Document 9

Vladka Smith

From: James Campbell
Sent: Thursday, 4 April 2024 6:22 pm
To: Peter Gluckman; Katrina Sutich; Tim Fowler - TEC
Cc: Andy Jackson
Subject: RE: University Review panel

Kia ora Peter

Great news – will do. Will also work through the timing for announcements and come back to you.

Ngā mihi
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy
9(2)(a)

From: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Sent: Thursday, April 4, 2024 5:56 PM
To: James Campbell <James.Campbell@education.govt.nz>; Katrina Sutich <Katrina.Sutich@education.govt.nz>; Tim Fowler - TEC <tim.fowler@tec.govt.nz>
Cc: 9(2)(a)
Subject: University Review panel

Kia ora James , Katrina and Tim

Bella Tikiari-Brame has advised me she is happy to be a member fo the panel

Her contact details are
9(2)(a)

Can you make direct contact with her with the necessary papers etc and let the Minister know that the panel is now complete.

Ngā mihi nui

Peter

Sir Peter Gluckman ONZ KNZM FRSNZ FMedSci FISC FRS
University Distinguished Professor
Koi Tū; The Centre for Informed Futures
President; International Science Council

9(2)(a)

PA Emily emily.strong@auckland.ac.nz

University of Auckland
pd.gluckman@auckland.ac.nz
www.Informedfutures.org

Physical: **Level 7, Building 804, 18 Waterloo Quadrant, Auckland Central 1010**
Mail**: Private Bag 92019, Auckland 1142**

Document 10

Vladka Smith

From: James Campbell
Sent: Monday, 8 April 2024 3:07 pm
To: pd.gluckman@auckland.ac.nz; hema.sridhar@auckland.ac.nz; Alastair MacCormick
Cc: Katrina Sutich; 9(2)(a) @tec.govt.nz
Subject: MoE/TEC feedback on draft UAG questions

Kia ora koutou

Thank you for sharing your proposed phasing and discussion questions for the UAG, which I've discussed with key people at both MoE and TEC. As discussed, we agree that phasing the work is a sensible approach and should assist with ensuring that discussions focus on the outcomes we are looking for from the university sector, before getting into more detailed questions such as funding design. You've suggested that the questions will only be released one phase at a time, so we have focussed on the questions for the first phase for now, although some of our feedback would flow through into the other phases.

We have made some suggestions on the questions for the first phase below, including reordering and grouping them under four broader overarching questions. One reason for this suggestion is that it could form the structure for the UAG's fortnightly meetings over the 2 months following the induction session, with each meeting focussed on a group of questions supported by background material prepared by MoE/TEC.

As you'll see we have suggested a few other changes to some of the questions to ensure they are at a similar level of detail (mostly at the 'outcomes' level) and to avoid any of them sounding too leading. We have also suggested that one of the broad questions should be about learner perspectives/outcomes as well as connections to communities – we think that it's important that this is prominent and it will give a focus for engagement with the student reference group.

We would be happy to discuss our feedback and how you might want to incorporate any feedback you get from the rest of the panel. In terms of finalising the questions, our suggestion would be discussing a revised list with the panel as part of the initial induction briefing, which will allow them to reflect on some of the broader context and information in providing final feedback. I've reached out to Hema separately to discuss locking in a time for this session (we would be keen to have this before the end of next week if possible), as well as for the regular ongoing UAG meetings.

Ngā mihi
James

Phase 1: the role of universities in NZ

1. What is the core purpose of New Zealand's universities and how well are they fulfilling this role?
    a. What should define a university in the New Zealand context?
    b. What is distinctive about New Zealand's universities and the role that they play in the broader tertiary education system?
    c. How well are universities performing in their broader roles, including as critics and consciences of society?
2. What will/should participation in the university system look like in the future?
    a. What effects does the need to maximise student numbers have on universities?
    b. What level of participation in university/ higher education should New Zealand be aiming for?
    c. What are the implications of changing learner demographics for universities?
3. How well do universities serve learners and connect with their communities?
    a. To what extent does the university experience meet the needs and expectations of learners?

b. What capabilities do universities need to possess and develop to respond to Te Ao Māori and honour the Treaty of Waitangi.
c. How well do universities partner with the private sector, government agencies and communities, and build international connections?

4. How well does the university system support New Zealand's national interests?
    a. Is the university sector sufficiently differentiated and to what extent should there be greater specialisation?
    b. Should the university sector act more as a coordinated system and, if so, how could it best do so?
    c. Is the mix of offerings in teaching and research appropriate for NZ in meeting its economic, environmental, and social challenges? *

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy

9(2)(a)

Document 11

Vladka Smith

From: James Campbell
Sent: Tuesday, 9 April 2024 12:44 pm
To: pd.gluckman@auckland.ac.nz
Cc: Donna McKenzie; hema.sridhar@auckland.ac.nz
Subject: Conflicts of Interest Register
Attachments: Out of scope

Kia ora Sir Peter

We have now received back Bella's disclosure form and are ready to proceed to formal appointments – we will look to get appointment letters approved by Andy and out to members tomorrow.

Before we do this, I'd like to confirm that you are comfortable with our approach to managing conflicts of interest, as outlined in the attached register. We are proposing to keep things relatively light touch, although in the case of Phil O'Reilly his appointment letter would note that he would not be able to engage in consultancy work for the university sector while a member (I understand from Hema that he had already decided not to take up a potential engagement in the sector).

We will need to keep the register up to date throughout the UAG process and would suggest that it is a regular item at UAG meetings.

Please let me know if you have any questions or comments, otherwise we will press on with getting the formal appointments done.

Ngā mihi
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy
9(2)(a)

Document 12

Vladka Smith

From: James Campbell
Sent: Wednesday, 10 April 2024 10:59 am
To: Peter Gluckman
Cc: Donna McKenzie; Hema Sridhar
Subject: RE: Conflicts of Interest Register

Kia ora

Happy to adjust the language (noting that this was the standard terminology that MoE uses for these sorts of groups) and to note that you are a parttime university employee.

Ngā mihi
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy
9(2)(a)

From: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Sent: Tuesday, April 9, 2024 1:45 PM
To: James Campbell <James.Campbell@education.govt.nz>
Cc: Donna McKenzie <Donna.McKenzie@education.govt.nz>; Hema Sridhar <hema.sridhar@auckland.ac.nz>
Subject: Re: Conflicts of Interest Register

James

This should be labelled declarations of interests not conflicts – this the appropriate parlance.
The declaration fo interests is always first item on any agenda after apoliogies

I should be noted as PARTIME University employee – it is an importance differentiation

Peter

From: James Campbell <James.Campbell@education.govt.nz>
Date: Tuesday, 9 April 2024 at 12:44 PM
To: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Cc: Donna McKenzie <Donna.McKenzie@education.govt.nz>, Hema Sridhar <hema.sridhar@auckland.ac.nz>
Subject: Conflicts of Interest Register

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Ngā mihi
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy
9(2)(a)

Document 13

Vladka Smith

From: James Campbell
Sent: Wednesday, 10 April 2024 2:23 pm
To: pd.gluckman@auckland.ac.nz; Alastair MacCormick
Cc: TEC - 9(2)(a) ; 9(2)(a) @tec.govt.nz; hema.sridhar@auckland.ac.nz; Donna McKenzie; Catherine Ryan; Katrina Sutich
Subject: Proposed UAG initial briefing material
Attachments: Initial UAG Slides.pptx; Initial briefing contents.docx; 2.3 TEC investment process and framework.docx; 3.1 Funding and performance by university.docx; 3.2 TEC board paper university finances.docx; 4.1 International Education .pdf; 1.1 TEC BIM.pdf; 1.2 ER Tertiary education and skills BIM redacted.pdf; 1.3 Legislative settings Memo for UAG.docx; 2.1 Challenges and opportunities in HE.pdf; 2.2 Memo for UAG_Research Funding in TE.docx

13a,13b,13c,13d,13e,13f,13g,13h,13i,13j,13k

Kia ora

Ahead of an initial briefing session with the UAG next week, MoE and TEC have prepared the attached pack of documents for the panel. We would propose to provide these as two documents:

- The slides provide a high level overview of the functioning of the system. We would propose to talk the group through these at the session, after some broader comments on the role and purpose of the group.
- The other documents would be provided as an initial pack of background material for the panel (merged into a PDF with the contents page):
    - Overview of the tertiary education system
        - 1.1 TEC Briefing to incoming Minister
        - 1.2 MoE Briefing note Tertiary education and skills policy briefing to incoming Minister
        - 1.3 Overview of legislative settings for universities
    - Higher education funding
        - 2.1 MoE Education Report: Challenges and opportunities in higher education funding
        - 2.2 Summary of Vote Tertiary Education research funds
        - 2.3 Introduction to the TEC's investment process and investment and learner success frameworks
    - University performance
        - 3.1 TEC Overview of funding and performance by university
        - 3.2 TEC University financial overview board paper
    - International education
        - 4.1 MoE Education Report, Growing the number of international students in New Zealand

We would be keen to get your feedback on whether you think the level and amount of information is appropriate for the group at this stage in the process. We have deliberately kept the slides high level, with the purpose of ensuring that the group has a similar grounding in the basics of the system, while we have also kept the background papers to largely introductory material. I note that while much of this material is in the public domain, some is not and is being provided in an expectation of confidence.

We would expect to provide further material on the key issues the group is considering at each of its meetings, including on some of the topics that you and Alastair suggested early that aren't covered in detail here.

Let me know what you think – I am very happy to discuss. We understand from Hema that you expect the next meeting of the group to be on Tuesday so we would be keen to get the material to them (alongside the agenda and anything else from you) before the end of the week.

Kind regards
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy

9(2)(a)

Background information on tertiary education

Initial briefing material for the University Advisory Group

Te Tāhuhu o te Mātauranga
Ministry of Education

Introduction and contents

Much of the material in these slides will be well known to UAG members, but it is intended to ensure that members have a common understanding of the basics of the tertiary system.

The **key actors** in tertiary education are the users of the system (e.g. learners, employers, communities), education organisations, and government agencies.

Legislation sets the 'rules of the game', and the Government sets high-level goals and direction for the tertiary education system through the **Tertiary Education Strategy** (TES).

The main mechanisms for shaping the tertiary education system are:

1. **Legislative settings, funding policy and tertiary education strategy, set by the Minister for Tertiary Education and Skills on the advice of the Ministry of Education**
2. **Quality assurance of qualifications and tertiary education providers by NZQA (and CUAP/AQA in the case of universities)**
2. **Investment plan decisions and the distribution of government funding to individual providers, and monitoring of those investments by the TEC**

The government also has **ownership levers** for public tertiary education organisations, including the ability to appoint members to the go erning councils of uni ersities, wānanga and institutes of technology and polytechnics.

Key actors

Learners

- Students, who enrol at education providers, and mainly learn in class-based environments or online
- Apprentices and trainees, whose employers offer them training, and who mostly learn in the workplace

Stakeholders

- Employer and industry groups
- Student organisations
- Community groups, NGOs
- Sector unions

Types of tertiary organisation

Tertiary Education Organisations (i.e. all providers, including private)

Tertiary Education Institutions (i.e. the public providers)

- 8 Universities
- 3 ānanga
- Te kenga

- >450 registered Private Training Establishments
- Plus contributions from >350 secondary schools, and ACE providers

Education agencies

Ministry of Education
Advises the Government on strategy, policy and system performance
Manages Vote Tertiary Education
System stewardship

Tertiary Education Commission
Allocates public funding
Negotiates providers' plans and monitors provider performance
Careers advice

New Zealand Qualifications Authority
National Qualifications Framework
Quality assurance (no direct role with universities)
Oversight of the Pastoral Care Code of Practice

Education NZ
Promotes and represents NZ international education

Other regulatory bodies

6 Workforce Development Councils
Vocational education standard setting and investment advice

Professional regulatory authorities
E.g. Nursing Council, Teaching Council

Committee on University Academic Programmes (CUAP)
University programme approval and accreditation on behalf of Vice Chancellors' Committee

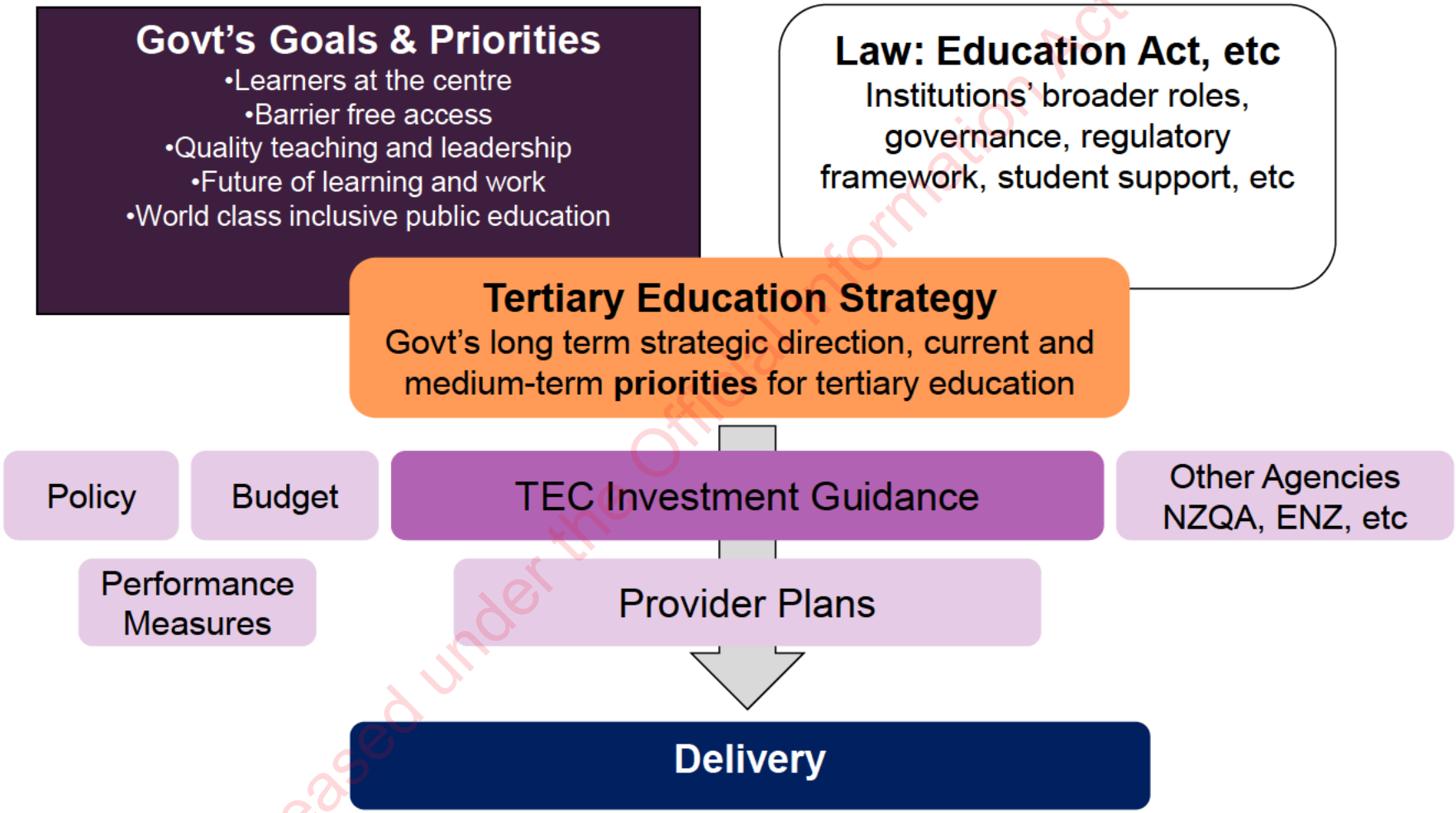
Academic Quality Agency (AQA)
Provides external quality assurance for universities via audits

Legislation

- The tertiary education parts of the Education and Training Act 2020 provide for:
  - the Tertiary Education Strategy, which the TEC must give effect to via its investment in Tertiary Education Organisations
  - the framework for TEC, Education New Zealand, NZQA and the New Zealand Vice-Chancellors' Committee
  - a range of general provisions covering courses and students, regulation of TEOs, membership and funding of student associations, and the pastoral care code of practice.
  - funding determinations, which are instructions from the Minister to the TEC on what is to be funded and why, funding rates, eligibility rules and monitoring requirements
  - the establishment of publicly owned tertiary education institutions T s i e uni ersities, wānanga and Te kenga) and their governance arrangements, financial and educational monitoring, and the Crown's ownership and intervention functions
  - the governance, functions and duties of TEIs, including the definition and role of universities
  - the framework for the quality assurance, investment planning, funding and monitoring of TEOs
  - the design of the vocational education system, including the establishment of Workforce Development Councils with responsibility for standard setting and investment advice to the TEC, and the charter for Te kenga.
- The Crown Entities Act 2004 applies to Tertiary Education Institutions as well as TEC, NZQA and ENZ.

2023 amendments to the ducation and Training Act pro ide the wānanga with the option of a go ernance model under which they are not rown entities this model has been adopted by Te ānanga o Raukawa

Role of the Tertiary Education Strategy



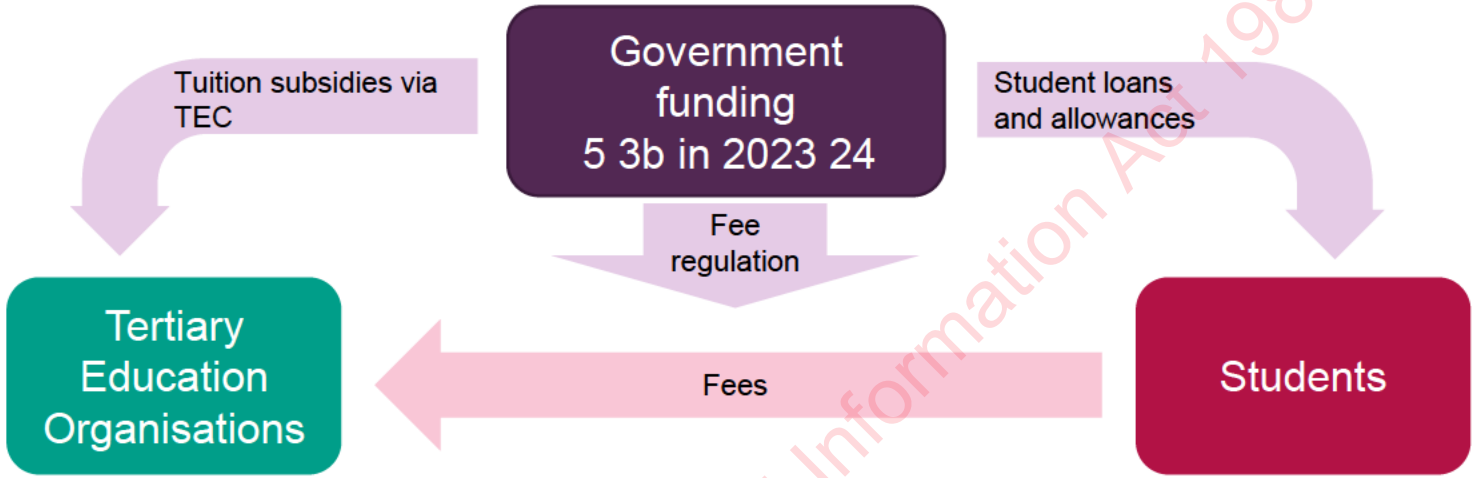
Quality assurance

- Tertiary education organisations *develop* qualifications, decide *which* programmes of study they plan to deliver, and *how* these will be delivered.
- Quality assurance bodies are responsible for approving qualifications in New Zealand and for the quality that underpins the delivery of those qualifications.
- Education providers, qualifications and courses are quality assured through:
  - Entry process of registration and on-going regulation of private training establishments
  - Course and qualification approval and accreditation
  - Self-assessment by education providers
  - External evaluation and review by NZQA, or audit by the New Zealand Universities Academic audit unit.
- At a broad level, the TEC is also expected to monitor educational performance indicators like course and qualification completions, and the participation of priority group learners.
- NZQA approves all qualifications outside universities. The Committee on University Academic Programmes (CUAP) of Universities New Zealand provides approval for university qualifications and the Academic Quality Agency (AQA) undertakes academic audits.

What do qualification levels mean?

Level	Qualification type	Education level	Taught mostly at	Number of students (2022)	Number of equivalent full-time students (2022)
1	Certificates	Foundation level	Private Training Establishments (PTEs) ānanga Te kenga	34,600	11,615
2					
3		Vocational education and training		157,485 provider-based 158,585 work-based	70,255 provider-based 55,750 work-based
4					
5	Diplomas				
6					
7	Bachelor's Graduate Diploma	Higher education	Universities ānanga Te kenga	151,595	116,950
8	Postgraduate Diploma	Higher education – postgraduate	Universities	63,475	43,620
9	Master's				
10	Doctorate				

Funding for domestic students



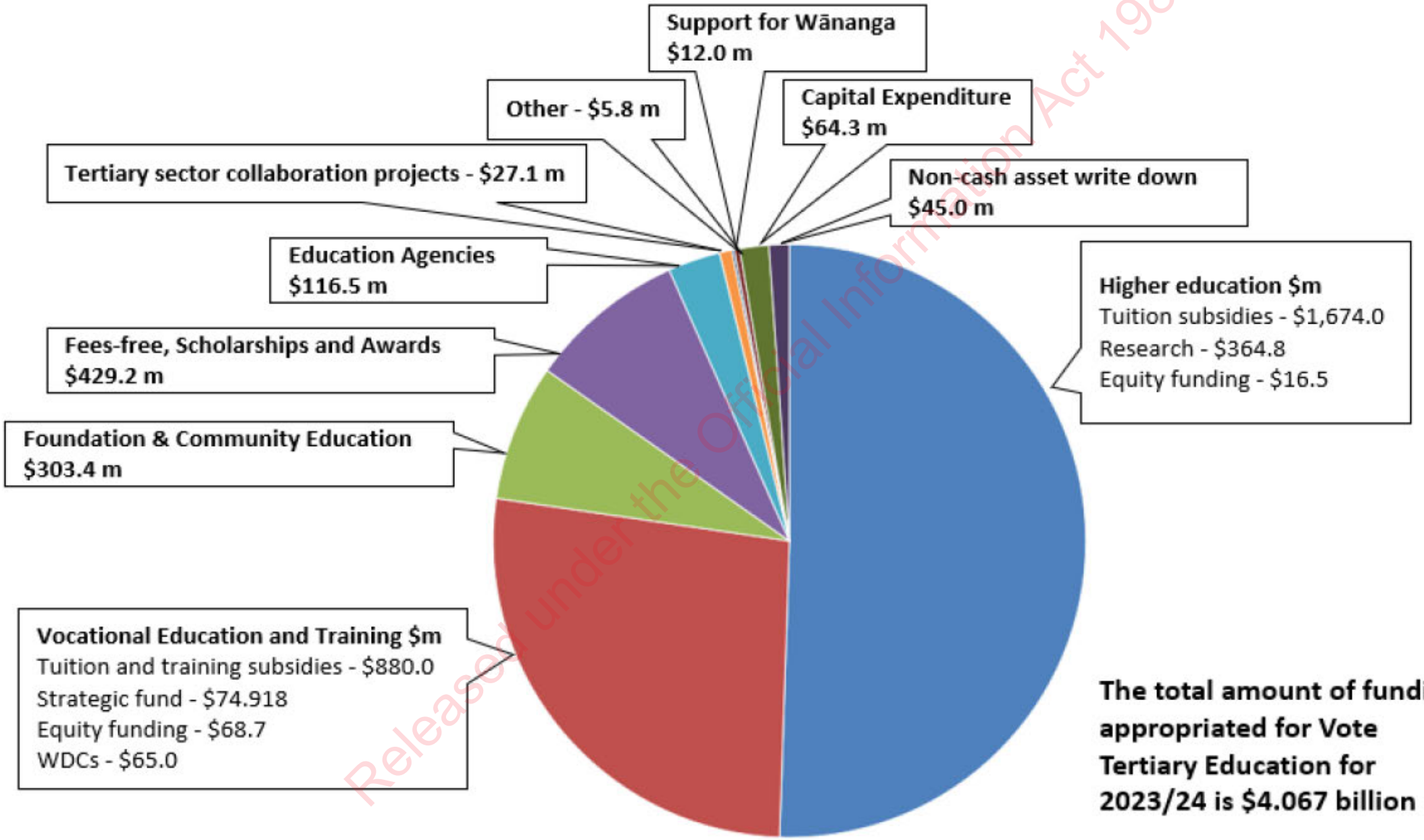
- The Minister sets funding rules (e.g. funding rates, monitoring requirements) through funding determinations.
- TEC invests funding based on an assessment of providers' investment plans against the objectives of the Tertiary Education Strategy, past delivery and performance, and information about what provision is needed regionally and by employers.
- Tuition subsidies for degree level study at levels 7 and above is paid via the DQ7+ fund (previously called the Student Achievement Component or SAC). Tuition subsidies vary by the field and level of study. Universities received about $1.4 billion of tuition subsidy funding in 2023.
- 12 4m of additional equity funding is pro ided to uni ersities each year to help meet the higher costs of supporting āori, Pacific and disabled learners.
- The Government regulates fee increases via the Annual Maximum Fee Movement mechanism.
- Student loans and allowances aim to reduce barriers to participation and are administered through SD and nland Re enue
- First-year Fees Free pays for students' first year of tertiary study, with the TEC reimbursing TEOs. The Government has committed to shifting to a final-year model for Fees Free from 2025.
- International students are not funded publicly (except for PhD students).

ncludes tuition subsidy funding ia ote Tertiary ducation 4 06b as well as student support funding ia ote Social De elopment 595m and ote Re enue 640m

Funding for research

- Research funding in the tertiary education T system complements funding in the science, innovation and technology (SI&T) system, but the focus in the TE system is on the role of research in teaching, and capacity and capability building in all disciplines and subject areas, rather than on specific research outputs.
- Tertiary education organisations conduct a significantly greater proportion of New Zealand's research than in the past and uni ersities employ more research staff than rown Research nstitutes; they are also winning an increasingly greater share of government-funded contestable research funding.
- The two main research funding mechanisms in the TE system are:
  - the Performance- ased Research und R - $315m pa
  - the entres of Research cellence oR s fund - $50m pa.
- The R pro ides financial and reputational incenti es to support high-quality tertiary research and research-led teaching and learning at degree-level and above. Universities receive ~97% of the total fund which is allocated based on assessment of three different components.
- Since the establishment of the R , we ha e seen increases in research performance and producti ity. But it is now timely to consider, more than 20 years after implementation, whether it remains fit for purpose.
- There are 10 entres of Research cellence, all of which are hosted by a uni ersity oR s are inter-organisational, autonomously directed research networks in which researchers work together on commonly agreed work programmes All oR s focus on different areas of expertise and make a significant contribution to the development of New Zealand's national and international knowledge and skill base needed for innovation and commercialisation.

