participate in literacy, language and numeracy projects designed to deliver quality foundation learning outcomes in the workplace. Industry training organisations are important partners for improving labour productivity.

## Private training establishments and other tertiary education providers

### Private training establishments

376 private training establishments currently receive TEC funding for a large variety of education programmes at all levels<sup>19</sup>. Historically, the sector is responsive to student educational needs and generally performs well.

Individual private training establishments provide education to particular communities of students, they provide choice for students, and in some cases provide education that is technically specialised and that no other tertiary provider delivers. Private training establishments are diverse in size, purpose, ownership and funding arrangements and in their approach to pedagogy. They have a high percentage of Māori students, and of students aged under 25, compared with other parts of the sector.

The private training sector broadens the tertiary education system, provides for flexibility, and improves its efficiency and effectiveness. Because private training establishments are so diverse and numerous it is difficult to describe a role for them systematically. The *Tertiary Education Strategy*:

- acknowledges the diversity of the private training establishment sector and notes that this diversity enables flexibility and responsiveness within the tertiary education system
- notes that the sector's diversity means that it can meet specific needs at many different places in the system, and
- prioritises high performance and capability within the context of the network of tertiary education.

### Other tertiary education providers

Other tertiary education providers (OTEPs) are organisations that provide nationally important education in key parts of the system. In most cases, OTEPs are registered as private training establishments, but are funded as a separate part of the sector.

<sup>19</sup>There are approximately 730 private training establishments registered with the New Zealand Qualifications Authority.

### Private training establishments and OTEPs at a glance

- 376 TEC-funded private training establishments (PTEs)
- 70,000 students in PTEs in the mainstream tertiary education system and 30,000 learners via Training Opportunities and Youth Training in 2007<sup>20</sup>
- 36,000 equivalent fulltime students in PTEs in 2007<sup>21</sup>
- a baseline of \$136 million (GST exclusive) to invest in PTEs in 2009<sup>22</sup>
- in addition, PTEs receive the majority of Training Opportunities and Youth Training funding, totalling \$135 million<sup>23</sup>.

There are 14 other tertiary education providers (OTEPs) that undertake a variety of roles and are funded via multiple funds. Funding to OTEPs totals approximately \$39 million (GST exclusive) across all funds<sup>24</sup>.

The private training establishment sector has a unique relationship with Government. Because they are privately owned organisations, the Government can more easily enter into or cease arrangements with private training establishments than it can with tertiary education institutions.

From 2009, all TEC funded private training establishments and OTEPs are a part of the Investment Plan system.

## Issues and challenges

While the private training establishment sector already provides an important contribution to tertiary education in New Zealand, there is scope for a significant increase in the value Government receives from private training establishments.

The current network of private training establishment provision has been arrived at in an ad-hoc way, and the current policy settings do not provide sufficient scope for the Government to move funding from areas of lower to higher priority. Most funding is 'locked into' the existing set of providers and provision.

<sup>20</sup>This figure includes all students enrolled in approved tertiary education courses at private training establishments in 2007. Not all of these students will have attracted direct government funding within the baseline available for private training establishments.

<sup>21</sup>This figure includes all equivalent full time students enrolled in approved tertiary education courses at private training establishments in 2007. Not all of these EFTS will have attracted direct government funding within the baseline available for private training establishments.

<sup>22</sup>Student numbers and EFTS are rounded to the nearest thousand. The budget figure for private training establishments is the Student Achievement and Tertiary Education Organisation Component baseline funding allocation for the 2009 calendar year, as announced following Budget 2008. Some funding that is available to multiple parts of the sector is not included in the total baseline indicated here.

<sup>23</sup>2008/09 fiscal year (GST excl) as at Budget 2008.

<sup>24</sup>2008 allocation.

The existing policy framework under which private training establishments operate is broadly the same as that in place for the rest of the sector. However, private training establishments have reported that they find the current framework too constraining. For example:

- the policy which restricts 'over-delivery' (enrolment of unsubsidised students) has proved very problematic for many private training establishments that have operated a business model predicated on the marginal income provided by fees-only students
- the lack of a level playing field, such as some forms of funding for equity that are available for tertiary education institutions but not private training establishments.

The TEC is therefore developing a new investment framework for private training establishments which would enable a more strategic and considered approach to investment from Government and would address the sector's concern in that context.

## Adult and Community Education providers

Adult and Community Education is non-formal, non-assessed learning for adults. Its focus is often on personal development, skill enhancement or social/community objectives. Adult and Community Education enables adults to engage in a range of educational activities within their community in a wide range of contexts, promoting a culture of lifelong learning.

Five national Adult and Community Education priorities apply to the sector. These describe the distinctive contribution of the Adult and Community Education sector to the tertiary education system. They are:

- targeting learners whose initial learning was not successful
- raising foundation skills
- encouraging lifelong learning
- strengthening communities by meeting identified community needs, and
- strengthening social cohesion.

### Adult and community education providers at a glance

- 290 Adult and Community Education Providers (including 216 schools)
- over 250,000 learners
- \$45 million (GST exclusive) to invest in Adult and Community Education in 2009<sup>25</sup>.