Vote Tertiary Education 2023/24



The total amount of funding appropriated for Vote Tertiary Education for 2023/24 is $4.067 billion

TEC Investment and Monitoring

TEC investment

- The TEC allocates government funding to tertiary education providers. This is done through the investment plan process, and is a key means to give effect to the Tertiary Education Strategy.
- The TEC develops detailed investment plan guidance prior to funding allocation decisions. Providers seeking government funding respond by developed investment plans, which describe the outcomes they will achieve, planned provision and set performance targets.
- In assessing individual Investment Plans, the TEC looks for evidence of alignment with the Tertiary Education Strategy, and each provider's past performance against targets. TEC approves the funding level for each provider and the range and scale of provision the government expects. It also considers regional and industry needs.

Monitoring and reporting

- The TEC also has a Monitoring and Crown Ownership (MCO) function and supports both the *compliance* of TEC-funded organisations, and their *capability* to deliver the activities and programmes they're funded to deliver.
- These functions include: financial monitoring of institutions; supporting the Minister's appointments to TEI councils and promoting good governance; monitoring and supporting TEI capital asset management capability; and managing interventions at TEIs where the chief executive or Minister considers institutions are at risk.
- Tertiary providers report on their performance and financial targets through annual reports. The TEC monitors performance against investment plan commitments. Performance consequences (including funding recovery) may occur if actual performance and delivery do not align with the plan.
- TEC also provides careers information – not addressed in this presentation.

University financial performance

Managing financial pressures

The university sector has experienced a number of challenges over the past three years, including declining domestic enrolments; international enrolments still being below pre-COVID 19 levels; government funding increases not keeping pace with inflation; and increasing costs.

While the sector has reported an overall surplus in 2023, on an underlying basis it is expected to report a $66 million deficit with several universities reporting large deficits. Universities are collectively forecasting another deficit in 2024, before a return to surplus in 2025.

The extra 4 percent increase in level 7+ tuition subsidy rates agreed by the previous Government for 2024 and 2025 only will help with the sector's overall financial position. This is in addition to a broader cost adjustment of 5 percent for 2024 and any cost adjustment for 2025 announced through the coming Budget. However, all universities have had to implement cost savings and defer capital plans to protect their financial position.

The TEC considers Massey and VUW as high risk, while Otago, Lincoln and Waikato are medium risk. TEC does not consider there are immediate risks to the financial viability of any university. However, there are medium-term risks to the financial position of several universities, which will require decisive action.

The sector is expected to return to surplus in 2025

The university subsector is forecasting a surplus of $44 million in 2025 increasing to $129 million in 2026. This is predicated on increases to domestic and international enrolments while expenditure growth is expected to be constrained, partly due to restructuring efforts.

University financial performance

Individual university net surplus/deficit, 2023 and 2024 ($ million)

	2023 budget	2023 unaudited result*	2023 unaudited result excl. net trust income and TEC adjustments	2024 budget	2024 budget variance to 2023 adjusted result
Auckland	$35.1	$151.8	$67.8	$16.7	-$51.0
AUT	$5.4	$9.7	$10.8	$7.0	-$3.8
Lincoln	$0.1	$5.7	-$3.1	$0.1	$3.2
Waikato	-$5.0	-$4.6	-$21.6	-$6.6	$9.2
Otago	-$2.0	-$0.2	-$20.3	-$14.7	$15.1
VUW	$0.8	$30.7	-$23.6	$0.1	$23.7
UC	-$20.2	-$14.4	-$28.5	-$19.6	$8.9
Massey	$2.9	-$40.7	-$47.8	-$25.1	$22.7
TOTAL	$16.9	$138.0	-$66.4	-$42.1	$24.3

* Note: all results are unaudited and subject to change as universities go through the audit process.

University educational performance

Continuing to deliver high quality education and research

All universities are reviewing their strategic plans, delivery models, and relationship approaches to ensure they meet learner and stakeholder needs. Financial issues are likely to begin to impact on service levels, programme offerings, the ability to undertake capital projects, and investment in strategic initiatives.

We're generally seeing strong leadership in how universities are focused on learner success initiatives. It is important that universities understand the positive return-on-investment of learner success approaches and continue to prioritise these in response to challenges in the sector.

All eight uni ersities are ranked in the top 500 of the 2024 S orld ni ersity Rankings and si uni ersities are ranked in the top 500 of the 2024 Times igher ducation orld ni ersity Rankings

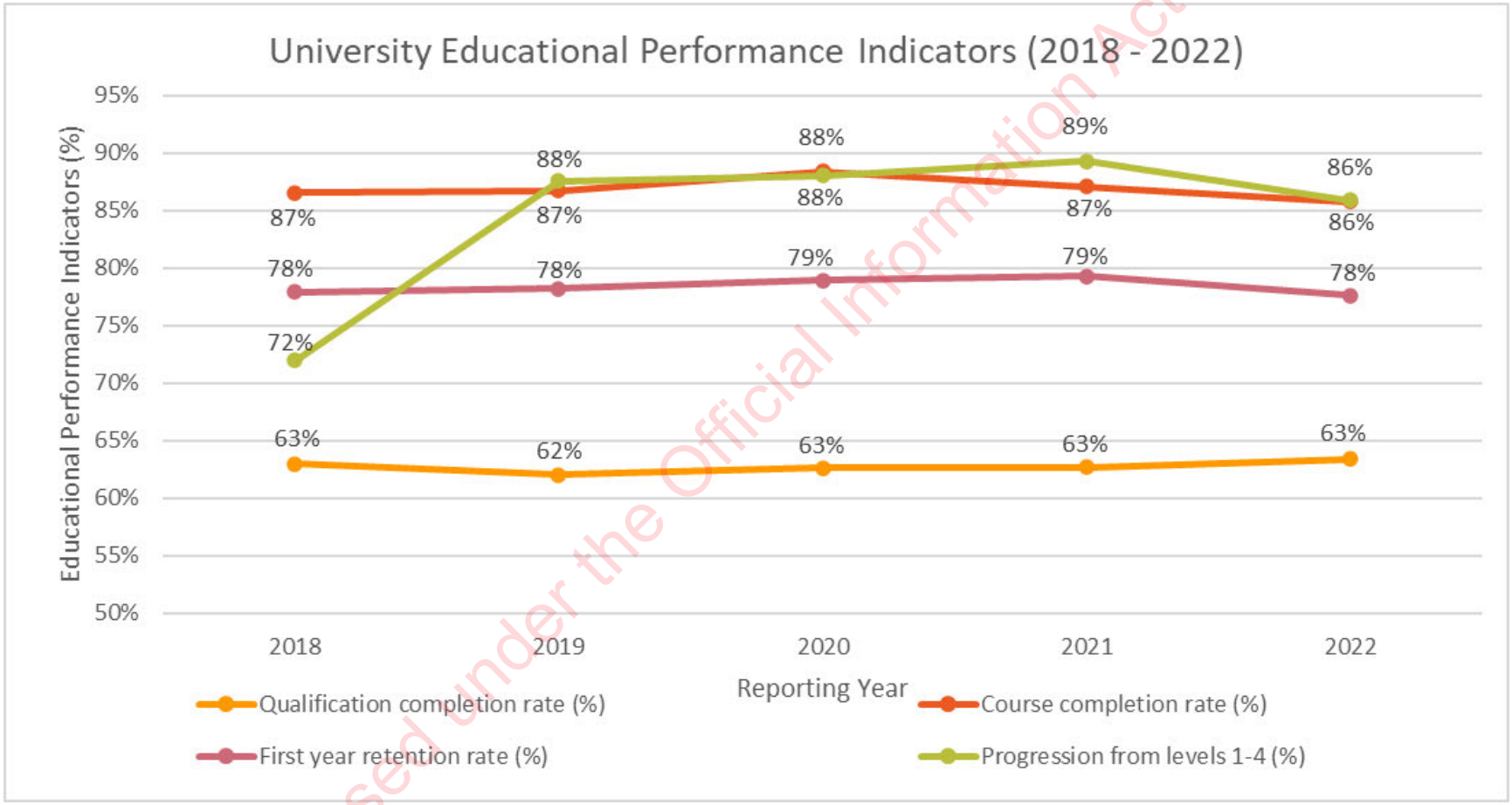
Systemic equity issues persist

As expected, given the selection requirements for entering university level study, educational performance for universities is stable and compares well internationally and against other sub-sectors.

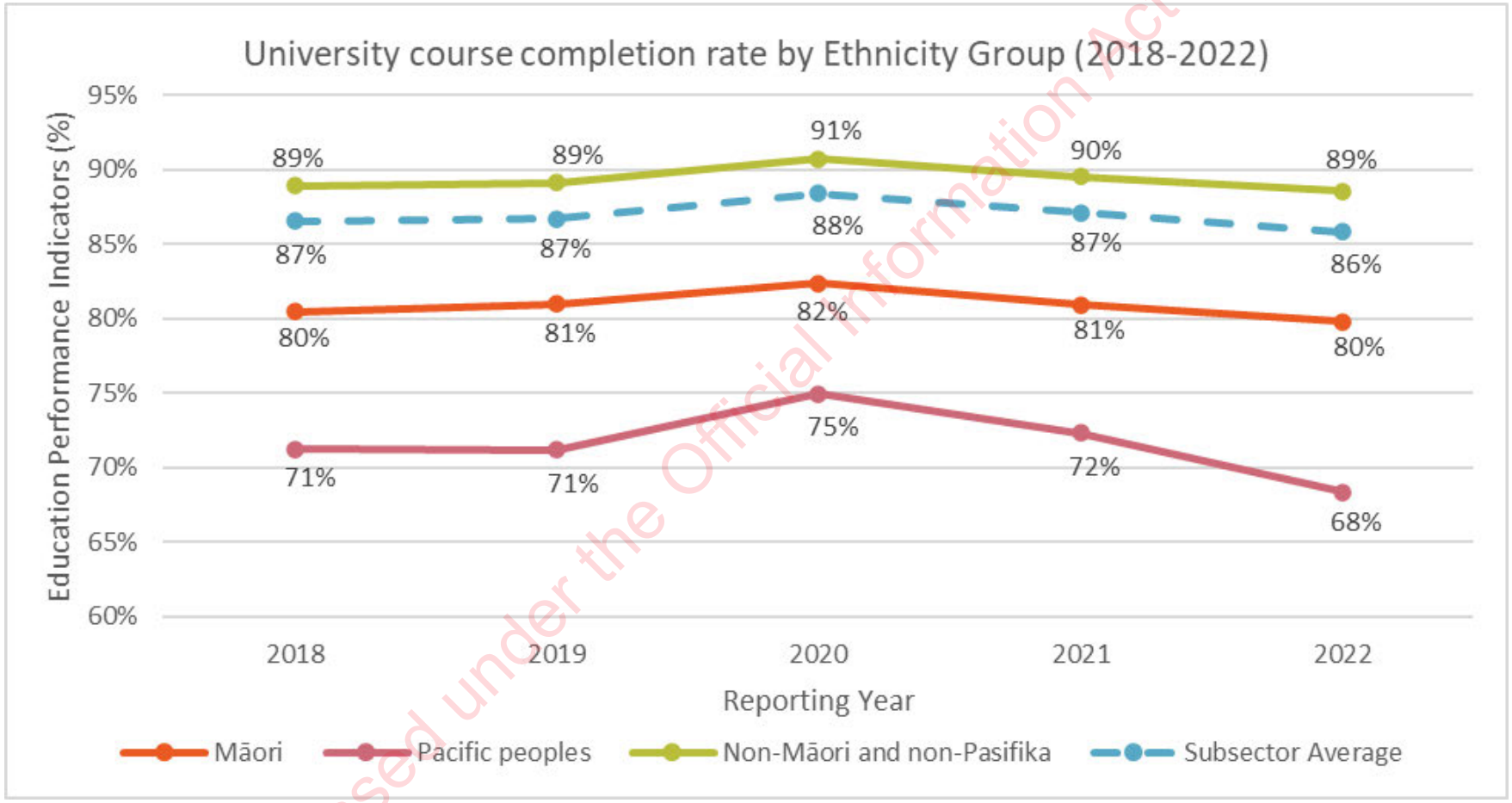
However, overall course completion rates, first-year retention rates, and progression rates have fallen over the last three years and this will likely translate into reduced qualification completion rates in the next few years.

arge and persistent disparities between achie ement for āori and acific learners compared to non- āori, non-Pacific learners remain and this longstanding achievement gap worsened on most measures during 2020-2022.

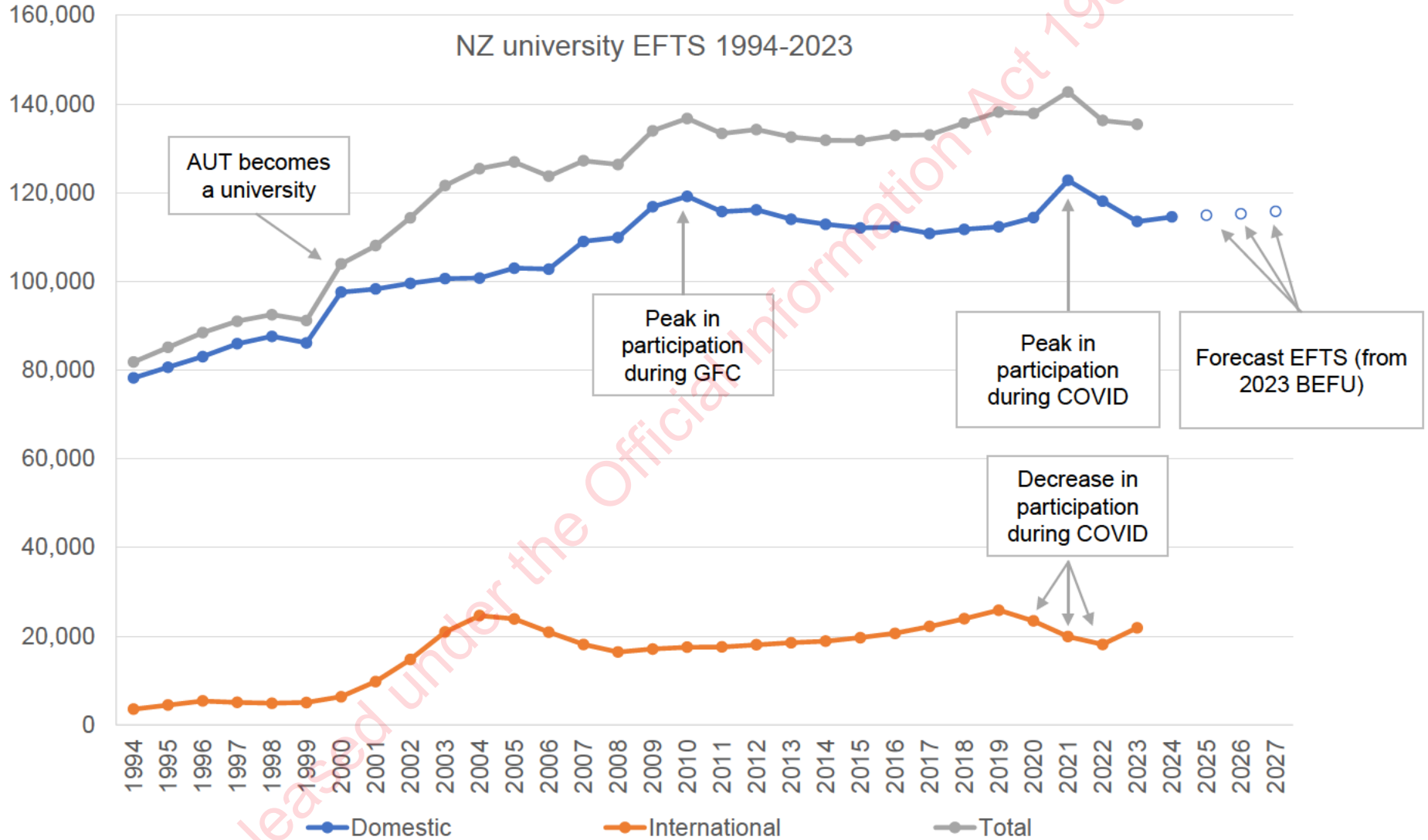
University educational performance



University educational performance



University participation trends



Note: Domestic, International and Total EFTS relates to students enrolled at any time during the year with a tertiary education provider in formal qualifications of greater than 0.03 EFTS (more than one week's full-time duration). The forecast domestic EFTS use the SAC Level 3+ forecast from BEFU 2023 (which is a slightly different measure but are close enough to show the direction of travel in domestic EFTS).

Further reference material

The table below sets out some further initial reading about key elements of the tertiary system. Key documents (in **bold**) have been provided to the panel ahead of its first formal meeting. Other general background material is linked for the Group's reference.

Topic	Suggested reading
1. Overview of the tertiary education system	**1.1 TEC Briefing to Incoming Minister** **1.2 MoE briefing note: Tertiary education and skills policy briefing to incoming Minister** **1.3 Overview of legislative settings for universities** Tertiary Education Strategy, 2020 History of tertiary education reforms in New Zealand, Productivity Commission, 2016
2. Higher education funding	**2.1 MoE Education Report: Challenges and opportunities in higher education funding** **2.2 Summary of Vote Tertiary Education research funds** **2.3 Introduction to the TEC's investment process and investment and learner success frameworks** How are higher education systems in OECD countries resourced, OECD, 2021
3. University performance	**3.1 TEC Overview of funding and performance by university** **3.2 TEC University financial overview board paper** University Planning and Accountability Framework, TEC, 2009
4. International Education	**4.1 MoE Education Report, Growing the number of international students in New Zealand** International Education Strategy Education New Zealand BIM

Te Tāhuhu o te Mātauranga
Ministry of Education

University Advisory Group – Initial background reference material

Te Tāhuhu o te Mātauranga
Ministry of Education

An introduction to the Tertiary Education Commission's investment process

Tertiary Education Commission
Te Amorangi Mātauranga Matua

The Tertiary Education Commission (TEC)

The TEC's purpose is to shape a dynamic system that delivers lifelong learning and equips learners, communities and employers for success.

The vision is to build and sustain a resilient, prosperous Aotearoa New Zealand where every person has the skills, knowledge and confidence to create a fulfilling life. To achieve this, the TEC makes investment decisions based on key priorities and focuses on building a careers system that supports people, employers and communities to thrive.

The Education and Training Act 2020 (the Act)

The Act sets out the legal framework for the TEC to invest in tertiary education provision from tertiary education organisations (TEOs).

Key investment features of the Act for tertiary education are the Tertiary Education Strategy (TES), Investment Plans and funding mechanisms.

The Tertiary Education Strategy (TES)

The TES sets out the Government's current and medium-term priorities and long-term strategic direction for tertiary education. To give effect to the TES through the investment process, the TEC is responsible for:

> publishing guidance on what should be included in Investment Plans and the criteria for assessing them (known as Plan Guidance and the Gazette notice)
> determining and allocating how much funding each TEO gets in accordance with funding mechanisms. The TEC develops the operational model for how to implement the funding, monitor outcomes and influence the sector.

Investment Plans

TEOs are required to submit an Investment Plan that sets out their strategic intent. This must include their role, mission, how they will give effect to the TES, and how they will address the needs of their stakeholders. It should also include the tertiary education programmes and activities for which the TEO is seeking funding, the outcomes it seeks to achieve and how these will be measured (known as Educational Performance Indicator Commitments).

Responsibilities in the Investment Round

Minister shapes:
> Education and Training Act
> Tertiary Education Strategy
> Funding policies

The TEC oversees:
> Plan Guidance
> allocation methodologies
> Funding allocations

TEOs deliver:
> Investment Plans
> education, training and assessment services

Plan Guidance explains what TEOs' Investment Plans must contain, and how their Plans will be assessed. Plan Guidance is supported by a Gazette notice setting out the assessment criteria.

The investment round requires TEOs to submit their Investment Plans for the TEC to assess and fund. Each Plan includes: Learner Success Plan, Disability Action Plan, Educational Performance Indicator Commitments, and Mix of Provision.

* Quarters are reflective of calendar year.

+ The additional funding process runs between May and September of the current year.

Roles in the investment process

Government

The Government's Budget sets out the amount of funding available to the tertiary education sector.

Minister of Education

The Minister of Education decides what the different pools of funding will be used for and informs the TEC about each fund's policy setting, including rates and eligibility criteria.

TEC

The TEC Board then makes decisions on how that funding is allocated to TEOs.

There are four main categories of priorities that inform the TEC's investment decisions:

> The Tertiary Education Strategy, eg, Objective 5 which focuses on research and enhancing the contribution of Mātauranga Māori
> Broader Government priorities, eg, education that increases participation and/or achievement of learners who are disabled, or learning that embeds te reo Māori
> Targeted Government and TEC priorities, for example, industry-specific, teacher education
> Advice from Workforce Development Councils (industry-specific) and information about regional needs

Tertiary Education Commission's Investment Framework for Learner (Delivery) Funds

How we make investment decisions

Tertiary Education Commission
Te Amorangi Mātauranga Matua

What is our investment framework?

At the Tertiary Education Commission (TEC) our investment framework guides all our investment decisions about tertiary education and training. It does not cover research funds.

This page describes the framework and what goes into our decision-making. The next page are two examples of how this works in practice.

Context

Many factors influence tertiary education investment, including TEC decisions. Ultimately, learner choice drives the system and TEC can be most influential when learner demand is high. Learner demand is, in turn, affected by external factors such as economic shocks, labour market strength, pandemics, climate change and other disruptors.

Fundamental to our decision-making are our Te Tiriti obligations. These include responding to the needs and aspirations of iwi, hapū and whānau, supporting Māori learners to succeed as Māori, and honouring and protecting taonga.

Our decisions are **informed by:**

- Government priorities and strategic context ⓘ
- advice from stakeholders, iwi, industries, regions and agencies on investment priorities ⓘ
- information and data about and from tertiary education providers, including investment plans.

ⓘ More information on page 2

We make **investment decisions** through:

Informing
We tell tertiary education organisations (TEOs) and the wider tertiary sector what we want to fund and what we need to know from them to make funding decisions.

Engaging
We partner with TEOs and let them know what we expect from them.

Investing
We decide what to fund, in what regions, how much, and from which TEOs.

Our decision-making always involves **trade-offs**, for example:

- when to favour one priority area of provision over another
- when to favour delivery of a priority area of investment over delivery for a priority group
- when to support existing provision over new provision.

These trade-offs reflect tensions inherent in the system. We must constantly balance stability of funding with changing needs and the agility to respond to those needs. We carefully consider all aspects of provision and performance in the context of varying needs and alternatives.

The **outputs** we seek from our decisions are to:

- use funding to grow high performance ⓘ
- allocate funding towards high-priority provision ⓘ
- increase equity of access and outcomes across the system
- reduce investment in areas of low performance
- manage levels of lower-priority provision
- shape and sustain an appropriate network of provision across foundation, vocational and higher education.

ⓘ More information on page 2

The **outcome** we aim for:

A tertiary education system that supports learners to succeed and ensures they have the skills industries, regions and communities need.

Key principles underpin every investment decision:

Evidence-based
We make decisions based on best available data and information. We understand and apply knowledge of the sector, learner demand, stakeholder needs, and best practice.

Fair, transparent and consistent
Our methods and processes offer predictability, build trust and confidence in the system. They recognise the diversity of tertiary education (sub-)sectors. They balance costs and risks in proportion to outcomes.

Learners at the centre
We incentivise, promote and enable equitable outcomes for all learners by making providers accountable for how they deliver education and the outcomes they achieve. We support providers to recognise learner diversity and meet learners' needs and aspirations.

Continuously improving the system
We improve the system's effectiveness through reviewing and updating internal processes for investment decision-making, as necessary. We improve the system through the tools and guidance we provide to the sector.