The network of TEC-funded Adult and Community Education providers is made up of schools and community organisations, universities, wānanga, institutes of technology and polytechnics, rural education activities programmes and OTEPs.

Adult and Community Education providers have now been included in the Investment Plan system. Investment Plans for small organisations (including the majority of Adult and Community Education providers) are brief summary documents.

Some key OTEPs that specialise in Adult and Community Education have an important role in developing capability to deliver literacy and numeracy for the *New Zealand Skills Strategy*.

<sup>25</sup>As set at Budget 2008.

## Issues and challenges

### Adult and Community Education funding issues

The Adult and Community Education sector features a diverse range of organisation type, each with different historically-based funding arrangements and business models based upon them. Some organisations in the sector have sought standardised funding rates. However, standardised rates would be likely to prove very difficult for some organisations.

### Numbers of providers in the sector

The Adult and Community Education sector consists of a large number of often very small organisations, some of which receive funding of only a few thousand dollars or less. This creates high transaction costs for the TEC.

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## The Tertiary Education Commission

The TEC steers the tertiary education sector and invests in tertiary education on behalf of the Government. This includes investing in the capability of tertiary education organisations to deliver high quality and relevant education and research outcomes.

The TEC is a Crown Entity established under section 159C of the Education Act 1989. It is governed by a Board of Commissioners which is appointed by, and responsible to, the Minister for Tertiary Education. Under the Crown Entities Act 2004, the TEC is a Crown Agent. As such, the TEC must give effect to Government policy when directed by a responsible Minister.

The TEC has independent statutory powers in respect to the planning and approval of government funding for individual tertiary education organisations. The TEC exercises these powers within the strategic and policy frameworks set by the Government under the Education Act 1989.

While the Minister may not direct the TEC in respect of its statutorily independent functions (such as Investment Plan approval), the Minister is able to influence decision-making in the tertiary education system by:

- issuing the *Tertiary Education Strategy* which sets out the Government's long-term strategic goals and medium term priorities for tertiary education
- determining funding policy through funding mechanisms (at the system, fund, or part-of-sector level)
- directing the TEC to give effect to Government policy, within the bounds of the Crown Entities Act 2004
- exercising Ministerial powers of appointment to both the TEC Board of Commissioners and to the councils of tertiary education institutions, and
- exercising Ministerial powers of intervention in tertiary education institutions.

The TEC has the following functions and outputs:

- Giving effect to the *Tertiary Education Strategy* by providing investment guidance and approving Investment Plans (including funding for Investment Plans).
- Providing policy and other advice to the Minister.
- Operating the tertiary funding system generally (including providing funding other than via Plans).
- Monitoring the performance of tertiary education organisations.
- Undertaking any other functions as directed by the Minister under the Crown Entities Act 2004, delegated to the TEC by the Minister or Secretary for Education, or given by statute.

In addition, the Chief Executive of the TEC has an independent function under the Education Act 1989 to monitor tertiary education institutions for risks related to financial or operational viability and to report directly to the Minister. The TEC's Tertiary Advisory Monitoring Unit (TAMU) monitors the Crown's ownership interest in the 31 tertiary education institutions.

The TEC administers two further Acts:

- Industry Training Act 1992, and
- Modern Apprenticeship Training Act 2000.

## TEC Governance

The TEC Board of Commissioners comprises at least six, but not more than nine, Commissioners appointed by the responsible Minister. The Board of Commissioners sets the strategic direction for the TEC, monitors the performance of the organisation, appoints the Chief Executive, reviews the Chief Executive's performance, and oversees the management of strategic risks.

The Board of Commissioners has established committees to provide advice and recommendations to assist it in carrying out its main responsibilities and functions. Currently constituted standing Committees of the Board are:

- **Audit and Risk Committee** - the purpose of this Committee is to provide the Board with high-level assurance that the systems and processes underpinning the TEC's business are operating effectively and efficiently. It also has a role in monitoring strategic risks and financial management.
- **Human Resources Committee** - the purpose of this Committee is to assist the TEC with oversight of its key human resource strategies and obligations, particularly as they relate to remuneration policies and practices.
- **Learners Advisory Committee** - the purpose of this Committee is to provide advice to the TEC on learner perspectives and priorities and to receive feedback on learner issues. It is comprised of learners from student bodies and representatives from across tertiary education.

The Commissioners benefit from the perspective of a Learner Participant at the TEC Board meetings. Liz Hawes, Co-president, New Zealand Union of Students' Associations is the Non-Voting Learner Participant on the TEC Board in 2008.

## The TEC's structure

Currently, the Board of Commissioners has nine members:

- David Shand, Chair
- Kaye Turner, Deputy Chair
- John Blakey
- Deirdre Dale
- Jim Donovan
- Professor Graeme Fraser
- Robin Hapi
- Bill Rosenberg
- Edna Tait.

A biographies of each of the Commissioners is available on the TEC's website at:

<http://www.tec.govt.nz>

The TEC's management team is led by its Chief Executive, Dr Roy Sharp. Information about each of the TEC's Executive Team's roles is available on the TEC's website at: <http://www.tec.govt.nz>

The TEC's organisational structure is designed to support its functions and role and has been designed, in particular, to operate a system based on investment and a relationship approach.