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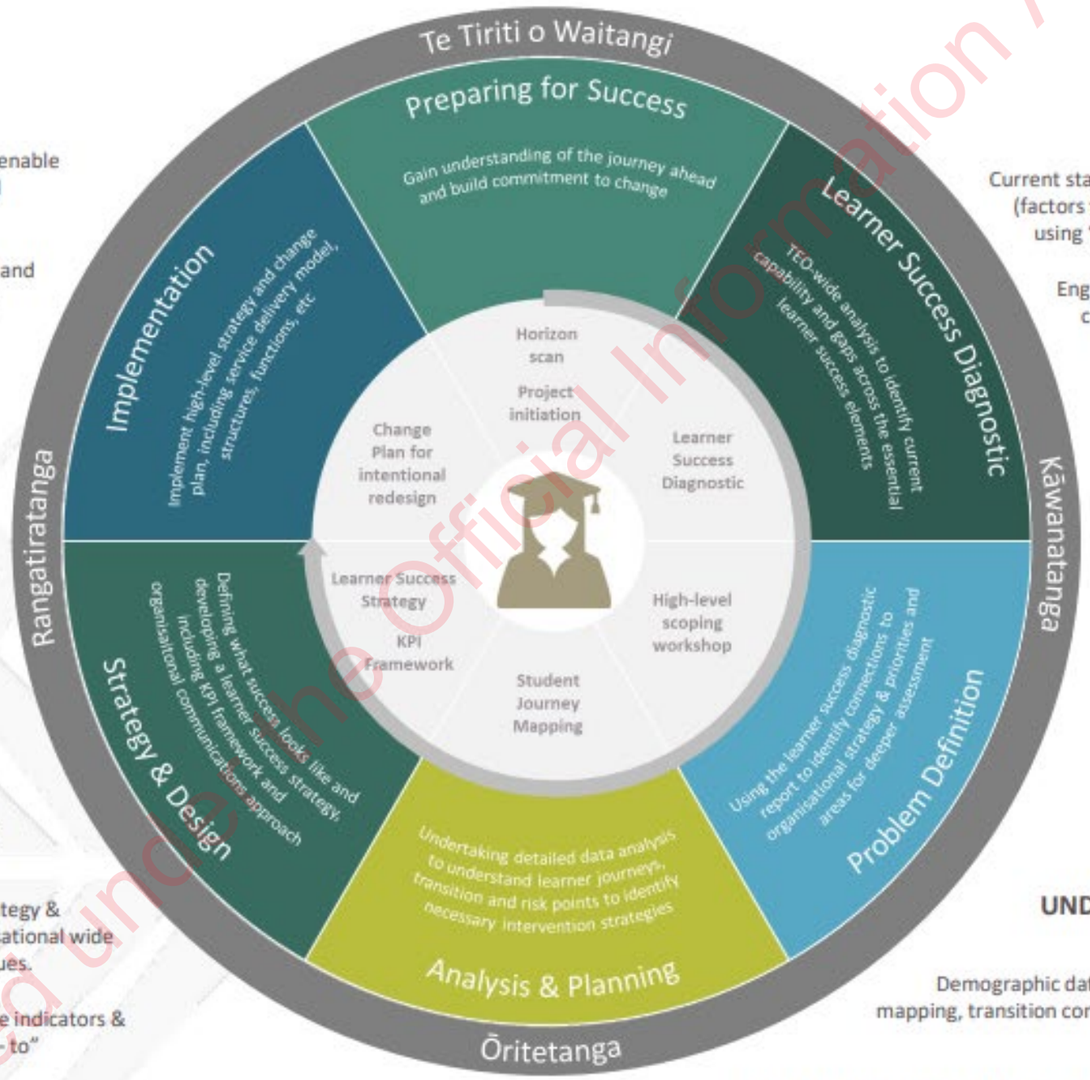
ŌRITETANGA LEARNER SUCCESS

MĀ TE MAHI NGĀTAHI, KA ANGITŪ
SUCCESS REQUIRES ALL OF US TO PLAY OUR PART

Tertiary Education Commission
Te Amorangi Mātauranga Matua



MAKING SURE IT LASTS

Understand how

Develop data, systems and procedures to enable TEO's to identify when extra services need to be deployed

Ongoing advising touch points & methods and policies – enrolment support & outreach, first year program planning, goal setting

Develop holistic service support models, responsive to where learners are on their journey

BUILD ORGANISATIONAL CAPABILITY & COMMITTMENT

Understand what

Develop a cohesive Learner Success Strategy & develop a change plan to ensure organisational wide input into learner success vision and values.

Establish a baseline for lead performance indicators & develop learner success strategy "from – to"

Understand when

Develop design & implementation roadmap

CREATING AWARENESS & DESIRE FOR CHANGE

Understand why

Current state - analysis of learner success maturity (factors that impact participation & completion) using "whole of system" capability diagnostic.

Engage stakeholders and make the case for change by creating awareness of current Maturity levels and the relationship to current performance and future direction and strategies

UNDERSTANDING LEARNER NEEDS

Understand who

Demographic data analysis using cohort student journey mapping, transition connection and progression & completion. Develop risk segment cohorts.

Plot risk and attrition points. Assess effectiveness of current interventions and usage against risk segments (use of self-reflection documents and EER)

Develop end to end strategies & interventions aligned to attrition points: transition, connection progression & completion

7001 University of Auckland

Chancellor: Cecilia Tarrant

Vice-Chancellor: Professor Dawn Freshwater

Waipapa Taumata Rau, University of Auckland is based in Auckland and have campuses in Auckland Central, Grafton, Epsom, Newmarket, South Auckland and Tai Tokerua. UoA has five study centres across New Zealand, China, Japan, Korea and Southeast Asia. UoA is ranked 68 in the top universities in the world by QS in 2024 and first in Oceania and fifth in the world for sustainability. UoA ranked within the top 50 for 8 subjects, Education, Engineering – Civil, English Language, Geography, Pharmacy and more and is home to one of two medical schools in New Zealand.

2023 Funded Delivery

Learners	EFTS
37,878	28,936

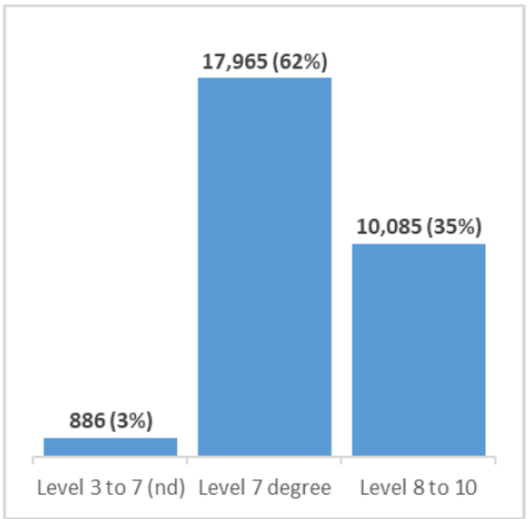
Region of Delivery

Delivery Region	EFTS
Auckland Region	28,875
Northland Region	46
Overseas	11
Not Applicable	4

Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Bachelor of Science	4,574	16%
Bachelor of Engineering (Honours)	2,950	10%
Bachelor of Commerce	2,303	8%
Bachelor of Arts	2,158	7%
Doctor of Philosophy	1,929	7%

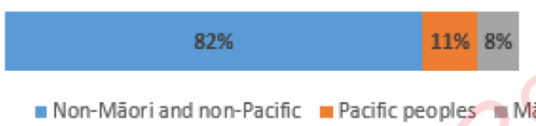
Qualification Level Delivery (EFTS)



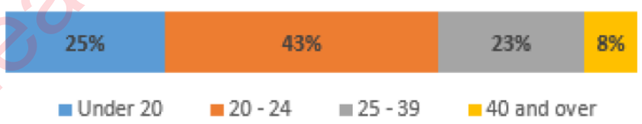
Qualification subject area Percentage of Delivery

Qualification subject area	% of EFTS
Society and Culture	22%
Natural and Physical Sciences	19%
Management and Commerce	14%
Health	14%
Engineering and Related Technologies	13%
Mixed Field Programmes	9%
Education	3%
Architecture and Building	3%
Creative Arts	2%
Information Technology	1%
Agriculture, Environmental and Related Studies	<1%

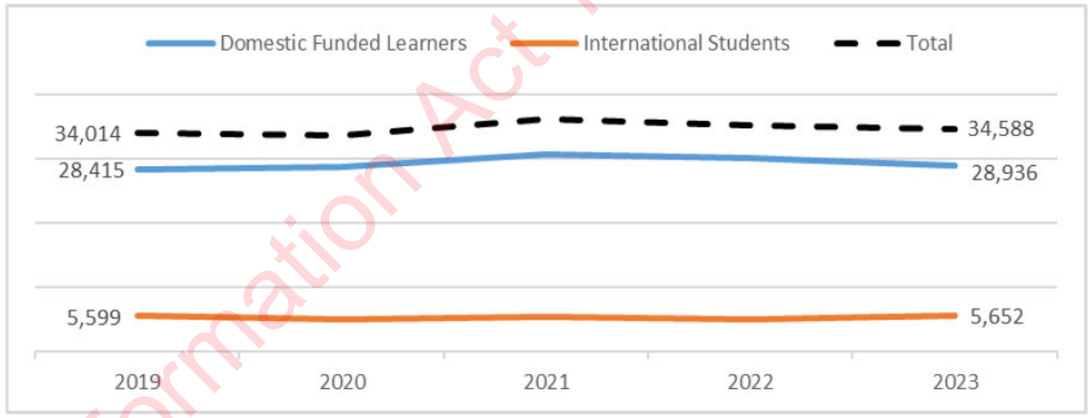
Learner Ethnicity



Learner Age



EFTS Delivered 2019-2023

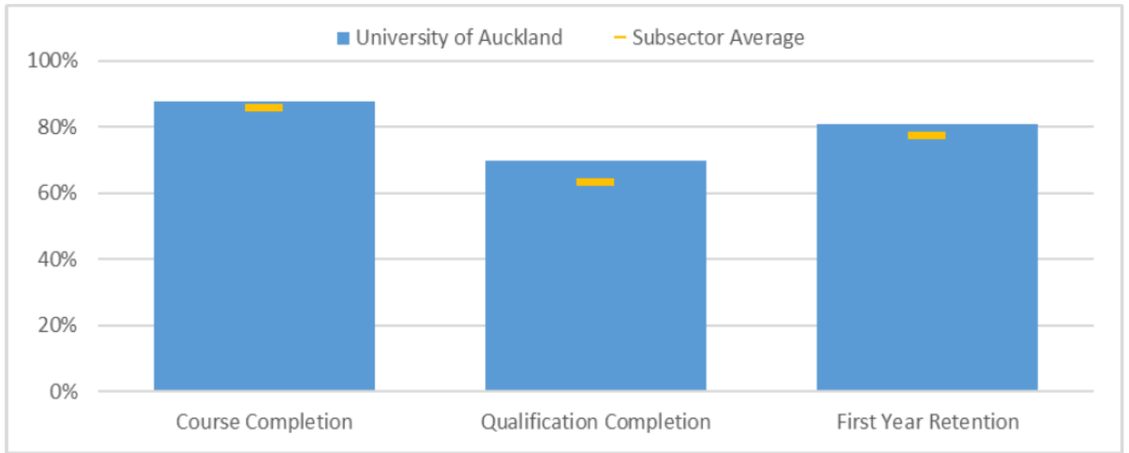


Percentage of International Student EFTS delivered

2019	2020	2021	2022	2023
16%	15%	15%	14%	16%

2022 Education Performance Indicators (EPIs)

2023 EPIs will be available in mid-2024



2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	81%	62%	75%
Pacific peoples	72%	52%	78%
Non-Māori and non-Pacific peoples	90%	73%	82%
All Learners	**88%**	**70%**	**81%**

7008 Auckland University of Technology

Chancellor: Rob Campbell

Vice-Chancellor: Professor Damon Salesa

Te Wānanga Aronui o Tāmaki Makau Rau, Auckland University of Technology is based in Auckland and have three campuses, Auckland Central, Northcote and Manukau. AUT is ranked 407 in the top universities in the world by QS in 2024 and was awarded QS Five Stars. AUT has 1 subjects in the QS top 50 Sports-related Subjects and 4 in the top 300, Nursing, Communication & Media Studies, Accounting & Finance and, Art & Design.

2023 Funded Delivery

Learners	EFTS
21,101	15,553

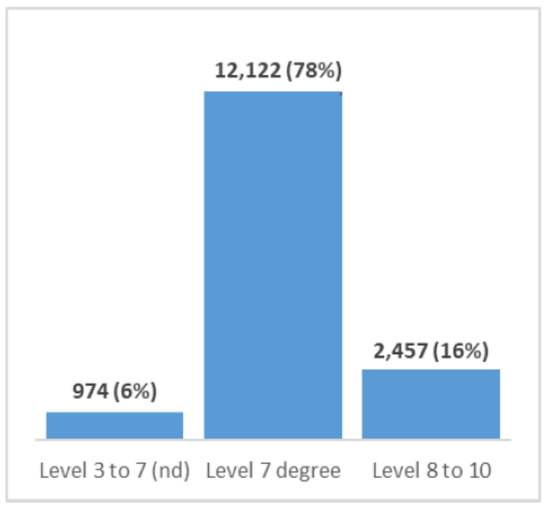
Region of Delivery

Delivery Region	EFTS
Auckland Region	14,566
Extramural	987

Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Bachelor of Business	1,624	10%
Bachelor of Health Science	1,285	8%
Bachelor of Health Science (Nursing)	988	6%
Bachelor of Arts	953	6%
Bachelor of Computer and Information Sciences	908	6%

Qualification Level Delivery (EFTS)

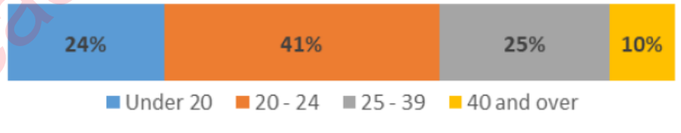


Qualification subject area Percentage of Delivery

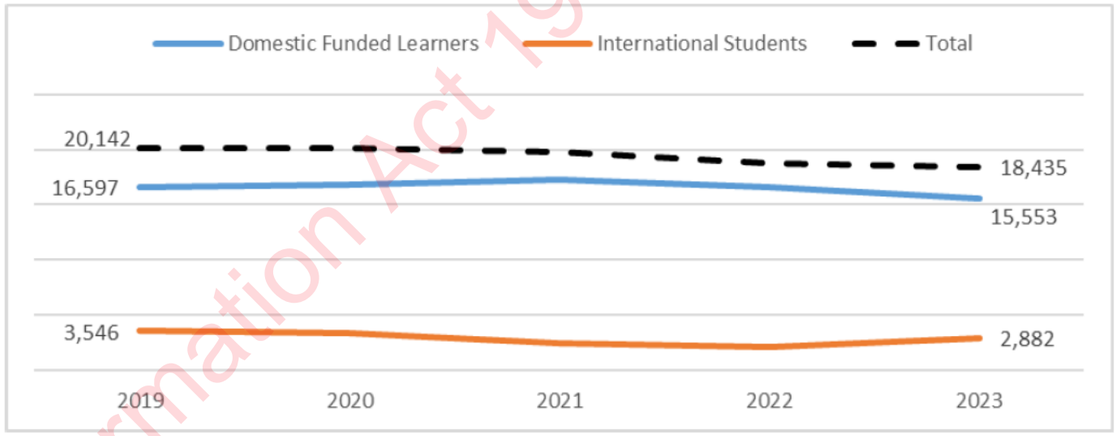
Qualification subject area	% of EFTS
Health	28%
Management and Commerce	13%
Society and Culture	13%
Creative Arts	11%
Mixed Field Programmes	10%
Information Technology	6%
Engineering and Related Technologies	6%
Natural and Physical Sciences	5%
Education	4%
Architecture and Building	3%
Food, Hospitality and Personal Services	1%

Learner Ethnicity

Learner Age



EFTS Delivered 2019-2023



Percentage of International Student EFTS delivered

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18%	16%	13%	11%	16%

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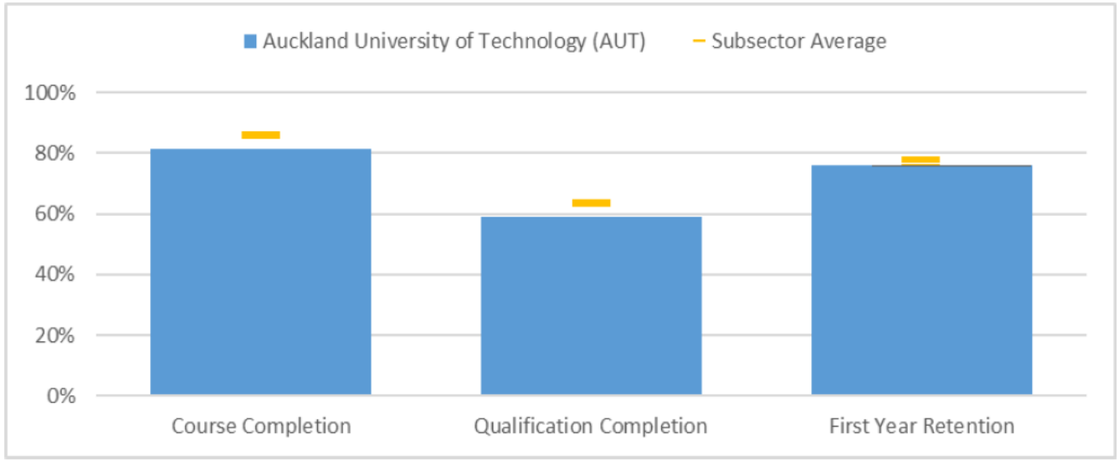


2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	78%	54%	70%
Pacific peoples	63%	42%	70%
Non-Māori and non-Pacific peoples	87%	64%	79%
All Learners	**82%**	**59%**	**76%**

7002 University of Waikato

Chancellor: Sir Anand Satyanand

Vice-Chancellor: Professor Neil Quigley

Te Whare Wananga o Waikato, University of Waikato is based in Hamilton and Tauranga and also has a campus in China. Ranked 250 in the top universities in the world by QS in 2024 and was awarded QS Five Stars. 13 subjects and subject areas are ranked by QS, 10 in the top 300 globally. Some of these subject areas include, Accounting & Finance, Communications & Media Studies, Education, Philosophy, Sociology and more. Waikato Management School is a member of an elite group of business schools worldwide that have earned 'Triple Crown' status – an international acknowledgement of excellence in business education.

2024 marks 60 years since the University opened.

2023 Funded Delivery

Learners	EFTS
11,302	8,473

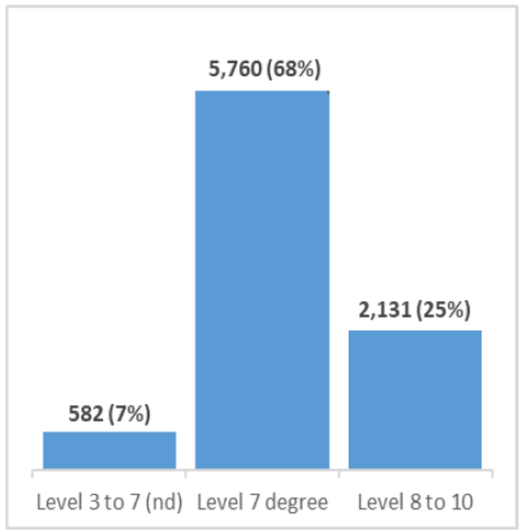
Region of Delivery

Delivery Region	EFTS
Waikato Region	6,333
Extramural	1,281
Bay of Plenty Region	859

Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Bachelor of Business	851	10%
Bachelor of Laws	765	9%
Bachelor of Teaching: 3 year Primary Teacher Education Programme	706	8%
Bachelor of Arts	611	7%
Bachelor of Engineering with Honours	592	7%

Qualification Level Delivery (EFTS)

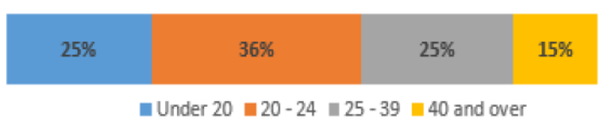


Qualification subject area Percentage of Delivery

Qualification subject area	% of EFTS
Society and Culture	38%
Education	14%
Management and Commerce	14%
Natural and Physical Sciences	9%
Engineering and Related Technologies	7%
Mixed Field Programmes	6%
Health	5%
Creative Arts	4%
Information Technology	3%
Agriculture, Environmental and Related Studies	1%
Architecture and Building	<1

Learner Ethnicity

Learner Age



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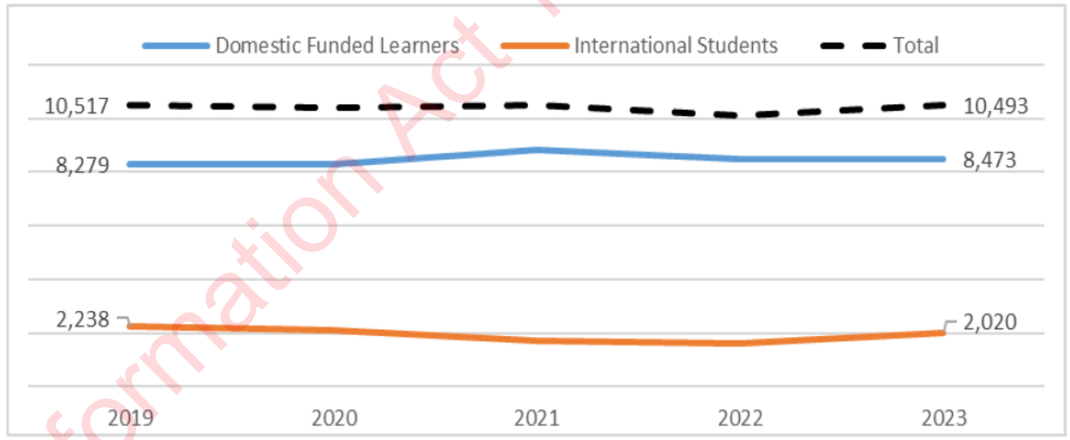

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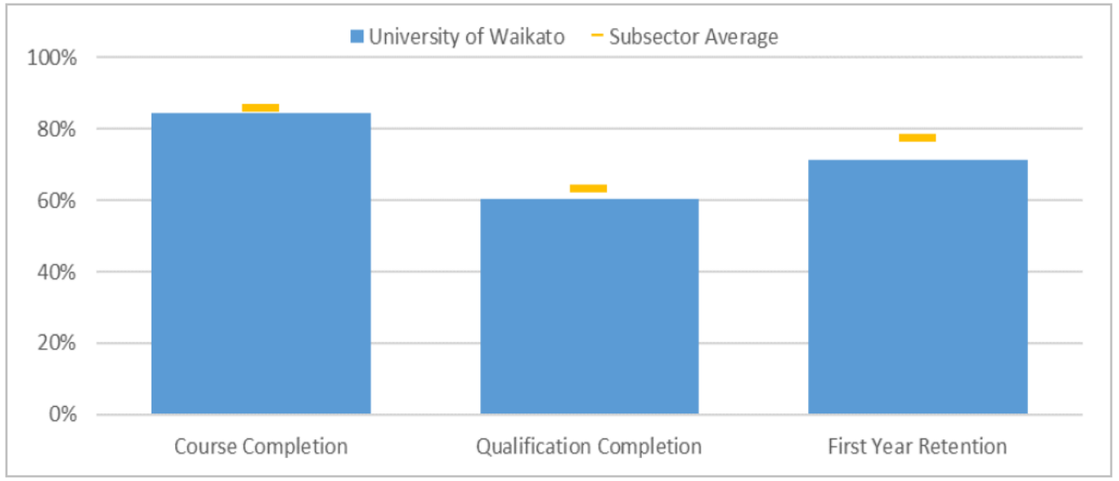


2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	77%	51%	66%
Pacific peoples	70%	47%	67%
Non-Māori and non-Pacific peoples	88%	65%	74%
All Learners	**84%**	**60%**	**71%**

7003 Massey University

Chancellor: Alistair Davis

Vice-Chancellor: Professor Jan Thomas

Te Kunenga ki Pūrehuroa, Massey University is based in Auckland, Wellington and Manawatū. Massey is ranked 239 in the top universities in the world by QS in 2024. Massey has 2 subjects in the QS top 30, Veterinary Science and Development Studies and 4 subjects in the QS top 100, Veterinary Science, Agriculture and Forestry, Development Studies and Communication and Media Studies.

2023 Funded Delivery

Learners	EFTS
22,502	13,459

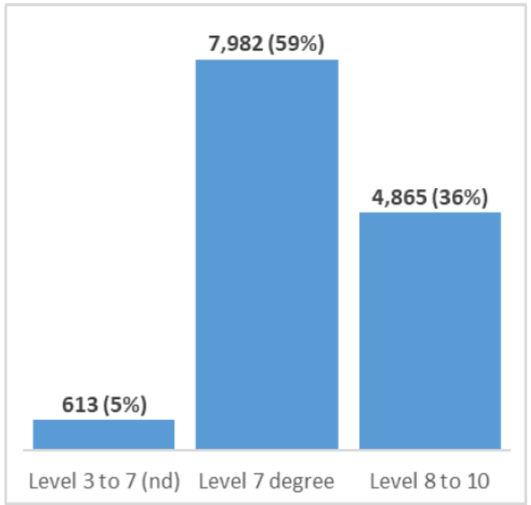
Region of Delivery

Delivery Region	EFTS
Extramural	7,183
Manawatu-Wanganui Region	2,528
Wellington Region	2,118
Auckland Region	1,626
Otago Region	3

Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Bachelor of Arts	1,324	10%
Bachelor of Business	1,093	8%
Bachelor of Design with Honours	929	7%
Bachelor of Science	896	7%
Doctor of Philosophy	618	5%

Qualification Level Delivery (EFTS)



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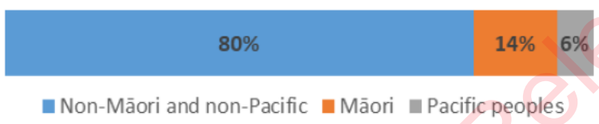
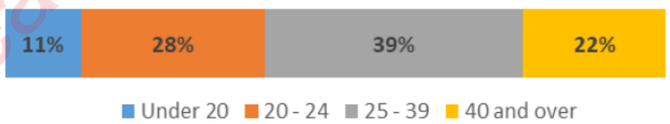
Engineering and Related Technologies	3%
Information Technology	2%

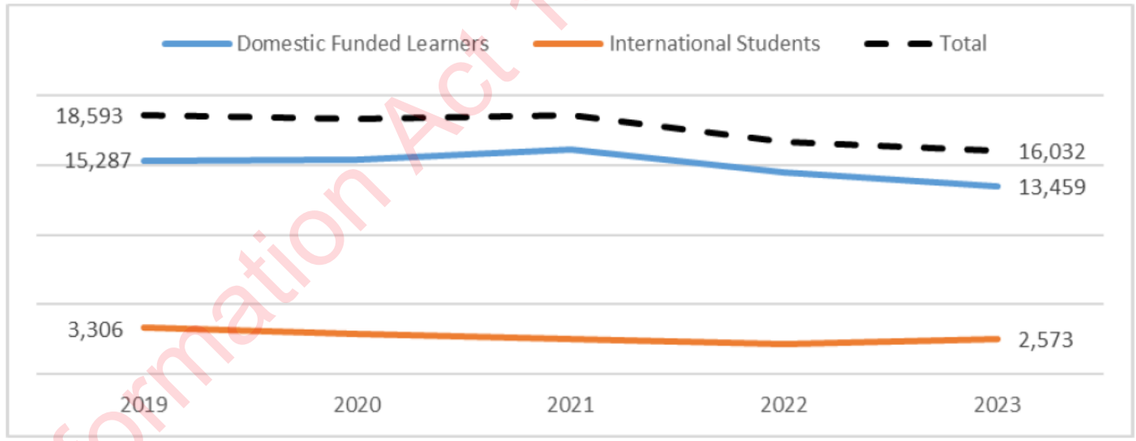
Learner Ethnicity



Learner Age



EFTS Delivered 2019-2023



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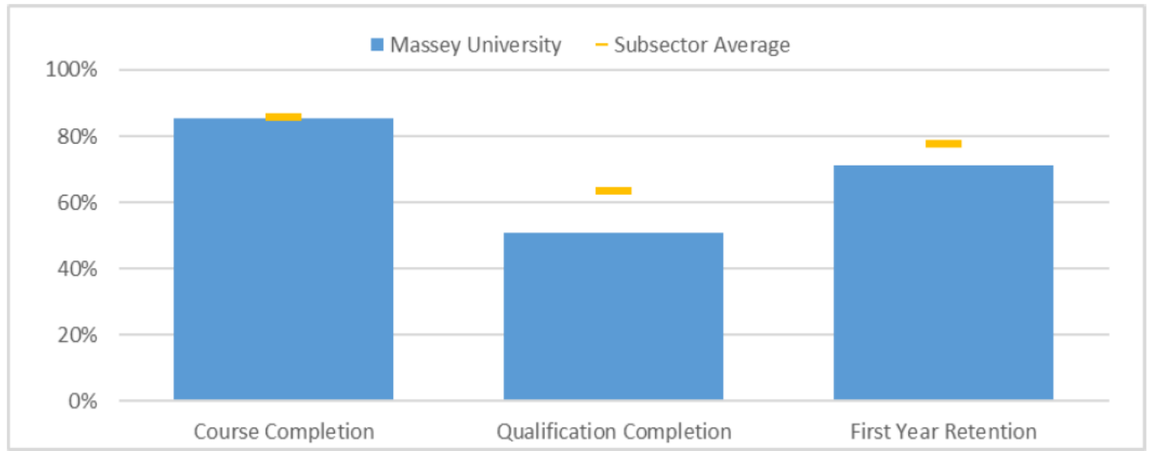


2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	79%	38%	64%
Pacific peoples	70%	33%	60%
Non-Māori and non-Pacific peoples	88%	54%	73%
All Learners	**85%**	**51%**	**71%**

7004 Victoria University of Wellington

Chancellor: John Allen

Vice-Chancellor: Professor Nic Smith

Te Herenga Waka, Victoria University of Wellington is based in Wellington with three campuses, Kelburn, Pipitea and Te Aro. VuW also has a campus in Auckland and at Miramar Creative Centre. Ranked 241 in the top universities in the world by QS in 2024 and was awarded QS Five Stars. VUW is home to the highly ranked Faculties of Humanities and Social Sciences and Law. VUW hosts New Zealand's only School of Government undertaking teaching and research on public policy and public administration and management. Wellington School of Business and Government is a member of an elite group of business schools worldwide that have earned 'Triple Crown' status – an international acknowledgement of excellence in business education.

2023 Funded Delivery

Learners	EFTS
18,698	14,276

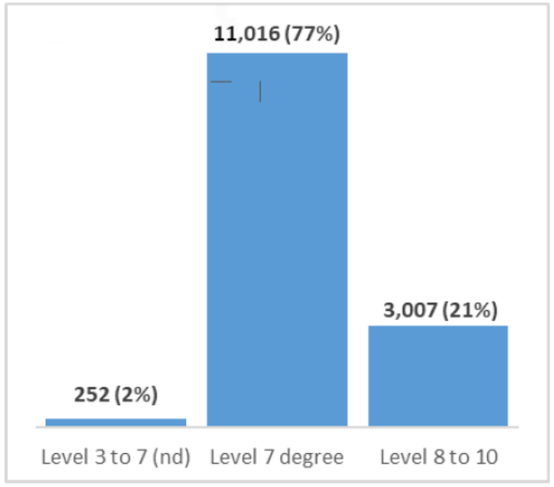
Region of Delivery

Delivery Region	EFTS
Wellington Region	13,398
Extramural	842
Auckland Region	37

Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Bachelor of Arts	3,532	25%
Bachelor of Commerce	2,060	14%
Bachelor of Science	1,738	12%
Bachelor of Laws	1,017	7%
Doctor of Philosophy	758	5%

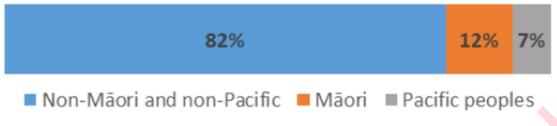
Qualification Level Delivery (EFTS)



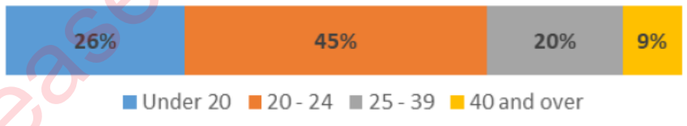
Qualification subject area Percentage of Delivery

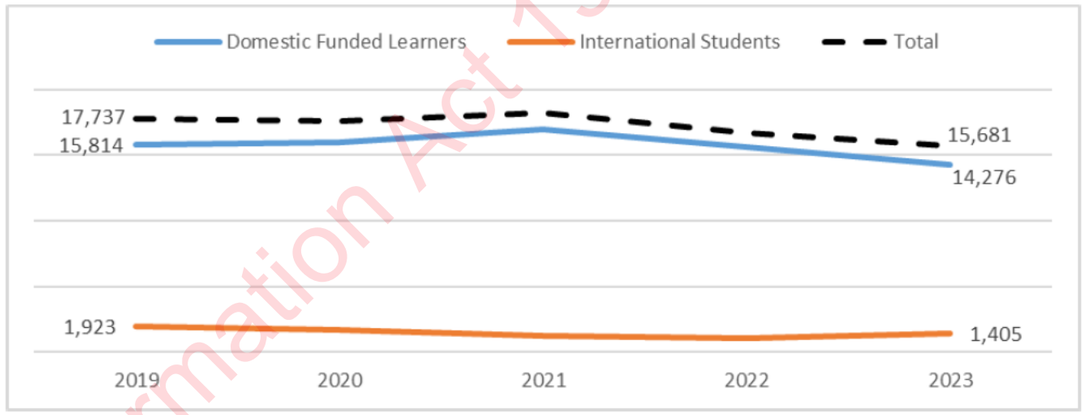
Qualification subject area	% of EFTS
Society and Culture	36%
Natural and Physical Sciences	16%
Management and Commerce	16%
Creative Arts	9%
Mixed Field Programmes	7%
Architecture and Building	7%
Health	3%
Education	3%
Engineering and Related Technologies	3%
Information Technology	<1%
Agriculture, Environmental and Related Studies	<1%

Learner Ethnicity



Learner Age



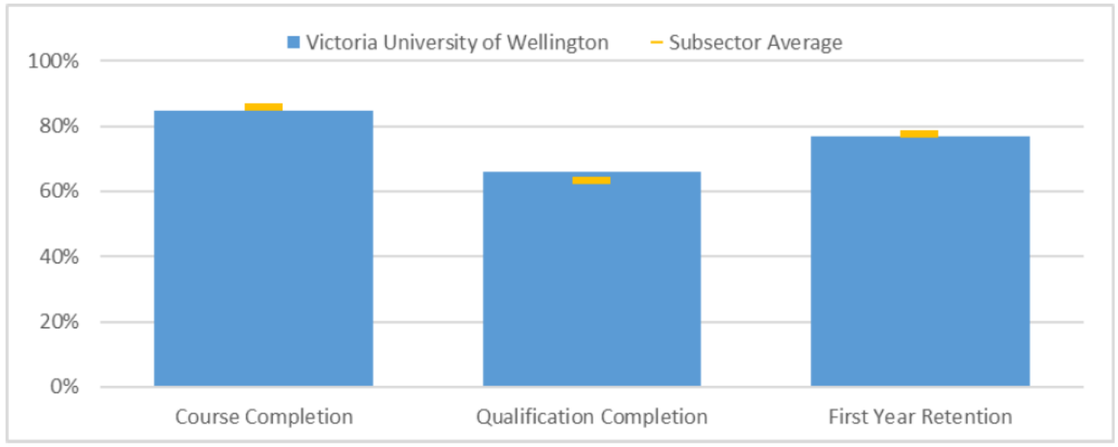


Percentage of International Student EFTS delivered

2019	2020	2021	2022	2023
11%	10%	7%	6%	9%

2022 Education Performance Indicators (EPIs)

2023 EPIs will be available in mid-2024



2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	78%	54%	71%
Pacific peoples	67%	46%	75%
Non-Māori and non-Pacific peoples	87%	69%	78%
All Learners	**85%**	**66%**	**77%**

7005 University of Canterbury

Chancellor: Amy Adams

Vice-Chancellor: Professor Cheryl de la Rey

Te Whare Wānanga o Waitaha, University of Canterbury is based in Christchurch and have campuses in Nelson and Rotorua. Canterbury is ranked 256 in the top universities in the world by QS in 2024 and was the first New Zealand University to be awarded QS Five Stars in 2011 and has maintained the status since. Canterbury is New Zealand 2nd oldest University and is consistently recognised for delivering research-informed teaching and learning, and for its commitment to the UN Sustainable Development Goals.

2023 Funded Delivery

Learners	EFTS
19,472	15,581

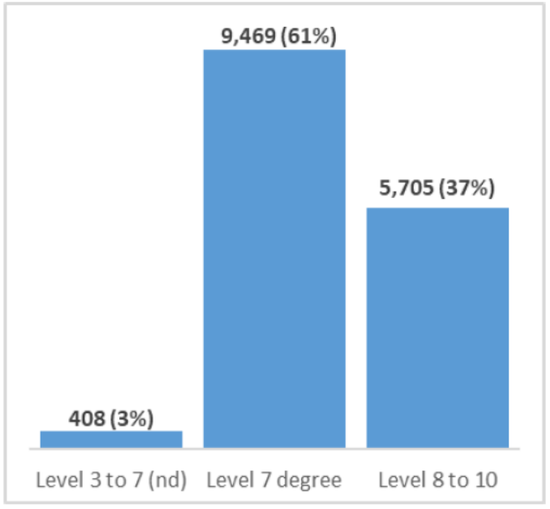
Region of Delivery

Delivery Region	EFTS
Canterbury Region	15,524
Extramural	41
Nelson Region	17

Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Bachelor of Engineering with Honours	2,933	19%
Bachelor of Science	1,957	13%
Bachelor of Commerce	1,849	12%
Bachelor of Arts	1,642	11%
Bachelor of Laws	927	6%

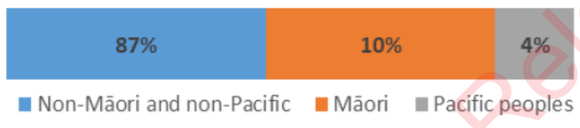
Qualification Level Delivery (EFTS)



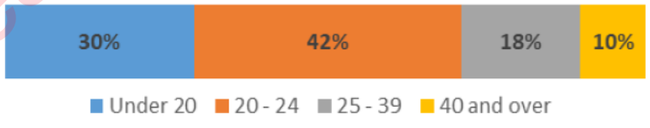
Qualification subject area Percentage of Delivery

Qualification subject area	% of EFTS
Engineering and Related Technologies	22%
Mixed Field Programmes	18%
Natural and Physical Sciences	16%
Society and Culture	15%
Management and Commerce	13%
Education	8%
Creative Arts	4%
Health	3%
Agriculture, Environmental and Related Studies	2%
Information Technology	<1%

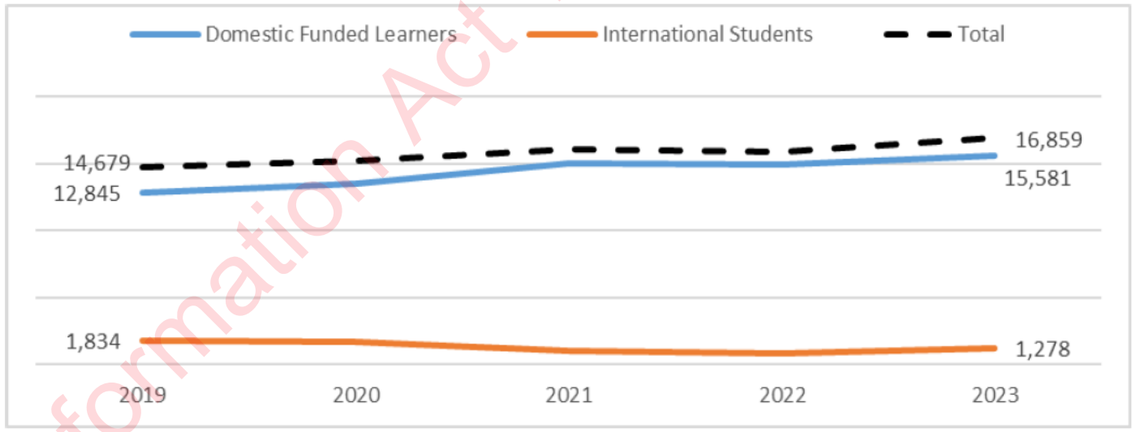
Learner Ethnicity



Learner Age



EFTS Delivered 2019-2023

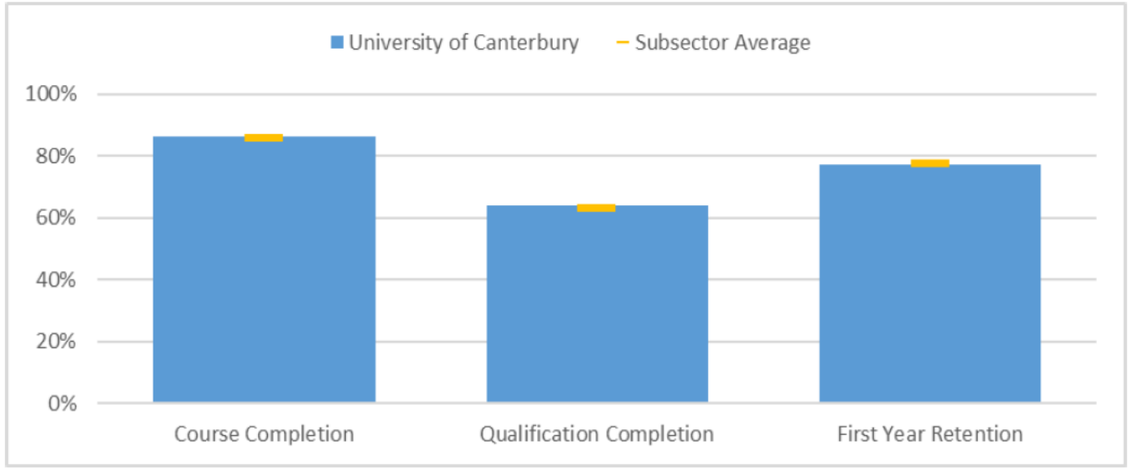


Percentage of International Student EFTS delivered

2019	2020	2021	2022	2023
12%	11%	6%	6%	8%

2022 Education Performance Indicators (EPIs)

2023 EPIs will be available in mid-2024



2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	82%	56%	70%
Pacific peoples	72%	43%	66%
Non-Māori and non-Pacific peoples	87%	66%	78%
All Learners	**86%**	**64%**	**77%**

7006 Lincoln University

Tertiary Education Commission
Te Amorangi Mātauranga Matua

Chancellor: Bruce Gemmell

Vice-Chancellor: Professor Grant Edwards

Te Whare Wānaka o Aoraki, Lincoln University is based in Lincoln and have three campuses, Brayford, Riseholme and Holbeach. Lincoln is ranked 362 in the top Universities in the world by QS in 2024 and was awarded QS Five Stars. Lincoln is a specialist land-based university and is the 3rd oldest university in New Zealand.

2023 Funded Delivery

Learners	EFTS
3,547	2,573

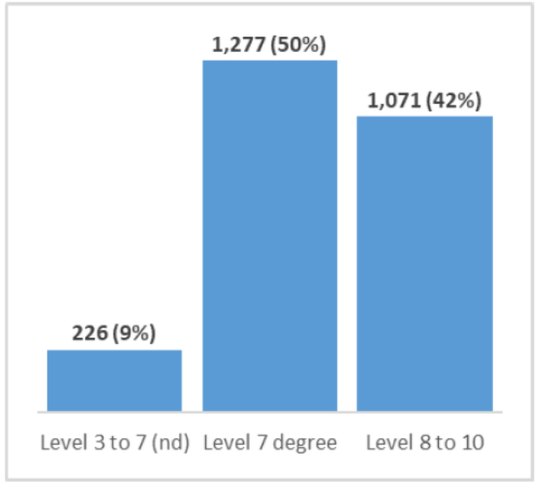
Region of Delivery

Delivery Region	EFTS
Canterbury Region	2,273
Extramural	297
Overseas	4

Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Master of Applied Computing	282	11%
Bachelor of Land and Property Management	218	8%
Bachelor of Commerce (Agriculture)	216	8%
Doctor of Philosophy	162	6%
Bachelor of Agricultural Science	158	6%

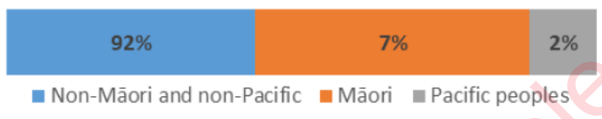
Qualification Level Delivery (EFTS)



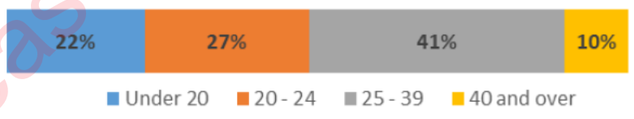
Qualification subject area Percentage of Delivery

Qualification subject area	% of EFTS
Management and Commerce	43%
Agriculture, Environmental and Related Studies	22%
Information Technology	11%
Mixed Field Programmes	9%
Natural and Physical Sciences	8%
Architecture and Building	4%
Society and Culture	3%

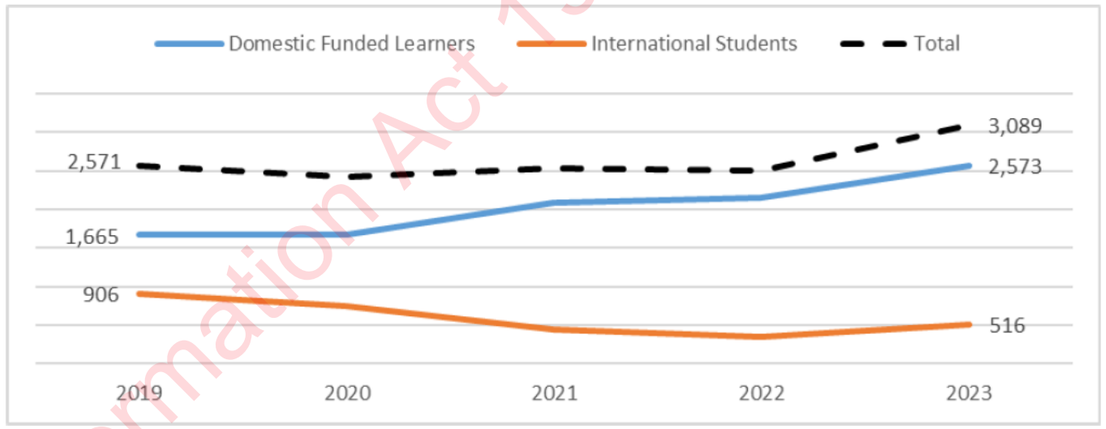
Learner Ethnicity



Learner Age



EFTS Delivered 2019-2023

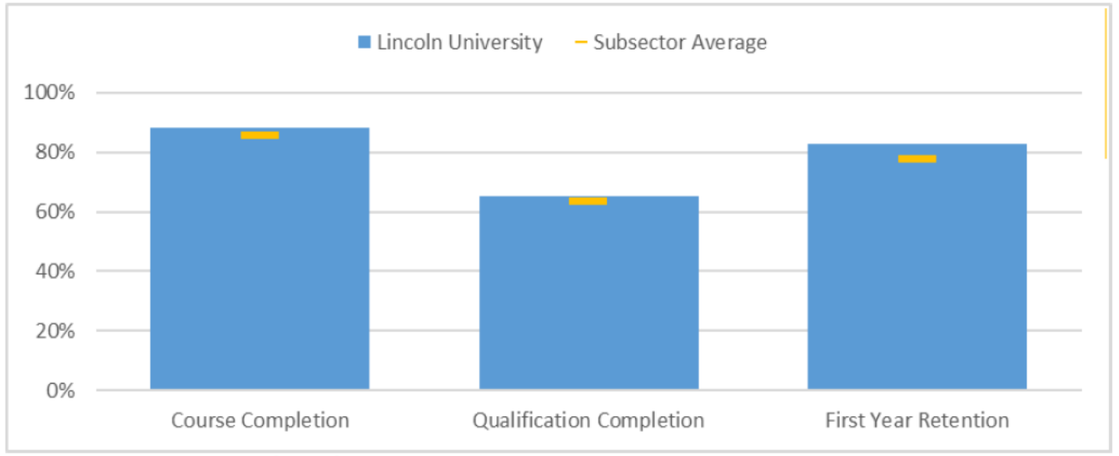


Percentage of International Student EFTS delivered

2019	2020	2021	2022	2023
35%	31%	18%	14%	17%

2022 Education Performance Indicators (EPIs)

2023 EPIs will be available in mid-2024



2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	85%	57%	87%
Pacific peoples	77%	17%	80%
Non-Māori and non-Pacific peoples	89%	67%	82%
All Learners	**88%**	**65%**	**83%**

7007 University of Otago

Chancellor: Stephen Higgs

Vice-Chancellor: Hon Grant Robertson

Ōtākou Whakaihu Waka, University of Otago is based in Dunedin and have campuses in Christchurch and Wellington. Otago ranked 206 in the top universities in the world by QS in 2024 and was awarded QS Five Stars. Otago is New Zealand's oldest university and is one of two medical schools and the only Dental School in New Zealand. Otago is the first university in New Zealand to achieve Fair Trade status.

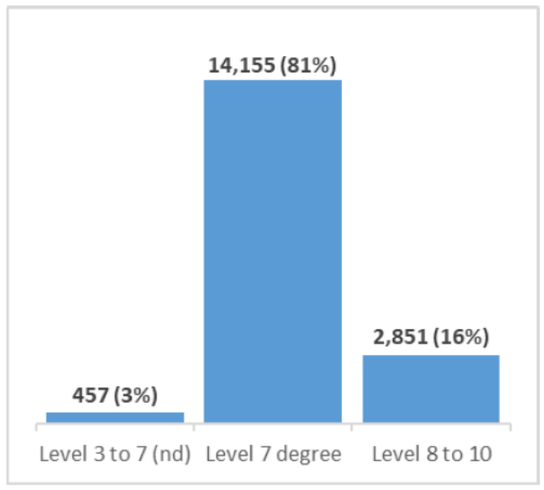
2023 Funded Delivery

Learners	EFTS
19,332	17,463

Region of Delivery

Delivery Region	EFTS
Otago Region	15,278
Extramural	1,053
Canterbury Region	547
Wellington Region	486
Southland Region	74
Auckland Region	26

Qualification Level Delivery (EFTS)



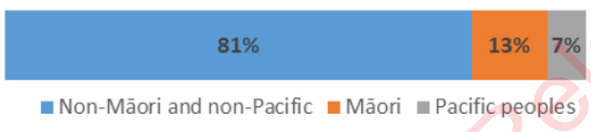
Top 5 Qualifications

Qualification Title	EFTS	% of Total EFTS
Bachelor of Science	4,417	25%
Bachelor of Arts	2,019	12%
Bachelor of Commerce	1,679	10%
Bachelor of Medicine and Bachelor of Surgery	1,396	8%
Doctor of Philosophy	954	5%

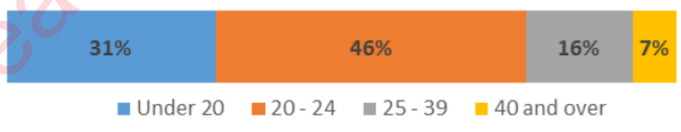
Qualification subject area Percentage of Delivery

Qualification subject area	% of EFTS
Natural and Physical Sciences	31%
Health	21%
Society and Culture	19%
Mixed Field Programmes	13%
Management and Commerce	11%
Education	3%
Engineering and Related Technologies	1%
Creative Arts	1%
Agriculture, Environmental and Related Studies	<1%
Architecture and Building	<1%

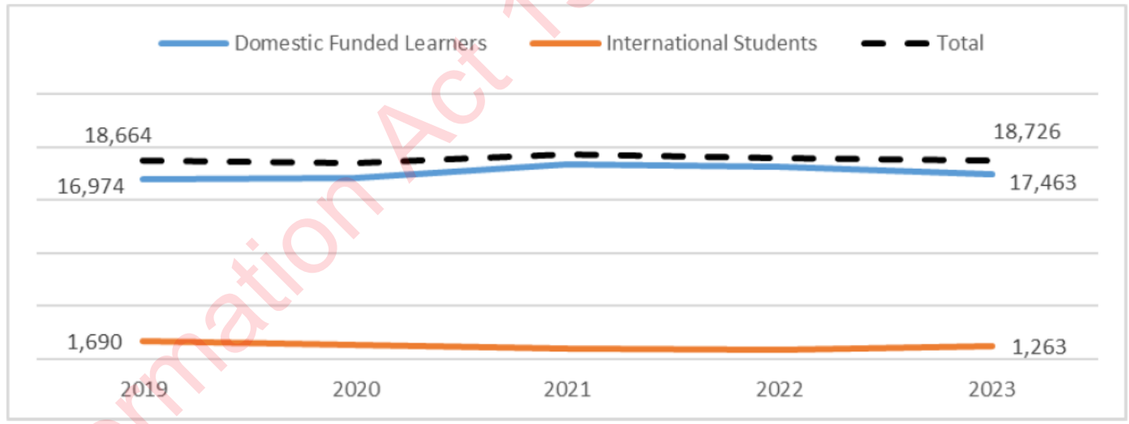
Learner Ethnicity



Learner Age



EFTS Delivered 2019-2023

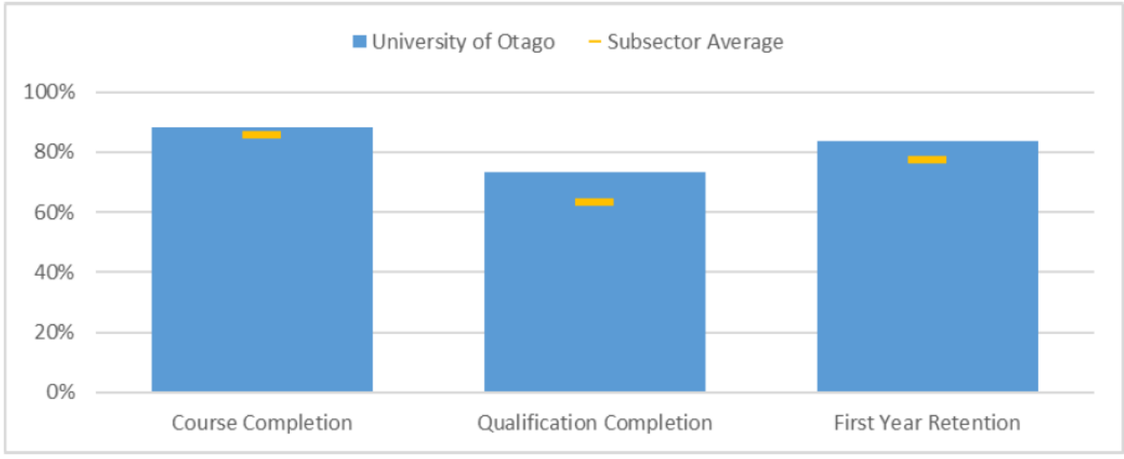


Percentage of International Student EFTS delivered

2019	2020	2021	2022	2023
9%	7%	5%	4%	7%

2022 Education Performance Indicators (EPIs)

2023 EPIs will be available in mid-2024



2022 EPIs by Ethnicity Group (Parity)

Ethnicity Group	Course Completion	Qualification Completion	First Year Retention
Māori	83%	64%	80%
Pacific peoples	72%	53%	80%
Non-Māori and non-Pacific peoples	90%	76%	84%
All Learners	**88%**	**73%**	**84%**

1.1 Appendix

Other Website Links

In reference to Para (1.3)

Ōritetanga Learner Success website: Ōritetanga Learner Success | Tertiary Education Commission (tec.govt.nz) – this website provides an overview of learner success along with tools and resources for TEOs. Key aspects include:

In reference to Para (2.5)

Individual CoRE websites:

https://www.maramatanga.co.nz/

https://www.macdiarmid.ac.nz/

https://riddet.ac.nz/

https://www.manaakimanawa.ac.nz/putahimanawa/

https://www.mauricewilkinscentre.org/

https://www.tepunahamatatini.ac.nz/

https://quakecore.nz/

https://bioprotection.org.nz/

https://www.doddwalls.ac.nz/

https://cpss.org.nz/

In reference to Para (12)

International student enrolments top 59,000 for the first eight months of 2023 » Education NZ (enz.govt.nz)

Tertiary Education Commission
Te Amorangi Mātauranga Matua

Financial update on the university sector

From:	Approved:
9(2)(a), Principal Advisor – Special Projects, Monitoring and Crown Ownership	Gillian Dudgeon, Deputy Chief Executive, Delivery Directorate Tim Fowler, Chief Executive
We are providing this Board Paper **for your information only**	

Purpose

1 This paper provides a financial overview of the university sector. It focuses largely on 2023 performance (noting all financial results are unaudited and subject to change as they go through the audit process) and 2024 budgeted performance.

2023 financial performance

The university sector budgeted for a $17 million surplus in 2023…

2 The university sector budgeted for a $17 million surplus (0.4 percent of revenue) in 2023. However, once $1 million in unusual items are excluded, as well as a collective gain of $24 million in net trust income, the university sector budgeted for a small underlying deficit of $5 million. Four universities – Lincoln University (Lincoln), Massey University (Massey), Otago University (Otago) and Victoria University of Wellington (VUW) – budgeted for a result close to break even. Two universities – Auckland University of Technology (AUT) and Auckland University (Auckland) – budgeted for a surplus above 1 percent of revenue and two universities – University of Canterbury (UC) and the University of Waikato (Waikato) – budgeted for deficits greater than 1 percent of revenue.

3 The sector budgeted for revenue excluding net trust income to increase by $213 million (or 5 percent) in 2023 with growth expected across all revenue categories. However, expenditure was budgeted to rise by $262 million (or 6 percent), exceeding the increase in revenue.

…and the sector has reported a $138 million unaudited surplus…

4 The university sector has reported an unaudited surplus of $138 million (2.8 percent of revenue) in 2023. The result is $121 million better than budget and $134 million better than the 2022 result. It is also $146 million better than the forecasts provided to us in September 2023, which was for an $8 million deficit. This is a significant turnaround and is based on better-than-expected results for Auckland, VUW and Otago – particularly relating to higher than forecast net trust income and other one-off impacts. It also partly reflects conservative forecasting.

…but the underlying result is a deficit of $66 million…

5 If this result is adjusted for the gain in net trust income, as well as one-off gains and unusual items, the university sector reported an underlying deficit for 2023 of $66 million (-1.4 percent of revenue). We consider this is more reflective of performance from core operations. It is notably worse than the $5 million underlying deficit that had been budgeted.

6 The key non-core and one-off items that have impacted the overall result are:

- a $115 million gain in net trust income. Most of this gain will be unrealised gains on trust investment portfolios, although it does potentially allow greater spend on certain activities (e.g. scholarships) in future years.
- 9(2)(b)(ii) [redacted]
- a $36 million ‘fair value’ gain for Auckland as a result of the interest-free loan provided by the Crown to rebuild its education and social work building.
- an $11 million gain due to NIWA donating a building to Waikato.
- a $6 million gain by Waikato relating to the sale of IPv4 addresses.
- a $6 million gain by Lincoln on its property subdivision activities (which are expected to conclude by 2025).

7 Partly offsetting these gains are numerous restructuring expenses which some universities report as personnel costs and others as unusual items. VUW has reported $9 million in relation to its restructuring initiatives while Waikato has reported $4 million of restructuring. Massey included its restructuring costs within personnel costs, but we understand they totalled $19 million.

…with four out of eight universities reporting a deficit…

8 *Table 1* presents the 2023 unaudited results for each university as well as the result excluding net trust income and unusual items to better assess underlying financial performance. Four out of the eight universities have reported deficits with all four reporting a result worse than budget. Excluding Auckland's exceedingly strong $152 million surplus (9.7 percent of revenue) – which was $92 million than its September 2023 forecast – the sector would have reported a $14 million deficit.

9 On an underlying basis, six out of eight universities reported a deficit. Massey, UC, Waikato and VUW all reported underlying deficits of 4 percent of revenue or higher with Massey's underlying deficit equivalent to 9 percent of revenue. Except for UC, where the deficit is due to aggressive investment in strategic investments and its underlying cash position remains strong, these three universities are all facing medium-term challenges that they must overcome to ensure they remain financially sustainable.

Table 1: Individual university net surplus/deficit, 2023 and 2024 ($ million)

	2023 budget	2023 unaudited result*	2023 unaudited result excl. net trust income and TEC adjustments	2024 budget	2024 budget variance to 2023 adjusted result
Auckland	$35.1	$151.8	$67.8	9(2)(b)(ii), 9(2)(i)	
AUT	$5.4	$9.7	$10.8		
Lincoln	$0.1	$5.7	-$3.1		
Waikato	-$5.0	-$4.6	-$21.6		
Otago	-$2.0	-$0.2	-$20.3		
VUW	$0.8	$30.7	-$23.6		
UC	-$20.2	-$14.4	-$28.5		
Massey	$2.9	-$40.7	-$47.8		
TOTAL	**$16.9**	**$138.0**	**-$66.4**		

* Note: all results are unaudited and subject to change as universities go through the audit process.

…and revenue growth was stronger than budget…

10 Non-trust revenue increased by $316 million (or 7 percent) in 2023, which was $103 million above budget. However, domestic student revenue (both government funding and tuition fees) declined by $16 million (or 1 percent) as domestic enrolments fell when growth had

been budgeted. This resulted in domestic student revenue being $91 million (or 4 percent) worse than budget. This shortfall was offset by growth in other major revenue categories:

- other revenue (which includes student accommodation, conferences, hospitality, and other on-campus activities) was up $73 million (or 13 percent) against budget.
- full-fee international tuition income was $60 million (or 13 percent) higher than budget as the recovery in international enrolments was stronger than expected.
- research revenue was $37 million (or 3 percent) higher than budget.
- Interest revenue was $25 million (or 109 percent) higher than budget due to larger than budgeted cash balances, predominantly due to lower capital expenditure and higher interest rates.

…despite domestic enrolments falling over 2023…

11 The university sector budgeted for a 1 percent increase in domestic-funded EFTS in 2023 following a 4 percent decline in 2022. This growth did not eventuate with SAC-funded EFTS falling by 3.5 percent (or 4,206 EFTS) across the university sector in 2023. The declines over the past two years have essentially taken domestic-funded EFTS back to pre-COVID-19 levels, reversing out the large 7 percent increase reported in 2021.

12 *Table 2* shows that all universities except for Lincoln and UC reported a decline in domestic EFTS. VUW reported the largest decline (down 8.5 percent) followed by Massey (down 6.9 percent) and AUT (down 6.5 percent). All three universities also reported large declines in domestic enrolments in 2022.

13 In response to the fall in enrolments, the TEC will recover a total of $17.7 million (excluding fees free) for 2023 from five universities – Massey, VUW, AUT, Auckland, and Otago. This is in addition to $20.4 million in funding reductions implemented through in-year plan amendments during 2023 (the largest being for VUW). The remaining universities (UC, Lincoln, and Waikato) all delivered over 103 percent of their funding allocations which will result in a total of $4.1 million being paid through flexible funding. Most of this funding will be provided to UC.

Table 2: EFTS changes between December 2022 and 2023 SDRs

	SAC EFTS change	SAC EFTS % change	Full-fee international EFTS change	Full-fee international EFTS % change	Total EFTS change	Total EFTS % change
Lincoln	419	19.4%	165	47.2%	608	24.2%
UC	640	4.3%	380	42.4%	1,072	6.7%
Waikato	-7	-0.1%	401	24.8%	403	4.0%
Otago	-636	-3.5%	424	50.5%	-233	-1.2%
Auckland	-1,223	-4.1%	623	12.4%	-475	-1.3%
AUT	-1,089	-6.5%	733	34.1%	-393	-2.1%
Massey	-990	-6.9%	366	16.6%	-602	-3.6%
VUW	-1,320	-8.5%	337	31.5%	-975	-5.8%
TOTAL	**-4,206**	**-3.5%**	**3,429**	**24.2%**	**-595**	**-0.4%**

Note: Total includes SAC-funded, full-fee international, and all other funded EFTS.

...and full-fee international enrolments began to recover...

14 Full-fee international EFTS increased by 24.2 percent (or 3,429 EFTS) in 2023, following three years of declines due to border closures. All eight universities reported an increase ranging from 12 percent at Auckland to 51 percent at Otago. The increase in 2023 was considerably stronger than the 2 percent growth budgeted by the sector, with seven out of eight universities reporting increases higher than budget. Given the strong margins universities receive on full-fee international students, the higher-than-expected growth has supported overall financial performance. However, growth in 2023 was skewed towards shorter qualifications, primarily master's qualifications, with 3- and 4-year bachelor level qualifications declining slightly. This means there is not a strong pipeline of international learners for 2024 and beyond.

15 Despite the growth, full-fee international EFTS remain 16 percent below pre-COVID-19 levels. Five universities remain more than 20 percent below 2019 levels although strong performance through the pandemic means Auckland are 1 percent above 2019 levels. Lower international enrolments have had a significant financial impact on the sector with around $650 million less full-fee international revenue earned over the past four years relative to pre-COVID-19 expectations.

…while expenditure has increased by more than budget…

16 Universities budgeted to increase expenditure by $262 million (or 6 percent) in 2023, but the actual expense increase was $378 million (or 9 percent). Personnel costs increased by $150 million, which was $42 million more than budget. General operating costs increased by $173 million, which was $62 million above budget. This mainly reflects the high inflationary environment, although there is also an element of optimistic budgeting and universities failing to achieve planned personnel and operating savings in 2023 (e.g. Massey).

17 As we have previously advised, several universities undertook widespread personnel restructuring over 2023 particularly VUW, Otago, and Massey. Given this predominantly occurred over the second half of the year, we would not expect to see any benefits from the restructuring until 2024 and beyond.

…and the universities generated strong net cash flows from operations and spent less on capital…

18 The university sector reported cashflow from operations of $531 million in 2023, in line with the sector budget. This equates to a cash flow from operations ratio (cash inflow from operations as a ratio to cash outflow from operations) of 113 percent. The Crown has a long-standing expectation that TEIs deliver a cash flow from operations ratio of 111 percent or higher, but for universities a ratio of 115 percent or higher will frequently be needed to fund their planned capital programs. Massey, UC, and Otago all reported a ratio below 111 percent. For Massey and Otago, in particular, it will be important that changes are made to improve performance and ensure sufficient cashflow is being generated to support their capital plans.

19 The university sector undertook $720 million of capital expenditure in 2022 (against depreciation and amortisation costs of $581 million), which was $339 million (or 32 percent) below budget. This would have required a sector cash flow from operations ratio of 117 percent to be fully funded from operating cash flows. No university achieved their budgeted capital expenditure. The lower than budgeted level of capital expenditure is due to several factors. Many universities are deferring or cancelling capital projects because of lower-than-expected financial performance and to protect their overall cash balances while lower enrolments are likely to have taken pressure off any capital expenditure related to capacity expansion. High construction cost inflation is also impacting on the affordability of major projects and causing some to be deferred, descoped, or cancelled.

…and access to cash remains strong across all universities

20 The university sector had cash (including short-term investments) of $509 million at the end of 2023, which is typically the lowest cash point across the year due to their cyclical cash flow, along with $199 million of trust cash. Six universities also had access to a potential

$957 million of undrawn borrowings (if borrowing facilities up to consent limits were established). This means the sector had total cash and liquidity facilities potentially available of $1.47 billion (see *Table 3*).

Table 3: Total available cash by university, December 2023 ($ million)

	Cash (incl. short-term investments)	2023 borrowing consent limits	Undrawn borrowings	Total available cash
Auckland	$116.5	$300.0	$275.0[1]	$391.5[1]
Otago	$21.7	$400.0	$295.0	$316.7
UC	$223.0	No facility	No facility	$222.3[2]
AUT	$3.2	$243.0	$199.0	$202.2
VUW	$47.9	$150.0	$79.0	$126.9
Massey	$26.3	$61.3	$61.3	$87.6
Lincoln	$69.2	No facility	No facility	$69.2
Waikato	$1.6	$100.0	$47.9	$49.5
TOTAL	**$509.3**	**$1,254.3**	**$957.2**	**$1,465.9**

[1] Auckland reported $128 million of current and term loans, including its Crown loan. We have assumed the Crown loan has a carrying value of $103m and there is $25m of external borrowing (unchanged on 2022).

[2] UC has $0.6 million of debt as part of a 50-year loan with Sonoda Gakuen Corporation, which is why available cash is lower than cash held.

21 The university sector had less access to cash at the end of 2023 than it did at the end of 2022. Total cash has fallen by $109 million compared to a year ago while debt has increased by $102 million. This trend is expected to continue going forward as sector performance generates less cash flow than is spent on capital expenditure, particularly as several universities implement large capital plans. While we have no immediate liquidity concerns for any university, there are medium-term liquidity risks for several universities if they cannot improve profitability. This will require close oversight by management and councils and may require difficult decisions to be made around capital projects. This is an issue we will be monitoring closely.

2024 budgeted financial performance

The sector has budgeted for a deficit in 2024…

22 The university sector budgeted for a $42 million deficit (0.9 percent of revenue) in 2024 (see *Table 1*). Once a collective gain of $32 million in net trust income is excluded, the sector budgeted for an underlying deficit of $73 million. This is a decline of $7 million in core performance based on a 2023 core operating deficit of $66 million. 9(2)(b)(ii), 9(2)(i) [redacted]

23 9(2)(b)(ii), 9(2)(i) [redacted]

…with the increase in expenditure budgeted to exceed revenue growth…

24 Revenue excluding net trust income is budgeted to increase by $158 million (or 3 percent) in 2024. This growth is mainly due to the 9 percent increase in in DQ Level 7 and above funding rates and a continued recovery in international enrolments. Research revenue is budgeted to remain flat and other income is expected to fall.

25 Expenditure on the other hand is budgeted to rise by $213 million (or 4 percent), exceeding the increase in revenue. Personnel costs are budgeted to increase by $69 million (or 3 percent), although we consider there is some upside risk to this increase, with all eight universities needing to negotiate collective employment agreements this year. Several universities have also assumed savings in personnel costs driven by staff restructuring. If restructuring is unable to be implemented as planned (both in scale and timing), personnel costs may increase by more than expected. Higher than budgeted enrolment growth may also put pressure on personnel costs. General operating costs are budgeted to increase by $115 million (or 7 percent) reflecting the ongoing high inflationary environment.

...with expectations that domestic enrolments increase slightly in 2024...

26 9(2)(b)(ii) [redacted]

...but indicative enrolment data shows that domestic enrolments are up by more than expected...

27 Indicative enrolment data from March 2024 shows that SAC-funded EFTS across the university sector are up by 2.2 percent compared to March 2023 (see *Table 4*). However, there is a wide range of movements within the sector. Lincoln and UC have continued to report strong growth in SAC-funded EFTS, up 11.8 percent and 7.6 percent respectively, following large increases in 2023. AUT, Auckland, and Waikato have also reported sizeable increases in domestic enrolments, reversing the declines they reported in 2023. VUW has reported a small increase in SAC-funded EFTS in 2024, which is a relatively positive result given domestic EFTS fell in 2023. Otago and Massey have reported declines of 1.5 percent and 4.7 percent respectively.

Table 4: SAC-funded indicative enrolment data, March 2023 to March 2024

	2023	2024	2023 v 2024 actual % change	2024 budgeted % change
Lincoln	1,488	1,663	11.8%	-2.7%
UC	14,125	15,203	7.6%	6.0%
AUT	13,774	14,493	5.2%	0.1%
Auckland	23,795	24,615	3.4%	0.6%
Waikato	7,778	8,029	3.2%	0.9%
VUW	13,313	13,361	0.4%	-0.1%
Otago	16,413	16,161	-1.5%	-0.7%
Massey	12,733	12,139	-4.7%	-2.4%
TOTAL	**103,419**	**105,664**	**2.2%**	**0.6%**

28 While finalised semester one enrolment information will not be available until after the April 2024 SDR, the indicative enrolment data suggests demand is above budget for six out of eight universities, which creates potential upside to revenue forecasts. It also represents a

return to growth after two years of declines. We consider the data to be a relatively reliable indicator of full year performance, given indicative enrolment information (which is captured on 1 March each year) has comprised around 89 percent of full year enrolments on average over the past four years. The increase is also broadly in line with the Ministry of Education's Half Year Economic Fiscal Update demand forecast which expected a 1.5 percent increase in university domestic EFTS.

29 The indicative enrolment information also shows a continuation in recent changes in market share between universities. UC and Lincoln continue to gain market share while Massey and VUW have lost market share. Based on indicative enrolments, domestic EFTS are 21 percent lower for Massey and 17 percent lower for VUW than they were in 2021. Lincoln has had particularly strong domestic growth in taught master's programmes as part of its free fees arrangements for certain postgraduate programmes.

30 While there are signs that VUW has been able to stabilise domestic enrolments in 2024 (although data provided by VUW is now showing a small fall), Massey is on track to record another large decline in domestic EFTS. This has been led by a 14 percent decline in campus-based EFTS, partially offset by a 3 percent increase in distance delivery. This is a continuation of trends seen over recent years where campus-based domestic EFTS have declined steadily. Massey's Albany campus has seen the largest decrease, and on early 2024 reporting, only has about 40 percent of the domestic EFTS it had in 2018.

31 Of particular concern, is commencing domestic enrolments at Massey are down by 16 percent in 2024. This suggests further declines are likely in coming years due to the negative pipeline effects. There remains an urgent need for Massey to identify and understand why domestic enrolments continue to fall and why other universities are growing at their expense. Until this is understood, and strategies put in place to stabilise domestic enrolments, Massey's medium-term sustainability will be at risk.

…while international enrolments continue to recover strongly…

32 Adjusting for an unusual budgeting practise at AUT, the university sector budgeted for international enrolments to increase by approximately 1,300 EFTS (or 8 percent) in 2024 following the 24 percent increase in 2023. Across the university sector, there was a wide range of assumptions made in budgets – ranging from a 3 percent increase at Auckland to a 42 percent rise at Otago. This variation reflects the considerable uncertainty regarding the recovery in international enrolments as well as other factors such as concerns around visa processing.

33 Indicative enrolment information shows that full-fee international EFTS have risen by 12 percent compared with March 2023 (see *Table 5*). All universities reported an increase compared to a year ago except for Auckland. We are engaging with Auckland to understand the decline, but as outlined earlier, full-fee international enrolments at Auckland held up over COVID-19 and, in 2023, were above 2019

levels. UC, Otago, and Lincoln all reported increases below budget. The strongest growth was reported at Waikato (up 47 percent) followed by AUT (up 35 percent).

34 The stronger than budgeted full-fee international EFTS growth will help support financial performance across the sector. At a sector average level, a full-time domestic university student is budgeted in 2024 to generate around $20,300 in revenue (SAC, fees-free funding, and domestic fees) while the average full time, full-fee international student will provide around $32,500 per year (excluding GST). The additional margin on full-fee international students will support overall profitability.

Table 5: Full-fee international indicative enrolment data, March 2023 to March 2024

	2023	2024	2023 v 2024 actual % change	2024 budgeted % change
Waikato	850	1,251	47.2%	18.3%
AUT	1,613	2,176	34.9%	4.9%
VUW	942	1,188	26.1%	12.1%
Lincoln	255	314	23.0%	41.2%
Massey	1,997	2,328	16.6%	6.9%
Otago	1,010	1,063	5.3%	6.6%
UC	1,006	1,054	4.9%	7.1%
Auckland	4,497	4,261	-5.2%	3.1%
TOTAL	**12,171**	**13,636**	**12.0%**	**7.7%**

...but we will not have a better understanding of 2024 full year performance until May 2024

35 We consider there is upside to 2024 performance at the sector level due to both stronger domestic and international enrolments and conservative budgeted assumptions for net trust income. Nevertheless, it is unclear to what extent any gains in this area will be offset by increased expenditure and inflation pressures. Several universities are also continuing to implement savings initiatives, and overall performance will be dependent on how successful these are.

36 All universities will undertake a comprehensive reforecast of full year performance over May 2024 based on semester one enrolments and financial performance for the first quarter of the year. The sector is required to provide the TEC with a reforecast of 2024

performance and out year forecasts at the end of May 2024. As we have done since 2020, we will be holding one-on-one sessions with the senior management of each university over June and July 2023 to better understand their financial performance.

Forecast performance for 2025 and 2026

The financial recovery is forecast to be slower than previously expected…

37 The latest forecasts show that the sector expects the financial recovery from COVID-19 to be slower than previously anticipated with 2025 to be particularly weaker than forecast in February 2023. Based on the information submitted to us in February 2024, the university sector is forecasting a surplus of $44 million (0.9 percent of revenue) in 2025. 9(2)(b)(ii), 9(2)(i) [redacted]

…due to increases in expenditure outstripping revenue growth…

38 The recovery in international enrolments, and expectations of continued increases in domestic tuition revenue and research income, continue to drive forecast increases in revenue over the 2025 and 2026 period. However, expenditure forecasts are now higher than previously forecast reflecting the high inflationary environment which has impacted both personnel and general operating costs. If revenue targets are unable to be achieved over coming years, universities will need to look at constraining expenditure and potentially further restructuring.

39 It is important to note that these forecasts were developed prior to 2024 enrolment trends being known. We consider there is likely to be upward movement in both revenue and expenses in out-year forecasts when updated information is submitted to us in May 2024. Whether forecast profitability improves depends on which effect is stronger.

…with both domestic and international enrolments forecast to continue increasing…

40 The university sector is collectively forecasting domestic enrolments to increase by 1.8 percent (or approximately 2,200 EFTS) in 2025 followed by a 2.1 percent increase (or approximately 2,500 EFTS) in 2026 (see *Figure 1*). The strongest growth rates forecast over the next two years are by UC and Lincoln with only Massey expecting a decline. At a sector level, we consider there remains a level of optimism bias in these forecasts given the sector has consistently forecast enrolment growth above actual levels over the past ten years.

However, growth in the school leaver population, particularly from 2026 should support enrolment numbers. The Ministry of Education forecast a small decline in university domestic EFTS over the next two years.

Figure 1: Forecast SAC-funded EFTS, university sector

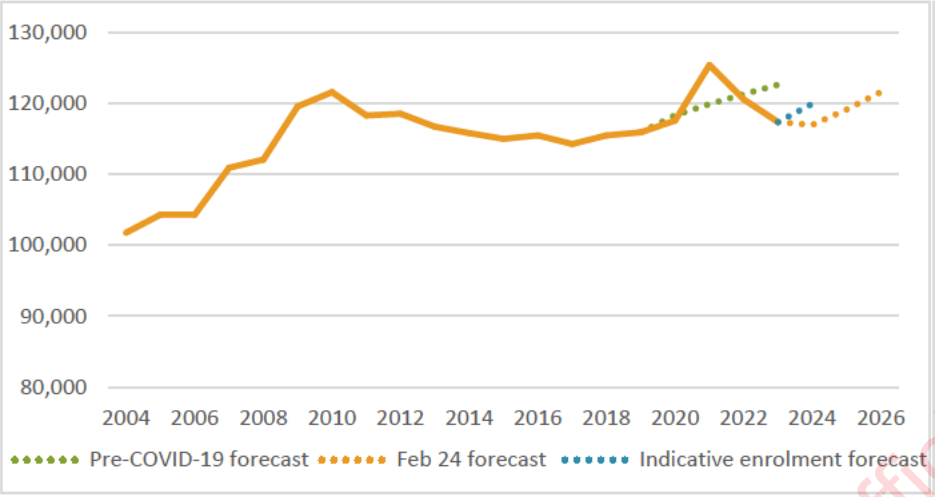
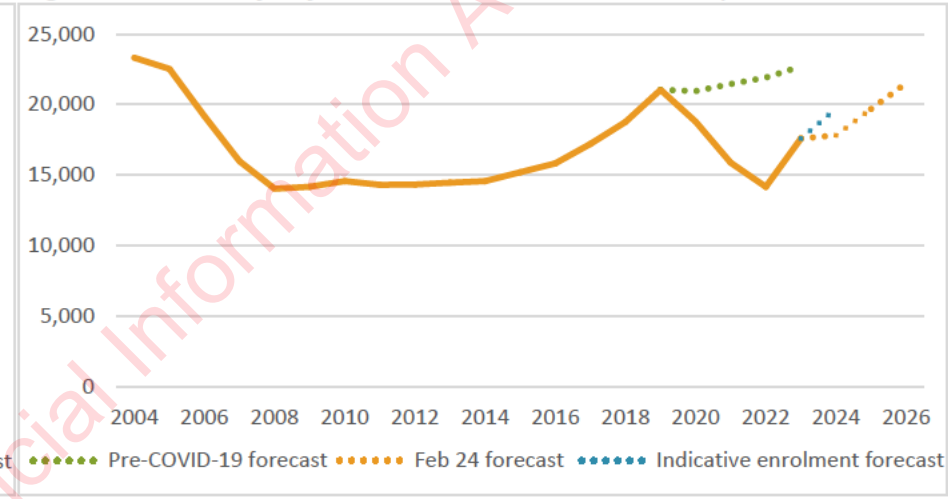


Figure 2: Forecast full-fee international EFTS, university sector



41 The university sector is forecasting full-fee international EFTS to increase by 10.5 percent (or approximately 1,900 EFTS) in 2025 and 9.3 percent (or approximately 1,800 EFTS) in 2026. We consider there is the potential for growth to be stronger than forecast. The sector has forecast conservatively in this area over the past two years and outperformed forecasts. However, as indicated earlier, this growth was driven by short qualifications, particularly taught masters. The sector is likely to need to see a recovery in bachelor level enrolments to achieve the forecast growth rates.

...but there remains significant uncertainty around enrolments ...

42 Forecasting enrolments – both domestic and international – remains difficult in the current uncertain operating environment. In our engagements, many universities have noted that past relationships and leading indicators are no longer a reliable indicator of enrolment growth. In 2019, the average difference between budget and actual domestic EFTS growth across the university sector was 2 percent. Over the past two years, the average difference has been around 6 percent.

43 With regards to international enrolment growth, both global and domestic factors (e.g. visa processing) are impacting on international enrolments which makes forecasting the recovery in international learners difficult. This is reflected, for example, in Auckland reporting a 5 percent decline in 2024 when further growth had been expected. Given the uncertainty, it is important that each university is closely monitoring enrolments and making adjustments as required.

…with the sector having to make difficult decisions on their capital plans…

44 As a result of the financial impacts caused by COVID-19, high inflation, and a general increase in uncertainty, universities have deferred or cancelled capital expenditure over the past four years to help preserve their cash positions. Universities have also used the pandemic and the associated financial issues to review how they operate, and in turn, adjust and re-prioritise their capital requirements. Over the past four years, capital expenditure has averaged $704 million per annum which has been a combined $1.18 billion below budget (noting some of the gap may represent the same item being budgeted and deferred across multiple years).

45 In 2024, the sector is budgeting to undertake $864 million in capital expenditure with 55 percent being undertaken by Auckland and Otago. This is the lowest budgeted figure for some time reflecting the current uncertainty across the sector. For several universities, the financial challenges have resulted in a significant pull-back in capital expenditure.

46 The underlying need driving many of these capital projects, however, has not gone away. For several universities (e.g. Massey, VUW, Waikato and Otago), we are concerned that they do not have the base level of performance required to deliver their capital programmes, especially given ongoing construction price inflation. There is a risk that the backlog of deferred maintenance and upgrades mean some universities will not be able to use certain assets (e.g. due to seismic or compliance issues) and/or they are unable to offer facilities that meet students' needs (or that are comparable to other universities). The sector will need to make difficult decisions around what projects to prioritise and which deliver the greater benefits for the university. This is an issue we will continue to monitor closely over the next year.

…which is resulting in debt forecast to increase…

47 Most capital expenditure needs to be funded from cash flow from operations. However, given the size of many capital plans and the downturn in performance over the past four years, an increased proportion of this expenditure in the short to medium term will need to be funded out of a combination of cash reserves and debt. Debt is budgeted to increase to $595 million in 2024, and reach $695 million in 2026, up from $401 million in 2023. Massey, Lincoln, and UC are the only universities not forecasting to have debt [redacted] 9(2)(b)(ii), 9(2)(i)

48 For Otago, VUW, and Waikato, there remains a need to improve underlying performance to support carrying their forecast levels of debt and, at the appropriate time, begin to repay debt. We are closely monitoring the performance of all three institutions, with all three either providing additional reporting or required to send us finance committee papers.

49 A significant unknown remains the potential investment in a third medical school at Waikato. While further analysis is underway, the Crown has indicated it will contribute $280 million of the estimated $380 million capital cost of the new medical school (subject to Cabinet approving a feasibility study and cost-benefit analysis). 9(2)(b)(ii), 9(2)(i) [redacted]

…while the key risks remain unchanged…

50 The sector continues to face several key challenges and risks with regards to their future financial and operational performance. The key risks are largely aligned with those reported to the Board in late 2023. In our view, there are five key risks that the sector is facing:

- ***Revenue increases being constrained by the Government and not keeping up with inflation*.** As we have previously reported, a significant gap has opened between Government funding and inflation. Between 2019 and 2023, tuition subsidy rates and the annual maximum fee movement fell by 13 percent in real terms while the performance-based research fund fell by 21 percent in real terms. This has contributed to overall revenue increasing by less than expenditure and led to worsening financial performance. While a 9 percent increase in DQ Level 7 and above funding rates in 2024 will close some of the gap, per learner funding remains well below where it was in 2019 in real terms. Furthermore, DQ Level 7 and above tuition subsidy rates are due to fall by 4 percent in 2026 (the previous Government applied the 4 percent tuition subsidy rate increase only for 2024 and 2025) and other fiscal pressures mean the sector is likely to continue to face ongoing funding challenges. This decline is not currently assumed in university forecasts, with the sector forecasting an average 9(2)(b)(ii) funding rate increase in 2026. With revenue constrained, universities will need to find substantial efficiencies or reduce costs just to maintain a stable level of reported financial performance let alone show improvement.
- ***Domestic enrolments decline and some universities take market share from other universities.*** There remains considerable uncertainty regarding domestic enrolment trends. While indicative data shows growth in 2024, the Ministry forecast a decline over coming years. We also expect the considerable variance between providers to continue with some universities taking market share from others. Those universities that have lost market share need to closely review their strategies, offering, and processes if they are to stabilise or regain market share. If they are unable to do this, further cuts in expenditure are likely to be needed.

- ***The speed of the recovery in international enrolments is slower than expected.*** While the sector has outperformed international enrolment growth forecasts over the past two years, there remains considerable uncertainty regarding future growth – especially given bachelor level enrolments have yet to begin to recover. Full-fee international students are highly profitable for the university sector and if targets are missed, further adjustments will need to be made. The sector will also need to consider whether there are any limits it wishes to place on overall international numbers as part of mitigating its overall exposure to the international market.

- ***Savings plans and constrained expenditure forecasts are not achieved.*** Universities are collectively forecasting expenditure to increase by 4.5 percent in 2024 and 2.6 percent in 2025. With inflation remaining high, there is a risk that expenditure will be higher than forecast – particularly given all eight universities need to negotiate collective employment agreements this year. Part of the driver of the low expenditure forecasts is the assumption of significant savings plans being achieved, some of which the TEC considers are optimistic with regards to both timing and size (given recent failures to meet savings targets to date in some universities). Higher than forecast expenditure will require further cost savings initiatives to be implemented and put pressure on liquidity with a reduction in cash balances or increasing debt balances.

- ***Extensive capital requirements are unable to be funded***. There is a risk that the gap between capital expenditure and the level of capital investment required continues to widen, particularly for those universities facing sustainability issues. As outlined above, this may result in certain assets not being able to be used or facilities that are not consistent with learner expectations. This will impact on the attractiveness of some universities relative to others and ultimately impact on revenue. There is also a risk that an urgent capital expenditure items arises that is unable to be funded, which will put pressure on cash reserves and debt balances.

51 The sector's ability to manage and respond to the above risks will determine their overall financial performance. Given the increased level of risk across the sector, there is a greater need for universities to robustly monitor and manage risks. This will require university management to ensure they are regularly updating forecasts, undertaking scenario analyses, and putting clear plans in place to manage downside scenarios, should they occur. University Councils will need to ensure high quality reporting and information is being provided from management, and that risks are being appropriately monitored and managed.

52 It will also require universities to evaluate and respond decisively to key challenges. For many, tough decisions will need to be made around what activity is prioritised and what can be stopped. In addition, institutions will need to continue to examine their strategic direction and associated capital investments, and how they intend to meet the needs of learners, employers, and the communities that they serve. The successful navigation of these issues is necessary to ensure financial sustainability.

…and we continue to assess two universities as high risk

53 In *Appendix One*, we have assessed each university against five key metrics – short-term profitability, medium-term sustainability, total enrolments, access to cash, and management capability – and provided an overall risk rating. These assessments are subjective and there is an element of relativity in the assessments given the current environment. Based on our assessments, both VUW and Massey are considered high risk, and Otago, Lincoln and Waikato are considered medium risk. The risk assessments remain unchanged since these were last presented to the Board at the end of 2023.

54 These risk assessments help us to identify where we prioritise our monitoring and engagement activities. Across the university subsector we already have increased reporting and engagement in place with several universities (e.g. receipt of finance committee papers, regular financial and enrolment information). 9(2)(g)(i) [redacted]

Next steps

55 In response to the current high levels of risk, we continue to monitor the university sector closely. We have increased the frequency of engagements and information collections for several universities and we are regularly assessing our monitoring arrangements to ensure they are appropriate.

56 As we have done since 2020, we will hold one-on-one sessions with the senior management of each university over June and July 2024, by which stage each university will understand the financial impacts of semester one enrolments and will have updated their full-year forecasts. As part of the implementation of our new Financial Monitoring Framework, we will also be sending a letter to each tertiary education institution informing them of our overall risk rating and the key risks we see facing their institution.

57 We will update the Board later in the year following our sessions with each university.

Appendix One: Risk assessments for all universities

	Short-term profitability	Medium-term sustainability	Total enrolments	Access to cash	Management capability	Overall risk	Comments
Massey	9(2)(b)(ii)						Massey reported and underlying deficit of $36 million in 2022 and $48 million in 2023. Another large deficit of $30 million has been budgeted for 2024. Massey do not forecast to report a surplus until 2026. Indicative enrolment data shows domestic EFTS have fallen by 5 percent in 2024 with commencing EFTS down 16 percent suggesting further declines are likely going forward. Massey has begun implementing a financial recovery plan, including exploring considerable asset sales. 9(2)(b)(ii), 9(2)(g)(i) Nearly half of Massey's delivery is extramural and its remaining operations are geographically dispersed across three regions which is a key challenge.
VUW							VUW reported an unaudited surplus of $31 million for 2023. However, this was supported by an insurance settlement, and on an underlying basis, VUW reported a $24 million deficit as domestic enrolments fell sharply. VUW has budgeted for a small surplus in 2024 based on domestic enrolments stabilising and continued savings initiatives being achieved. Indicative enrolment data shows domestic EFTS appear to have been stabilised in 2024, which is a relatively good achievement given the large declines reported over the past two years. However, medium-term sustainability remains at risk. The recent 9(2)(b)(ii) insurance settlement helps mitigate immediate liquidity concerns, but unless underlying performance improves, 9(2)(b)(ii) Overall, VUW has major capital plans that are unaffordable and, at present, are simply being deferred which creates future risk. There is limited room for VUW to manage further negative shocks or poor investment decisions. VUW has a relatively new management team 9(2)(b)(ii) Further changes will be necessary in 2024 and beyond to ensure medium-term sustainability.
Otago							Otago reported a break-even result in 2023 but is budgeting for a $15 million deficit in 2024. Domestic enrolments fell in 2023, but only back to pre-COVID-19 levels. A further decline in domestic EFTS has been reported in 2024 and, although a decline was budgeted, Otago will need to focus on stabilising domestic enrolments going forward. While significant staff restructuring and operational savings are underway to ensure medium-term sustainability, we have confidence that Otago's plans are achievable. As of December 2023, Otago had achieved 9(2)(b)(ii) Access to cash remains strong, but with a large capital programme underway, cash is expected to become tighter in future years and will need to be carefully

	9(2)(b)(ii)		
			monitored (particularly if there are any further large scale capital cost increase). A new Vice-Chancellor is due to begin on 1 July 2024.
Lincoln			Lincoln has reported surpluses above 3 percent of revenue in 2022 and 2023, although these results have been supported by its property joint venture. Although domestic enrolments have increased, this has not flowed through to increased profitability. Lincoln budgeted for a break-even result in 2024 but strong growth in domestic enrolments in 2024 provides some potential upside. Current profitability continues to be supported through non-core activity (i.e. its property joint venture) and once removed, Lincoln has reported losses over the past four years and is projected to do so again in 2024. Lincoln had good access to cash at the end of 2023 but these are expected to reduce over 2024 as it implements its capital plan. Concern remains around Lincoln's ability to achieve long-term sustainability which requires achieving profitability from domestic tuition activities. Management is capable but is comprised of a small team that is spread thin.
Waikato			Waikato has reported large deficits in 2022 and 2023 and has budgeted for another deficit in 2024. Strong growth in both domestic and international EFTS in 2024 will provide some support, but medium-term sustainability will require enrolment levels to be maintained and costs to be carefully managed. Access to cash is forecast to be tight over coming years as Waikato implements key aspects of its capital programme. The Secretary for Education has recently provided a new borrowing consent through to 2032 to help support Waikato and ensure suitable access to liquidity. However, if the new medical school goes ahead, there will be concerns on whether Waikato can afford its contribution and manage the large building project. Overall risk is likely to increase.
UC			UC is currently reporting large deficits which are forecast to continue in coming years. However, domestic enrolments are continuing to rise, with further strong growth reported in 2024, and UC has significant cash reserves. The current deficits are due to significant investment by UC as it seeks to ensure it has an attractive offering to learners in future. UC needs to continue to carefully assess the return on these investments as continued deficits of this size are unsustainable. Nevertheless, we consider that UC's management team are highly capable and operating to a plan. It is important that UC ensures the strength in enrolments flows through to improved profitability.
AUT			AUT reported a small deficit in 2022 as it undertook significant restructuring to right-size operations going forward. This supported it to report a $10 million surplus in 2023 despite a large decline in domestic EFTS. Net cashflow from operations remains strong and AUT has budgeted for a surplus in 2024 and 2025. Strong growth in both domestic and international enrolments in 2024 provides further upside. Access to cash remains strong and financial management capability is high.
Auckland			Auckland has reported extremely strong surpluses in both 2022 and 2023. Underlying profitability is strong, it has good access to cash, and it is a well-run, capable institution. Domestic enrolments have increased in 2024, and despite a fall in full-fee international enrolments, these remain high historically. 9(2)(b)(ii)

Te Tāhuhu o te Mātauranga
Ministry of Education

Memo

To:	University Advisory Group
From:	UAG Secretariat
Date:	April 2024
Subject:	Legislation relevant to universities

Purpose

1. This memo provides an introduction to the main legislative provisions relating to universities. It includes links to the legislation itself and to other relevant information. Further information on is available on request.

Education and Training Act 2020

2. The main piece of tertiary education legislation is the Education and Training Act 2020 (the Act). Among other things, the Act:
    - provides for an education system that honours Te Tiriti o Waitangi and supports Māori-Crown relationships
    - establishes the Tertiary Education Commission and sets out its role in funding and monitoring the provision of tertiary education
    - defines tertiary education roles and responsibilities, including the pastoral care of students
    - gives the authority for the tertiary education strategy
    - describes the basis for the quality assurance of tertiary education
    - defines the constitution and functions of different types of public tertiary education institutions and the requirements for private training establishments.

3. Further information on the role of the Tertiary Education Commission and the tertiary funding systems is set out in other briefing material.

4. Other legislation and to which tertiary education institutions (TEIs)[1] are subject includes the Privacy Act 2020, the Ombudsmen Act 1975, the Official Information Act 1982, the Crown Entities Act 2004, the Public Service Act 2020, the Public Finance Act 1989 and the Employment Relations Act 2000.

What constitutes a university?

5. What constitutes the characteristics of a university in New Zealand legislation has changed little over time. **Section 268(2)(d)(i)(A) to (E)** of the Act states that a university must have all

[1] Tertiary education institutions are tertiary education organisations in which the Crown has an interest. They include universities, Te P kenga and Wānanga.

the following characteristics, whereas all other tertiary education institutions (Te P kenga and Wānanga) are required to have only one or more of them. These are that:

A. they are primarily concerned with more advanced learning, the principal aim being to develop intellectual independence
B. research and teaching are closely interdependent and most of their teaching is done by people who are active in advancing knowledge
C. they meet international standards of research and teaching
D. they are a repository of knowledge and expertise
E. they accept a role as critic and conscience of society.

6. Universities also have an additional characteristic. **Section 268(2)(d)(ii)(A)]** states that:

   …a university is characterised by a wide diversity of teaching and research, especially at a higher level, that maintains, advances, disseminates, and assists the application of knowledge, develops intellectual independence, and promotes community learning.

7. **Sections 390 and 456** of the Act ensure that only certain institutions are able to refer to themselves as a "university". Most universities were established through individual Acts with the exception of AUT which was established by an Order in Council.

The Vice-Chancellors' Committee

8. **Section 311** of the Act confirms continuation of the Vice Chancellors' Committee (VCC) which was established under earlier legislation. Membership of the VCC consists of the Vice Chancellors of all New Zealand universities. It is usual practice for members to meet on a formal basis six times a year. The Vice-Chancellor is also the Chief Executive of the university.

9. The VCC operates under the name Universities New Zealand - Te P kai Tara, which acts as the peak body for New Zealand's universities. **Section 253** of the Act sets out the roles within the tertiary education and vocational education and training sectors. It states that the VCC "is the body primarily responsible for quality assurance matters in respect of universities".

10. The VCC has set up sub-committees to perform quality assurance functions – the Committee on University Academic Programmes (CUAP) quality assures qualifications, programmes and micro-credentials across all 8 universities; and the Academic Quality Agency (AQA) quality assures the university as a whole.

11. **Sections 312-313** and **Schedule 12** set out the specific functions and powers and administrative responsibilities of the VCC.

Governance

12. A university's governing body is its Council. Membership consists of a mixture of elected staff and student representatives, alumnus and those appointed by the responsible Minister. The Vice-Chancellor, as the university's chief academic and administrative officer, is also a member.

13. A university council is chaired by the university's Chancellor. The chief executive of the institution (VC), a member of the staff of the institution, or a student enrolled at the institution is not eligible for election as the chairperson or deputy chairperson of the council. The deputy chairperson may be referred to as the Pro-Chancellor. The functions, duties and powers of the Council are prescribed in **Sections 280, 281 and 283 and Schedule 11 of the Act**.

Academic freedom and institutional autonomy

14. **Section 267** of the Act relates to academic freedom and institutional autonomy of universities. **S267(4)** sets out what academic freedom in relation to an institution means as:

    a. the freedom of academic staff and students, within the law, to question and test received wisdom, to put forward new ideas, and to state controversial or unpopular opinions:
    b. the freedom of academic staff and students to engage in research:
    c. the freedom of the institution and its staff to regulate the subject matter of courses taught at the institution:
    d. the freedom of the institution and its staff to teach and assess students in the manner that they consider best promotes learning
    e. the freedom of the institution through its chief executive to appoint its own staff.

Other relevant regulatory settings

Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021 (the Code)

15. **Section 534 of the Act** provides for the responsible Minister to issue codes of practice for the pastoral care of tertiary and international learners. The Code came into effect on 1 January 2022. The Code supports the wellbeing and safety of learners in New Zealand.

16. All tertiary education providers and schools enrolling international students are expected to comply with the Code which is administered by the New Zealand Qualifications Authority (NZQA). NZQA publishes guidance for education providers on its expectations for interpreting their role and responsibilities under the Code.

17. NZQA has delegated partial responsibility for monitoring compliance with the Code to the VCC. This role has been formally delegated to the Committee on University Student Pastoral Care (CUSPaC) sub-committee. The membership of CUSPaC includes student association representatives and nominated university representatives who support the committee in ensuring student communities are included in the self-review and assessment processes.

Te Tāhuhu o te Mātauranga
Ministry of Education

Memo

To: University Advisory Group

From: UAG Secretariat

Date: April 2024

Subject: Research Funding in the Tertiary Education System

Purpose

1. This memo provides you with an introduction to the two main research funding mechanisms in the tertiary education system. Further and more detailed information is available on request.

Background

2. In 2000, the Government asked the Tertiary Education Advisory Commission (TEAC) to devise a long-term strategic direction for tertiary education. At the time, tertiary education organisations (TEOs) received funding based on the number of equivalent full-time students (EFTS). This funding covered capital and operating costs, as well as funding for tuition and research. The research component was paid for study at degree-level and above was known as a "research top-up".

3. TEAC concluded that there was a strong case for better rewarding and incentivising research excellence and recommended the Government establish two main research funds – one to reward and incentivise research performance, and the other aimed at encouraging a greater concentration of research effort as well as improving linkages between tertiary providers, industry and the wider community.

4. In 2003, the Government established the Performance-Based Research Fund (PBRF), and the Centres of Research Excellence (CoREs) fund.

The Performance-Based Research Fund (PBRF)

5. The PBRF provides financial and reputational incentives to support high-quality tertiary research and research-led teaching and learning at degree-level and above by:
   - assessing research excellence
   - publishing information on research performance
   - allocating funding based on research performance.

6. The PBRF aims to incentivise tertiary education organisations to invest the funding they are allocated through the PBRF in further high-quality research and research-led teaching. However, TEOs have the autonomy and flexibility to make decisions on where they believe

funding is best invested, meaning that PBRF funding does not necessarily directly support research activity.

7. Funding is allocated based on past research performance. This means the fund favours large, research-intensive organisations which receive the vast majority of PBRF funding. Although all TEOs delivering degree-level and above provision are eligible to participate, universities receive approximately 97% of the total PBRF funding pool.

8. The size of the PBRF is determined by Budget decisions. The last time the PBRF was increased was in Budget 2017. This brought the total funding pool to $315 million per annum.

The PBRF consists of three separate components

9. The PBRF consists of three components:
    a. **Quality Evaluation** (worth **55**% of PBRF funding). A peer-review assessment (by domestic and international academics in similar disciplines) of the quality of a TEO's staff research activity is undertaken on a six-yearly cycle. Providers must participate in the Quality Evaluation in order to claim the other components of PBRF. The next Quality Evaluation was due to take place in 2026 (extended from 2024 due to COVID) but will now not take place until after the UAG concludes its work. Annual allocations will continue to be made based on the results of the 2018 Quality Evaluation.

    b. **Research Degree Completions** (worth **25%** of PBRF funding). Assessed annually, based on the number of research-based postgraduate degrees (research masters and doctorates) completed in a TEO. This helps capture the connection between research staff and research training.

    c. **External Research Income** (worth **20%** of PBRF funding). Assessed on an annual basis, based on the amount and type of income received by participating TEOs from external sources for research purposes.

10. Funding allocations are calculated based on the performance of eligible TEOs in each of these three components. This determines the total amount allocated to each participating TEO from the total PBRF funding pool each year.

Strengths of the PBRF

11. Since the implementation of the PBRF, we have seen increases in research performance and productivity through all measures. There has been an overall increase in the average grade of Evidence Portfolios submitted each Quality Evaluation round.

12. Between the 2003 and 2012 Quality Evaluation rounds, there was a 15% increase in the number of 'A' and 'B' quality categories awarded to individual researchers' evidence portfolios. This correlates with an increase in the proportion of world-indexed publications and citations by New Zealand TEOs. A 2013 report on the impact of the PBRF showed that this impact increased by 15% between 2000/2004 and 2007/2011, and that the share of world-indexed

citations (i.e., other scholars citing published NZ scholars) increased by a significant 44% between 2001/2005 and 2007/20111.

13. Since 2004, the number of annual Research Degree Completions have more than doubled (from 620 to 1,335) while the ratio of completions per 100 academic staff has increased from 10.3 to 23.0 over the same period.

14. Following the 2012/13 review, the External Research Income component increased from 20% to 25%, along with extra weighting for research income from non-New Zealand Government sources. After dropping between 2010 and 2013, university external research income increased between 2013 and 2015.

15. Following the 2019/20 PBRF review the weighting for the Overseas Research Income and New Zealand Non-Government Income categories were increased to support incentives linked to overseas and non-government collaboration.

PBRF Reviews

16. The PBRF has been reviewed on average every 4 to 5 years, more frequently than the QE's six-year cycle. Each review has recommended several changes to the PBRF, but all have broadly confirmed the underlying policy objectives of the fund, namely, to support high-quality tertiary research and research-led teaching and learning at degree-level and above.

17. Despite the number of reviews, persistent criticisms of the PBRF remain, including:
    - a bias towards university research
    - cost of compliance for providers and government
    - privileging of importance of research over teaching
    - diminishing returns from a fixed fund which has not increased since 2017
    - group versus the individual as the unit of assessment
    - peer review versus a metrics-based system of assessment for research quality.

Centres of Research Excellence (CoREs)

18. CoREs are inter-organisational, autonomously directed research networks in which researchers work together on commonly agreed work programmes. A CoRE must be hosted by a tertiary education institution (TEI), but partners may include research organisations of any kind such as Crown Research Institutes. There are currently 10 CoREs. See this link for a list of all current CoREs.

19. The CoREs policy allows CoREs to define for themselves how their research fits into national priorities, leading to a bottom-up approach as opposed to the top-down approach of other funds. The CoREs' Mission Statement is the basis on which CoREs are selected. The TEC has responsibility for selecting and assessing their performance against the CoREs' Performance Measurement Framework.

20. Researchers associated with a CoRE are not employed by the CoRE, but by one of the CoRE partner organisations. The host institution provides infrastructural support, including management and coordination of the research plan, fund distribution and asset management. Partner organisations have partnership agreements with the CoRE covering the sharing of personnel, costs, and intellectual property.

21. Each CoRE has a governance board that sits outside the host institution's governance structure, providing autonomy over its own strategic direction. Each CoRE also has a research or science advisory board, often including international representation. Most CoREs have over 50 investigators, which includes doctoral students, post-doctoral researchers, and interns. Only part of an investigator's available time is spent on work done through the CoRE, and individual outputs and external research grant applications are generally done as a member of their host institution rather than through the CoRE.

Strengths of the CoREs model

22. A strength of the CoRE model is the autonomous, 'bottom-up' research agenda to achieve the overarching Mission Statement. This 'freer' approach can result in less predictable or linear scientific outcomes and can advance foundational scientific enquiry and practice in unexpected ways.

23. The funding structure of the CoRE model has contributed significantly to its success. Stable, long-term funding has allowed for CoREs to take a longer-term perspective on their research agendas compared to other research funding streams. For example, the current eight-year term provides CoREs with the potential to conduct research and development activities that span the technology development and commercialisation cycle, and to bring multiple postgraduate students through the programme.

24. An additional strength is the CoRE model's educational role in developing research capability and research excellence across different disciplines. Because CoREs must actively contribute to the tertiary education system, all offer student scholarships and post-doctoral positions. This focus on education separates the CoREs fund from other government research and development funding models, which tend to focus on research outputs and/or commercialization activities.

25. Moreover, compared with other government research funds, CoREs funding directly encourages collaboration. Connections or collaborations with industry partners – and between universities and other research entities - provide ways in which students and other researchers can ultimately work outside academia and put their research into practice. Some CoREs also maintain connections with other parts of the education system through outreach activities into schools and other community-based research projects.

International comparisons

26. A brief international scan concluded that, while there are several similar funds available across the OECD, CoREs appear largely unique in their focus on students and tertiary education and

their role in New Zealand's wider research ecosystem. Most similar international funds were created to encourage collaboration between universities and industry, e.g., the Canadian New Frontiers in Research Fund or the United Kingdom's Knowledge Transfer Partnerships.

27. The Cooperative Research Centre (CRC) grants in Australia appear to be the closest to our CoREs, in that they encourage collaboration between industry and research organisations as well as including industry-focused education programmes. However, their purpose is industry-led, not research-led. The Clusters of Excellence in Austria are also similar to CoREs with regard to the inclusion of students; however, they appear to be largely centred around universities only, and do not appear to encourage industry collaboration.

Link to the Science, Innovation and Technology system

28. As well as contributing to tertiary education goals, tertiary education research funding supports priorities in the science, innovation and technology (SI&T) system, largely through the research and research-led teaching undertaken in our universities.

29. The main difference between research funded through the SI&T and tertiary education systems is the way, and purposes, for which research is funded. SI&T funding is mostly focussed on research in areas of national importance or relevance to government priorities allocated through competitive funding processes. Tertiary education funding on the other hand, prioritises the role of research in teaching and capacity and capability building in all disciplines and subject areas through the PBRF and CoRE funds.

Document 14

Vladka Smith

From: James Campbell
Sent: Friday, 24 May 2024 4:29 pm
To: pd.gluckman@auckland.ac.nz
Cc: 9(2)(a) @tec.govt.nz; Alastair MacCormick; hema.sridhar@auckland.ac.nz; Jill Rolston; 9(2)(a) @tec.govt.nz; TEC - 9(2)(a)
Subject: Engagement plan and planning for 13 June
Attachments: Out of scope UAG all staff briefings summary of issues (002).docx 14a

Kia ora Sir Peter

Thank you for your time on Wednesday – it was helpful for me in thinking about how we can best support the UAG.

For next week's meeting, we've made a few suggested additions to your draft engagement plan – please see attached. We've also done a brief summary of themes from the questions at the all of staff meetings (also attached), which we would be happy to circulate if you think it's useful. I think Alastair has everything he needs for his session, but Alastair please just let us know if there is anything we can help with.

We are getting on with the organisation of the full day meeting of 13 June and have confirmed that a suitable room is available at the TEC's offices. 9(2)(a) from the TEC is available to pick up the administrative side of organising the session (travel, catering etc) – if you are happy for her to go ahead she can reach out to members to get this organised.

In terms of material from the secretariat to support the 13 June meeting, here is what we have in mind:

- We could produce a summary of submissions for discussion by the group. Given the limited time this would necessarily be high level, but would at minimum highlight the key themes from consultation and assist the group in confirming which submissions they would like to discuss in more depth. If you would like us to go ahead with this, we would need Koi Tū to share the submissions with us as they come in, so that we can have get this completed on the week of 3 June.
- Analysis on differentiation in New Zealand's higher education system, covering differences between degree and above delivery in the different sub-sectors (unis, ITPs, wānanga etc), and then providing a deeper dive on the profiles, specialisations, and outcomes of study at each of the universities. This could sit alongside the piece of analysis that MBIE has done on the role of the universities in the research system.
- An international comparison of how various jurisdictions define a university and how they manage their university systems (with a particular focus on how they promote coordination and differentiation). Following our discussion, we'd propose that this cover NZ, Australia, Ireland, Denmark, Norway, Finland and Singapore.

Please let me know if the above sound like useful inputs for the discussion and if you have any feedback on the scope or focus of the products. We would aim to have drafts of each to share with you by 7 June for your feedback, so that they could be circulated to members early the following week.

Emily has booked our next catchup for next Wednesday morning, so happy to discuss any of this then as well.

Hope you have a good weekend.

Kind regards
James

Document 14a

UNIVERSITY ADVISORY GROUP – SUMMARY OF KEY THEMES RAISED AT UNIVERSITY ALL-STAFF BRIEFINGS

Sir Peter Gluckman held all-staff briefings with each of the eight universities. The briefings took place across May 2024. All briefings included a presentation by Sir Peter followed by a Q & A session.

There was some variance in the way in which questions from staff were handled. Victoria University of Wellington, University of Otago, Massey University and Lincoln University enabled a live Q & A function and staff were able to pose their questions directly to Sir Peter. University of Auckland and University of Canterbury questions were posed live but were then moderated by the Vice-Chancellors who put summary questions to Sir Peter verbally. AUT collated questions from staff ahead of time and arranged these into summary themes, which were put to Sir Peter verbally by the Vice-Chancellor.

Major themes across the eight universities – raised at most briefings

1. *Government funding for research*
   There were questions or comments at all of the briefings except at Canterbury about whether the national percentage of GDP investment in R&D is in scope and whether research funding can increase. There were also some comments about the need for less central direction, less time-consuming funding applications, and the need for more blue-sky research.

2. *Concern that the arts and humanities disciplines will not be adequately considered*
   This was raised all of the briefings in some way. Concerns were raised that without any arts or humanities representation on the UAG, those disciplines could not be adequately represented. Questions also appeared to respond to the wording of the ToR and the absence of any reference to the humanities. At Auckland and VUW, staff noted that current discourses tended to focus on financial benefits and costs, and that this model missed the unique social good function of the humanities.

3. *Queries about the scope of the UAG in relation to the full tertiary education sector*
   Staff at Lincoln, AUT, VUW, Auckland, Massey and Canterbury all queried how the UAG intended to consider the universities in relation to the full system, and the intersections with the ITPs and wānanga. There were a number of questions about why the wānanga in particular and ITPs were not in scope, and some questions about how the UAG work will relate to the Te P kenga disestablishment work.

4. *Queries about the size and shape of a future university system*
   This was raised at all of the meetings in some way apart from at Canterbury. There were queries about the potential number of future universities, whether the UAG was considering a centralised model, whether the role of universities in their regional economy would be a consideration, and whether it was considering combining universities and CRIs. There were also queries about the UAGs thinking on university differentiation and mix of provision, with some commentary that further differentiation runs counter to the global trend towards transdisciplinarity and queries about what criteria would inform decisions on subject area provision.

Significant themes – raised at more than one university or raised multiple times

5. *Queries about Māori representation and Te Tiriti considerations*

There were a large number of questions concentrated in the Auckland and AUT briefings, with some queries also from Lincoln and Otago. Concerns were raised that the UAG does not include Māori academic representation, and there were several questions about how the groups intends to engage with Māori stakeholders. There were also questions about the group's views on mātauranga Māori, and whether the group was under any political constraints from ministers around Te Tiriti and equity issues.

6. *Concerns about academic freedom*
   There were a number of queries about whether the 'critic and conscience' role was under consideration by the group, and some concerns expressed that a more directive government role would cut across the principle of academic freedom.

7. *Concerns about equity issues associated with a cap on student numbers*
   Concerns were expressed at Canterbury, Auckland and AUT that limiting the number of students could have significant equity issues, with students from disadvantaged backgrounds more likely to miss on places. There was a comment that the ease of attending university was a positive of the system with significant impacts on class mobility.

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy

9(2)(a)

Document 15

Vladka Smith

From: James Campbell
Sent: Thursday, 30 May 2024 10:52 pm
To: Arihiab; Bella; 9(2)(a) ; Poreilly; David Skegg; Peter Gluckman; Alastair MacCormick; John Allen
Cc: Sareth Kumaresan; hema.sridhar@auckland.ac.nz; Jill Rolston; 9(2)(a) @tec.govt.nz; secretariat@uag.org.nz
Subject: Vote Tertiary Budget Overview for UAG
Attachments: Vote Tertiary B24 Overview.pdf 15a

Kia ora

You will have all seen yesterday's announcements on Budget 2024. While I am not sure that any of the tertiary announcements will be directly relevant to the Group's work, we have prepared the attached summary for your information. If any members have questions or would like further information please don't hesitate to ask.

Kind regards
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy
9(2)(a)

Budget 2024 – Vote Tertiary Education Overview

Budget 2024 (B24) prioritises improving value for money through the delivery of effective and fiscally sustainable public services, with a strong focus on reprioritisation and generating savings to help fund the Government's priorities. The Tertiary Education Budget package was developed within this context, recognising the need to balance increased spending on tertiary education with the Government's broader policy objectives.

Addressing Cost Pressures

- **Cost Adjustment:** B24 provides $266 million (over four years) to increase tertiary education tuition and training subsidies by 2.5 percent, in line with forecast inflation for 2025.
- **Increased Fees:** Funding is also provided to increase the Annual Maximum Fee Movement (AMFM) rate for 2025 by up to 6 percent, which will enable providers to increase tuition fees charged to learners. The Minister will consult on the AMFM rate for 2025 later in the year.

Key Initiatives

- **Fees Free:** B24 delivers on the Coalition Government's commitment to stop first-year Fees Free and replace it with a final-year Fees Free Scheme. This initiative changes the underlying incentive of the Fees Free policy from participation in tertiary education to the completion of studies and qualifications. This policy change reduces the total amount the Government spends on the scheme through Vote Tertiary Education by around $893 million (over four years).
- **Apprenticeship Boost:** B24 provides around $65 million dollars to continue Apprenticeship Boost (an apprenticeship wage subsidy) beyond the end of 2024. $1.8 million of this funding will be for Vote Tertiary Education to support the ongoing administration of the scheme. Apprenticeship Boost will fund first-year apprentices working in some key occupation areas from 1 January 2025.
- **Student Loan Scheme:** the overseas interest formula for the Student Loan Scheme (SLS) is being raised by 1 percent for 5 years through B24 to partially cover the loss in value to the SLS due to 3 years of high inflation. This will result in operating impact savings of around $5 million over 5 years for Vote Revenue.
- **More Doctors:** Around $6.9 million in Vote Tertiary Education funding will go towards increasing the number of first-year medical school places by 25 places from 2025, increasing the total to 614 places. This will provide funding for tuition subsidies and trainee medical intern grants.
- **Workforce Development Councils:** Funding for Workforce Development Councils (WDCs) will be returned from 2025/26 as legislation is intended to be progressed in 2024/25 on future arrangements for the functions currently performed by WDCs. This will produce savings of $65 million per year.
- **Te Pūkenga:** Funding has also been set aside for the disestablishment of Te Pūkenga as part of Budget 24. This initiative covers the expected costs of the transition from Te Pūkenga to a reformed system, pending Cabinet decisions on policy and design. B24 also returns the $220 million Crown loan to support Te Pūkenga's digital transformation programme.

Savings and Reprioritisation

Through the Budget process a number of reprioritisation options were identified that have enabled the Government to reduce the need for new funding and to help fund the cost pressure initiatives.

- Approximately $103 million (over five year – starting from 2023/24) has been identified for reprioritisation.

In identifying areas for reprioritisation, areas where there was ongoing under expenditure were prioritised. Over the five year forecast period from 2023/24, funding is being reprioritised from:

- Adult and Community Education in Schools Co-ordination ($1.8 million)
- Adult Literary Educator Grant ($2.2 million)
- Higher Education Collaboration Fund ($5 million)
- Centres of Vocational Excellence ($15.0 million)
- The end of contracts for Centres of Asia-Pacific Excellence ($10.0 million)
- Reducing Gateway funding to a level that aligns with current rates of utilisation ($7.5 million)
- Underspends from Fee-Free and Tuition and Training subsidies ($61.1 million)

Funding identified for reprioritisation is in addition to the baseline savings from agencies funded through Vote Tertiary Education, which includes the Ministry of Education, the Tertiary Education Commission and Education New Zealand.

Document 16

Vladka Smith

From: James Campbell
Sent: Tuesday, 4 June 2024 11:45 am
To: Peter Gluckman; TEC - 9(2)(a)
Cc: Katrina Sutich; Hema Sridhar; xtn_Alastair MacCormick; Tim Fowler - TEC; 9(2)(a) 9(2)(a) ; 9(2)(a) @tec.govt.nz
Subject: RE: UAG meeting this afternoon

Kia ora

Thank you - if there aren't any other specific items from Alastair or the TEC then we would propose to cancel this one.

As discussed with Sir Peter and Jill last week, we are preparing the two products we outlined for next week's meeting and will share drafts with Sir Peter and Alastair by Friday. We will also get submissions analysis underway once these come through.

9(2)(a) is working with panel members and Hema to finalise the travel arrangements for the meeting.

Ngā mihi
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy
9(2)(a)

From: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Sent: Tuesday, June 4, 2024 10:40 AM
To: TEC - 9(2)(a) @tec.govt.nz>
Cc: Katrina Sutich <Katrina.Sutich@education.govt.nz>; James Campbell <James.Campbell@education.govt.nz>; Hema Sridhar <hema.sridhar@auckland.ac.nz>; xtn_Alastair MacCormick <9(2)(a) ; Tim Fowler - TEC <tim.fowler@tec.govt.nz>; 9(2)(a) @tec.govt.nz>
Subject: Re: UAG meeting this afternoon

It's not possible for me today
Peter
Sent from my iPhone

> On 4 Jun 2024, at 10:23, 9(2)(a) @tec.govt.nz> wrote:
>
> Good morning,
>
> Please accept my apologies – I am unable to attend the UAG meeting scheduled for 4pm today. I have asked 9(2)(a) to attend on my behalf.

Kind regards,

9(2)(a)

Document 17

Vladka Smith

From: James Campbell
Sent: Tuesday, 4 June 2024 3:48 pm
To: Peter Gluckman
Cc: Alastair MacCormick
Subject: RE: Academic governance
Attachments: FINAL University governance models and international comparison.pdf

Kia ora Sir Peter

We haven't done any comparisons on this ourselves for quite a long time - the most recent thing that I am aware of is the attached briefing from 2012, which was produced to inform some of the governance changes progressed by Steven Joyce. Obviously out of date now though, including on NZ governance arrangements.

In terms of international literature, nothing immediately jumps out at me. The OECD produces material that touches on university governance, but nothing recent that I could see that addresses your question directly. What I could find (such as https://etico.iiep.unesco.org/sites/default/files/2018-05/46064461.pdf) looks somewhat out of date and probably not quite what you're looking for anyway.

If you are interested we could spend some more time digging and/or produce something for the group on this topic.

Regards
James

James Campbell | Senior Policy Manager, Tertiary Education Te Pou Kaupapahere | Policy

9(2)(a)

-----Original Message-----
From: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Sent: Tuesday, June 4, 2024 2:13 PM
To: James Campbell <James.Campbell@education.govt.nz>
Cc: Alastair MacCormick 9(2)(a)
Subject: Academic governance

James
Is there a comparative study of the shape of university councils and the processes of their appointment and that of vice chancellors anywhere

Peter
Sent from my iPhone

Document 17a

MINISTRY OF EDUCATION
Te Tāhuhu o te Mātauranga

Tertiary Education Report: An international comparison of university governance models

Date:	22 February 2012	**Priority:**	High
Security Level:	In Confidence	**METIS No:**	648110

Action Sought

Addressee	Actions sought	Deadline
Minister for Tertiary Education, Skills and Employment	**Note** that international trends show that universities are increasingly taking a skills-based approach to governance **Note** that in taking a skills-based approach to governance, international trends show that universities maintain various stakeholder representation in their governance bodies	27 February 2012

Enclosure: No | **Round Robin: No**

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
9(2)(a)	Senior Policy Manager	463 8471	9(2)(a)	✓
	Drafter	463 7645		
Michelle Schulz	Drafter	463 7638		

The following departments/agencies have seen this report: ☐ Other:

☐ DoL ☐ IR ☒ MoE ☐ MED ☐ MoH ☐ MSI ☐ MSD
☐ NZQA ☐ NZTE ☐ OAG ☐ Stats ☒ TEC ☐ TPK ☐ Treasury

Minister's Office to Complete:

☐ Approved ☐ Declined
☐ Noted ☐ Needs change
☐ Seen ☐ Overtaken by Events
☐ See Minister's Notes ☐ Withdrawn

Comments:

Tertiary Group – TEP

22 February 2012

Tertiary Education Report: An international comparison of university governance models

Executive summary

The Government has indicated its intention to work to continue to improve the governance and operations of public tertiary education institutions (TEIs). This paper provides general information on good governance and best practice principles and an international comparison of university governance models. A companion paper, "University governance in New Zealand: process, rationale and options for change" (METIS 649815), addresses the current approach to university governance in New Zealand, considers justifications for changes to the current system, presents options for change, and presents timeframes for the Cabinet decision and legislative process.

Governance of private- and public-sector organisations addresses the structures, processes and relationships that are used in making decisions. University governance models typically address five possibilities:

- **Faculty/collegial model** – Universities with this model are governed by their academic staff.

- **Corporate/skills-based model** – Universities with this model are governed by professionals who are trained and experienced in corporate policy and planning and who are able to direct management efficiently.

- **Stakeholder/representative model** – Universities with this model are governed by a wide array of stakeholders, including students, academic staff, alumni, corporate partners, government and the public at large.

- **Trustee model** – Universities with this model are governed through a "trust" relationship with a trustee board that acts in trust for, and on behalf of, stakeholders.

- **Amalgam** – Universities with this model do not require councils to prioritise academic integrity over efficiency and fiscal responsibility, or vice versa. Councils can have a number of priorities, or priorities can reflect the specific balance of models within the amalgam, which can include a combination of faculty, corporate, stakeholder and trustee governance.

Whilst it is helpful to categorise university governance models, in practice universities generally form governance bodies around more than one model in accordance with their specific and unique needs.

Notwithstanding the sometimes immense variance across jurisdictions and universities, the move towards a skills-based approach to university governance is evident as a trend. Externally elected and/or appointed members are increasingly present on university councils, thereby bringing governance expertise to universities.

Recommended actions

We recommend that the Minister for Tertiary Education, Skills and Employment:

a. **note** that approaches to university governance vary widely and are often tailored to the specific needs of individual institutions

b. **note** that international trends show that universities are increasingly taking a skills-based approach to governance

c. **note** that in taking a skills-based approach to governance, international trends show that many universities maintain various stakeholder representation in their governance bodies

d. **note** that whilst recognition is generally given to the benefits of smaller council sizes, fewer institutions are limiting their council sizes than are taking on highly skilled members.

9(2)(a)

Acting Group Manager, Tertiary Education
Ministry of Education

NOTED / APPROVED

Hon Steven Joyce
Minister for Tertiary Education, Skills and Employment
__ __/__ __/__ __

Tertiary Education Report: An international comparison of university governance models

Purpose of report

1. The Government has indicated its commitment to work to continue to improve the governance and operations of public tertiary education institutions (TEIs). This paper provides general information on good governance and best practice principles and an international comparison of university governance models.

2. This paper is intended to be considered in companion with "University governance in New Zealand: process, rationale and options for change" (METIS 649815), which addresses the current approach to university governance in New Zealand, considers justifications for changes to the current system, presents options for change, and presents timeframes for the Cabinet decision and legislative process.

Background

3. TEIs in New Zealand currently have different governance models. University and wānanga councils have strong stakeholder representation. Only four members out of 12 to 20 are appointed by the Minister responsible for tertiary education (the Minister) (section 171, Education Act 1989).

4. Institutes of technology and polytechnic (ITP) councils were reformed in 2009 to take a skills-based approach to governance. Four out of eight members are now appointed by the Minister, including the council chair and deputy chair (section 222AA, Education Act 1989). The Minister may at any time, for just cause, remove a member of the council, including the chair and deputy chair, from office (section 222AJ, Education Act 1989).

Good governance and best practice principles

5. Governance of private, as well as public sector organisations, addresses the structures, processes and relationships that are used in making decisions. There is a general agreement among commentators on the core basic principles to achieve "good governance" for both public and private organisations.[1] The principles generally referred to include:

   - **Strategic thinking –** Governance bodies provide strong leadership, strategic guidance and long-term perspective to the management of the organisation.

   - **Responsiveness to change –** Governance bodies are adept at navigating expected and unexpected change.

[1] The following main sources have been used to compile this section: Edwards Review, pp. 11 and 12; OECD "Principles of Corporate Governance," 2004; and "European Governance: A White Paper," 2001, available at http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0428en01.pdf.

- **Efficiency –** Governance bodies operate efficiently and make the best use of available resources.

- **Accountability –** Governance bodies are accountable to their public and private stakeholders for their decision-making and for the management and performance of their organisation.

- **Transparency –** Governance bodies' decision-making is built on a free flow of information. Processes, institutions and information are directly accessible to those concerned with them.

- **Clarity of roles and responsibilities –** Roles and responsibilities of the governance bodies, the management and the stakeholders of the organisation are clear.

- **Participation –** Governance bodies ensure that all interested parties and stakeholders have a voice and can participate in the decision-making process.

6. Whilst good governance can be recognised by the presence of all of these principles, in practice different types of organisations will emphasise different principles depending on their specific needs.

7. For example, as outlined below, each university governance model prioritises "good governance" principles differently. "Good" university governance also recognises the following two principles:

   - **Institutional autonomy –** The freedom of an institution to act without external control, thereby protecting academic freedom.

   - **Academic freedom –** The belief that the freedom of inquiry by students and faculty members is essential to the mission of a university.

Models for university governance[2]

8. Approaches to governance models typically address five possibilities: faculty, corporate, trustee, stakeholder, and amalgam.[3]

9. Whilst it is helpful to categorise university governance models, in practice, universities generally shape governance bodies around more than one model in accordance with their specific and unique needs. For example, universities can benefit from the skills-based governance of the corporate model while maintaining stakeholder representation in recognition of distinctions between academic institutions and private corporations.

10. Whilst this tailoring allows flexibility in university governance, it also makes modelling difficult. In this section, the five models are described as theoretical possibilities for university governance. Because in practice governing bodies rarely follow the theoretical

[2] A note on terminology for ease of comparison: "council" refers to a university's chief governance body responsible for overall institutional direction, though some institutions or jurisdictions would call this body a board or occasionally a senate or regents; "academic board" refers to a university's governing body populated primarily by academic staff and responsible for matters relating directly to education and research, though some institutions or jurisdictions would call this body a senate; "chief executive(s)" refers to the person or people elected or appointed to a university's highest management position(s), known variously as chancellor, vice-chancellor, president, rector, principal, and occasionally director or provost.

[3] Material in this section summarises Leon Trakman, "Modelling University Governance," *Higher Education Quarterly* 62, nos. 1/2 (January/April 2008): 63-83.

models directly, examples and international comparisons are given separately in the following section.

Faculty/collegial model

11. Faculty governance, sometimes identified with collegial models, sees universities governed by their academic staff. While councils under this model are representative of faculty, general staff and students, council members may lack specific governance skills. Under faculty governance, councils prioritise academic integrity over other governance responsibilities.

12. Though faculty governance is the traditional model for universities, most universities are shifting away from the model, either by training selected academic staff in governance skills or by lessening academic representation on councils.

Corporate/skills-based model

13. A corporate model for university governance concentrates on the governance skills of council members and is grounded in the rationale of corporate efficiency.

14. Under this model, universities are governed by professionals who are trained and experienced in corporate policy and planning. These skilled council members are generally elected or appointed from outside the institution, making them external council members as opposed to representative members elected or appointed internally.

15. International trends suggest that aspects of this model are introduced for a variety of reasons including helping universities achieve greater innovation and equipping them to better cope with economic fluctuations.

16. Benefits of corporate governance include internationalisation of teaching programs and student bodies, better links with industry and commerce, more efficient internal operations, better access to research sites, more workplace-relevant teaching programs, access to better facilities and equipment, and more flexibility in recruiting high-quality staff.

17. Because of long-standing traditions of faculty governance, the introduction of the corporate model can result in tensions between council, management and academic staff. Those who reject this model assert that corporate-style governance produces only partial and short-term governance solutions, and leads to the “commodification” of education: corporate efficiency overwhelms academic distinctiveness, vocational training and corporate-sponsored research become favoured over societal critique, and low-cost/high-revenue strategies may lead to reductions in standards and quality.

Stakeholder/representative model

18. Under a stakeholder model university governance is vested in a wide array of stakeholders, including students, academic staff, alumni, corporate partners, government and the public at large.

19. The stakeholder model is more broadly representative than the corporate and collegial models, and its mandate prioritises representation over the central principles of corporate governance.

20. International comparisons show that public universities generally employ aspects of stakeholder governance by having appointed and/or elected academic staff members, students, alumni and/or government representatives on their boards.

21. In practice, the stakeholder model can vary depending on which stakeholders are deemed to deserve representation, the manner of their representation and the extent of their authority. For example, in jurisdictions where government funding for universities is high compared to universities' other revenues, governments generally have more input into council membership.

22. The governance skills of council members under the stakeholder model depend on the balance of stakeholders represented on the board. Heavy faculty representation would mean that governance skills might be lacking, whilst heavy representation from the greater corporate community would mean that governance skills would be strong.

Trustee model

23. Under a trustee model universities are governed through a "trust" relationship between a trustee board that acts in trust for, and on behalf of, stakeholders.

24. Advocates consider that this model provides the assurance that the university governance body – i.e. the trust – will act for, and on behalf of, the university and its stakeholders, including the public and students.

25. The trustee model has no guarantee of strong governance skills among members or of their accountability.

Amalgam models

26. Amalgam models of university governance combine features of faculty, corporate, stakeholder and trustee governance. By nature, amalgam models do not require councils to prioritise academic integrity over the principles of corporate governance, or vice versa. In practice, under this model the structure of the university governance body can reflect different priorities.

27. The most apparent benefit of the amalgam model is that it can incorporate the strengths of different governance models to suit the specific needs of a university and its stakeholders. For example, international trends show that the majority of universities that have moved, or are moving, towards a skills-based approach to governance do so by amalgamating the corporate and stakeholder models.

Current international trends

28. This section offers general trends in university governance across the United Kingdom and Ireland, Australia, Canada, the United States and continental Europe. Specific examples of council memberships from the UK, Australia, Canada, and the US are provided in Appendix One.

General Trends

29. International comparisons show that there is a general move to a skills-based approach to governance, even though there is variance across jurisdictions and universities. For example, Austrian and Danish universities have moved towards skills-based governance

approaches. Universities in Britain have similarly shifted towards a skills-based approach, though the Universities of Cambridge and Oxford are holding to traditional faculty governance models.

30. Reforms generally do not treat councils in isolation, but as one of three typical elements of university governance: council, academic board and chief executive(s). Overall, councils are increasingly populated by skilled leaders drawn from industry and commerce. Academic decisions remain largely in the hands of faculty, increasingly concentrated to the academic board. Management is undertaken by chief executives, with vice-chancellors (or equivalent) becoming increasingly redefined as chief executive officers (CEOs).

31. International comparisons also show that committees are often used to represent various stakeholder interests, especially where stakeholders have low representation on councils.

32. Whilst recognition is generally given to the benefits of smaller council sizes, in practice councils generally consist of 20 to 25 members.

United Kingdom and Ireland

33. Universities in the UK are largely referred to as leading the shift to skills-based governance.[4] In part, governance reforms in the UK have been necessitated by financial constraints brought about by decreased government funding and market fluctuations.

34. The Universities of Manchester and Nottingham have both been cited as having particularly effective corporate governance structures. In both cases they balance a strong governance council with strategic committees. The result is that skills-heavy councils are balanced by internally-appointed members and committees that represent the interests of the universities' various stakeholders. The University College London (UCL) offers a similar example.

35. The Universities of Cambridge and Oxford have been resistant to moving from a faculty/collegial model to a skills-based approach. The two institutions remain the only two British universities run by councils that consist of a majority of academics. Both institutions face pressure to move towards councils with greater external membership.

36. Universities in Ireland have minority external membership on councils. The Government recognises international shifts to skills-based governance and is pressing for reform, especially in limiting council membership to fewer than 18 with a majority of external members.

Australia

37. In the mid-1990s a series of reviews of Australian university governance recommended an amalgam corporate-stakeholder governance approach for universities. In particular, it was recommended that councils be comprised of the widest possible stakeholder views and engage external members with strong governance skills. Councils with majority external members were recommended, as were smaller councils of ten to fifteen members. Representation through committee relationships would be employed where appropriate.[5]

[4] See Trakman, cited above, and Barbara Sporn, "Convergence or Divergence in International Higher Education Policy: Lessons from Europe," *Forum for the Future of Higher Education* (2003): 31-44.
[5] David Hoare, "Higher Education Management Review" (1995).

38. University councils have increasingly moved towards skills-based council membership. Council membership is predominantly drawn from industry and commerce, with these external members bringing corporate values to institutions. University vice-chancellors or principals are increasingly being redefined as CEOs.

39. The examples of the Australian National University and the Universities of Melbourne, New South Wales and Sydney show that majority skills-based membership has been largely adopted, though the smaller council size has not. Australian National University is an exception, having adopted a smaller size for its council (15 members), though with external membership just below majority (7 members).

Canada

40. Some Canadian university councils show similar membership structures to institutions in other jurisdictions. The overall trend has, however, been somewhat different, with universities moving from an almost entirely skills-based approach prior to the 1970s, to an amalgam of a corporate and stakeholder model in order to represent faculty and students (and in some cases general staff and alumni) on their governing bodies.

41. More recently, some universities, such as those in Ontario, are refocusing on skills-based approaches in response to reduced government funding, the abolition of mandatory retirement and the decline of full-fee-paying international students.

42. The examples of the University of Toronto, the University of British Columbia and McGill University show councils that reflect this skills-based approach with significant external membership, though not majority. The University of Toronto is an outlier regarding council size, with membership numbering 50.

43. The respective roles of university councils and academic boards have become cause for some concern for those vested in faculty representation. In some institutions, two members of the council are appointed to sit on academic boards in order to foster better communication between the bodies. Concern has been raised that this erodes faculty contribution to governance and that increased external membership on councils generally is having a similar detrimental impact on faculty governance roles.

United States

44. Because of the sheer number of institutions in the United States, the variance in approaches to governance is wide. Despite this, a number of generalisations can be made about public institutions.

45. Public universities in the United States often belong to large university systems which often have a single governing body. The governing bodies often consist wholly or largely of state-appointed members with strong obligations to state government.

46. Governing structures of public universities are strongly reflective of corporate models, with efficiency and accountability prioritised and with members chosen for their skills therein.

47. For example, the University of California and the University of Wisconsin are public university systems that have a single governing body. In both cases, the large majority of council members are appointed by the respective state governors (the Governor of California also sits on the University of California governing council).

48. Also, private universities often have skills-based approaches to governance, including Stanford University and the Massachusetts Institute of Technology (MIT).

Continental Europe

49. Since the early 1990s European states have increasingly deregulated and decentralised the administration of public universities by granting more institutional autonomy to the institutions, and by strengthening leadership structures with the introduction of new skills-based approaches to governance, enhanced accountability settings, and performance contracts.

50. Reforms were motivated by the need to respond to problems such as funding cutbacks, inefficiencies, over-regulation and inflexibility, and by successes seen in UK and US practices.

51. Along with recruiting council members externally in order to populate councils with skilled members, universities are increasingly offering professional development opportunities to faculty in order to develop their leadership and governance skills. This creates council members who are both highly skilled and representative.

52. The European experiences show that universities with council membership evenly split between external and internal stakeholders have felt significantly less controversy from academics concerned with diminished representation and have better balanced the issues of institutional autonomy and academic freedom with corporate governance principles.

53. Austria is seen as particularly innovative in its approaches to university reform, particularly for its small councils. Sweeping changes in 2002 prioritised institutional autonomy, performance contracts and highly skilled councils. University boards consist of five to nine members, jointly nominated by the ministry and each university's academic board. The state ministry has a supervisory role, steering universities from a distance through performance contracts and partial control over board nominations.

54. Denmark has addressed its university governance structures as part of larger reforms aimed to make its universities more innovative and output-oriented. University reforms were not made in response to a perceived failure of universities. Both prior to and following the reforms, Danish universities were regarded as among the finest in Europe in both education and research. However, the political view was that the universities could be doing more to produce a highly qualified, globally competitive workforce and to improve both the relevance of their research and the diffusion of that knowledge to the private sector. Reforms to university governance involved changing faculty-dominated councils to councils populated largely by external members with strong governance skills. Council positions remain for faculty and student representation.

Conclusion

55. Notwithstanding the sometimes immense variance across jurisdictions and universities, the adaption of a skills-based approach to university governance is evident as a trend. Externally elected and/or appointed members are increasingly present on university councils, thereby bringing governance expertise to universities.

56. Trends are less conclusive regarding council size. Whilst the benefits of smaller councils have been articulated, in practice fewer institutions are limiting their council size than are taking on highly skilled members.

Appendix One: Selective International Comparison of Memberships of University Councils

Institution	Members	Member Breakdown							Percentage of External Members*		
		internal members				external members					
		ex officio	academic staff	general staff	students	alumni	appointed externally	appointed internally	incl. alumni	excl. alumni	appointed externally
Canada											
University of Toronto	50	2	12	2	8	8	16	2	***52%***	36%	32%
University of British Columbia	19	2	3	2	3	0	9	0	47%	47%	47%
McGill University	25	2	4	2	2	3	0	12	***60%***	48%	0%
United Kingdom											
University of Cambridge	25	2	8 to 16	up to 8	3	0	0	4	16%	16%	0%
University of Oxford	25 to 28	10	11 to 14		0	0	0	4	14 to 16%	14 to 16%	0%
University College London	20	3	3	3	0	0	0	11	***55%***	***55%***	0%
University of Manchester	25	2	7	2	0	0	0	14	***56%***	***56%***	0%
University of Nottingham	30	0	15	0	2	0	0	18	***60%***	***60%***	0%
Australia											
University of Melbourne	20	3	2	1	2	0	6	6	***60%***	***60%***	30%
Australian National University	15	2	3	1	2	0	7	0	47%	47%	47%
University of New South Wales	22	3	4	1	2	4	6	2	***55%***	36%	27%
University of Sydney	22	4	4	1	2	5	6	1	***55%***	32%	27%
United States											
University of California system	26	7	0	0	1	0	18	0	***69%***	***69%***	***69%***
University of Wisconsin system	18	2	0	0	2	0	14	0	***78%***	***78%***	***78%***
New Zealand											
University of Auckland	18	1	3	1	2	3	4	4	***61%***	44%	22%
Auckland University of Technology	15	1	2	3	1	0	4	4	***53%***	***53%***	27%
Lincoln University	19	1	2	3	2	2	4	5	***58%***	47%	21%
Massey University	20	1	3	3	3	2	4	4	50%	40%	20%
University of Canterbury	20	1	3	3	2	4	4	3	***55%***	35%	20%
University of Otago	18	1	3	3	2	3	4	2	50%	33%	22%
University of Waikato	17	1	3	1	1	0	3	8	***65%***	***65%***	18%
Victoria University of Wellington	20	1	3	1	2	4	4	5	***65%***	45%	20%

*Bold figures indicate majority external membership.

Document 18

Vladka Smith

From: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Sent: Wednesday, 5 June 2024 9:54 am
To: James Campbell
Cc: Alastair MacCormick
Subject: Re: Academic governance

Thanks James

This is very helpfui
Given this is clearly one area we have to address and update would be most helpful
I am particularly interested in the key appointment of the chancellor and VC

Peter

Sir Peter Gluckman ONZ KNZM FRSNZ FMedSci FISC FRS
University Distinguished Professor
Koi Tū; The Centre for Informed Futures
President; International Science Council

9(2)(a)

PA Emily emily.strong@auckland.ac.nz

This address should not be used for matters related to the science sector or university advisory panels (the reviews).
Please address correspondence on these to chair@ssag.org.nz or chair@uag.org.nz

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From: James Campbell <James.Campbell@education.govt.nz>
Date: Tuesday, 4 June 2024 at 15:49
To: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Cc: Alastair MacCormick 9(2)(a)
Subject: RE: Academic governance

Kia ora Sir Peter

We haven't done any comparisons on this ourselves for quite a long time - the most recent thing that I am aware of is the attached briefing from 2012, which was produced to inform some of the governance changes progressed by Steven Joyce. Obviously out of date now though, including on NZ governance arrangements.

In terms of international literature, nothing immediately jumps out at me. The OECD produces material that touches on university governance, but nothing recent that I could see that addresses your question directly. What I could find (such as https://etico.iiep.unesco.org/sites/default/files/2018-05/46064461.pdf) looks somewhat out of date and probably not quite what you're looking for anyway.

If you are interested we could spend some more time digging and/or produce something for the group on this topic.

Regards
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy

9(2)(a)

-----Original Message-----
From: Peter Gluckman <pd.gluckman@auckland.ac.nz>
Sent: Tuesday, June 4, 2024 2:13 PM
To: James Campbell <James.Campbell@education.govt.nz>
Cc: Alastair MacCormick 9(2)(a)
Subject: Academic governance

James
Is there a comparative study of the shape of university councils and the processes of their appointment and that of vice chancellors anywhere

Peter
Sent from my iPhone

Document 19

Vladka Smith

From: James Campbell
Sent: Friday, 7 June 2024 5:16 pm
To: pd.gluckman@auckland.ac.nz; Alastair MacCormick
Cc: 9(2)(a) @tec.govt.nz; TEC - 9(2)(a) ; hema.sridhar@auckland.ac.nz; Jill Rolston
Subject: Proposed reference material for 13 June
Attachments: Draft international university comparisons June 2024.docx; UAG Briefing -Differentiation in the Aotearoa New Zealand university sector.docx 19a, 19b

Kia ora Sir Peter, Alastair

As previously discussed, we have been working with the TEC on reference papers (attached in draft) for the UAG's full day meeting on 13 June:

- Analysis on differentiation in New Zealand's universities, information on the profiles, specialisations, and outcomes of study at each of the universities.
    - This could sit alongside the piece of analysis that MBIE has done on the role of the universities in the research system.
- An international comparison of the higher education systems of other key jurisdictions, including how they define a university and how they manage their university systems (with a particular focus on how they promote coordination and differentiation).

Both of these products still need final proofing/formatting etc, but I wanted to share them with you now in case you have any feedback, ahead of providing finalised to versions to share with the UAG on Monday alongside the agenda etc. The documents are relatively long, but are hopefully helpful as reference material for your intended discussion. While we would have limited capacity to add significant additional content, we would certainly look to make any adjustments we could, and could also look to have any supplementary information you're looking for ready in time for the meeting on 13 June.

Otherwise I think we are all looking good for the session on 13 June. I've just finally heard back from the Minister's office that she will be available to attend remotely from 11-11.30am – Hema are you okay to build this into the final agenda?

We have commenced work on submissions analysis, and are still aiming to have some initial summary material ready by 13 June in case it is useful for the discussions.

Please feel free to give me a call if you have any questions or would like to discuss.

Ngā mihi
James

James Campbell | Senior Policy Manager, Tertiary Education
Te Pou Kaupapahere | Policy
9(2)(a)

University systems – international comparison

Contents

Purpose

To provide a brief overview of higher education systems in other jurisdictions, with an emphasis on how those systems are governed and on any mechanisms for promoting differentiation or cooperation. We have defined 'higher education' as provision at bachelor's degree level and above, but have focussed primarily on those institutions labelled as universities (noting that the use of this term differs between jurisdictions). The information is necessarily high level, but is intended to be sufficient to inform discussions about different approaches that New Zealand could explore.

Key points and comments

- The proportion of adults aged 25-64 with a bachelor's degree or above tends to be similar or slightly higher in the comparator countries than New Zealand (the overall OECD average is 35%). These figures are affected by migration so do not solely reflect domestic study patterns.
    - A much smaller proportion of New Zealanders complete post-graduate study (6% of adults have a master's degree or doctorate, compared to the OECD average of 15%).
- The role and scope of universities differ significantly between jurisdictions. In some jurisdictions there is a clear demarcation between vocational education and higher education, with different types of institutions playing different roles within higher education. Accreditation of a provider as a particular type of university or other institution is a common way of promoting differentiation.
    - While the TEC works with TEOs to try to minimise unhelpful duplication, New Zealand has generally sought to avoid placing hard divisions between different levels and types of tertiary education, noting that there is value in maintaining flexibility and a variety of delivery models. Previous reforms which have sought to 'steer' the system more explicitly have not been successful, with some previous Government's preferring to strengthen market forces, relying on competitive pressures to send the right signals to providers.
- In most jurisdictions, universities are authorised to undertake their own quality assurance of programmes, subject to oversight by an external accrediting body. Some types of universities or other higher education providers with a more limited scope may be subject to external quality assurance of programmes.
    - New Zealand's quality assurance system for the universities (approval of programmes by a committee of UNZ, with external audit by a subsidiary of UNZ) is unusual internationally, although UNZ strongly argues that it has been very successful at maintaining standards and is a mechanism for avoiding duplication of provision.
- Funding systems are often a key mechanism in incentivising universities and other providers to coordinate and differentiate and to otherwise support the Government's objectives for the system. While there are significant differences between funding systems, the two main models are primarily formulaic volume-based funding or some form of negotiated base grants (many systems incorporate a mixture of the two).
    - We can provide more detailed advice on New Zealand's funding system and opportunities for reform at the relevant phase of the UAG's work.
- National strategies or similar are often used to set out the government's expectations of universities and other higher education providers, including setting out the priorities.
    - While New Zealand's Tertiary Education Strategy (TES) is intended to drive the TEC's decision making and provider investment plans, it is not clear that it does so effectively. The TES is comparatively very high level and focussed on setting out high level shared goals for the sector. It does not provide a clear sense of the Government's specific aspirations for the tertiary sector (e.g. a vision for what the sector will look like in the future) or any detailed direction on the priorities that it expects the TEC or providers to pursue.

New Zealand

System snapshot

Higher education institutions	Number of domestic students (2023)	Number of international students (2023)	Percentage residents aged 25-64 with bachelor's degree or above
8 universities	147,915	29,300	36%
Te P kenga	112,440 (24,490 at bachelor's level or above)	7,640 (5,390 at bachelor's level or above)	
3 Wānanga	34,895 (1,875 at bachelor's level or above)	25 (20 at bachelor's level or above)	
Private training establishments	56,565 (8,020 at bachelor's level or above)	5,915 (2,615 at bachelor's level or above)	

Overview of higher education system

Unlike some other jurisdictions, New Zealand does not draw a hard divide between higher education (defined as bachelor's degree level and above) and other forms of tertiary education. While universities have a key role in the system (as outlined in the accompanying note on differentiation in the New Zealand university sector), other providers play important roles in specific areas of the tertiary education system:

- While Te P kenga is focussed on vocation education, it delivers a significant number of degree level programmes, although this differs significantly between regions and campuses. Delivery has a strong applied focus, and while it provides a broad range of degree-level delivery, enrolments are concentrated in nursing (~30%), business and management (~18%), information technology (~11%), and social work (~9%). Has around 2,400 students at a master's level (primarily in commerce subjects) and a very small number of doctorate students.

- The three Wānanga are kaupapa Māori tertiary institutions, with a distinctive role in the tertiary system, including as kaitiaki of mātauranga Māori, te reo Māori, and tikanga Māori within the tertiary education sector. The Education and Training Act was amended in 2023 to update the characteristics and institutional forms of the Wānanga to better reflect the role they play in the system (see in particular s398D of the Act). Each of the Wānanga have their own distinctive roles and aspirations, which is reflected in the scope and focus of their provision. Wānanga delivery integrates mātauranga Māori and at a degree level is focussed on te reo Māori, creative arts, health and teacher education. All three of the Wānanga offer Master's degrees and Te Whare Wānanga o Aotearoa offers doctorate level study.

- Private training establishments (PTEs) that offer higher education tend to specialise in particular niche areas, in particular in education, health, and information technology.

Definition of a university

The Education and Training Act 2020 [s268] defines a university as a publicly owned institution characterised by a wide diversity of teaching and research, especially at a higher level, that maintains, advances, disseminates, and assists the application of knowledge, develops intellectual independence, and promotes community learning. Universities are also expected to:

- be primarily concerned with more advanced learning, the principal aim being to develop intellectual independence
- have research and teaching that is closely interdependent and most of their teaching done by people who are active in advancing knowledge
- meet international standards of research and teaching
- be a repository of knowledge and expertise
- accept a role as critic and conscience of society.

The legislation states Parliament's intention to preserve and enhance academic freedom and the institutional autonomy of universities (and wānanga) and requires government agencies and Ministers to give effect to this intent [s267].

Each of the universities (other than the Auckland University of Technology) also have their own establishing legislation, although most of the substantive provisions of this legislation have been repealed.

Funding system

New Zealand's tertiary education system is funded by a combination of tuition subsidies and regulated fees in relation to domestic students, the Performance Based Research Fund, other research funding, international student fee revenue and other revenue sources. The Minister sets funding rules (e.g. funding rates, monitoring requirements), while the TEC invests funding based on an assessment of providers' investment plans against the objectives of the Tertiary Education Strategy, past delivery and performance, and information about what provision is needed regionally and by employers.

Student loans and allowances aim to reduce barriers to participation and are administered through MSD and Inland Revenue.

Quality assurance system

Outside of the university sector, the New Zealand Qualifications Authority (NZQA) accredits and quality assures tertiary providers, qualifications, programmes, and micro-credentials, and operates the New Zealand Qualifications and Credentials Framework (NZQCF).

Quality assurance within New Zealand universities is delegated in legislation to the Vice Chancellor's Committee (operating as Universities New Zealand). The Committee on University Academic Programmes (CUAP), a committee of Universities New Zealand, oversees the approval and accreditation of new academic programs and reviews existing ones to ensure they meet national standards. The Academic Quality Agency (AQA) conducts audits of universities' academic quality assurance systems, focusing on continuous improvement and adherence to established practices.

Australia

System snapshot

Higher education institutions	Number of domestic students (2022)	Number of international students (2022)	Percentage residents aged 25-64 with bachelor's degree or above
37 public Australian universities	1,024,142	379,712	39%
3 private Australian universities and 3 international universities	78,615	68,930	

Overview of higher education system

There are 198 registered institutions offering higher education in Australia, 42 of which are universities. Of the remaining HEIs, 149 are "institutes of higher education" and six are "university colleges" and are collectively known as NUHEPs (non-university higher education providers). Higher education in Australia consists of awards spanning levels 5 to 10 of the Australian Qualifications Framework and range from diplomas to higher doctoral degrees. However, some public sector vocational education providers (known as TAFEs) also deliver high education qualifications and some universities offer vocational qualifications.

Universities are distinguished by their research activity. The eight universities known as the "Group of Eight" (Go8) comprises Australia's leading research-intensive universities – University of Melbourne, the Australian National University, the University of Sydney, the University of Queensland, the University of Western Australian, the University of Adelaide, Monash University and UNSW Sydney.

Definition of a university

The Higher Education Support Act 2003 is the main piece of legislation governing higher education in Australia. Dictionary Schedule 1 Clause 1 in the Act states that:

> ***Australian university*** means a registered higher education provider:
> (a) that, for the purposes of the TEQSA Act, is registered in a provider category that permits the use of the word "university"; and
> (b) that:
> (i) is established by or under, or recognised by, a law of the Commonwealth, a State or a Territory; or
> (ii) is registered as a company under Part 2A.2 of the *Corporations Act 2001*.

Most universities have their own legislation, usually enacted by a state government. The term 'university' is also regulated.

Funding system

The Higher Education, Research and International Division of the Department of Education is responsible for all HE policy and funding and administers the Commonwealth Grant Scheme which provides tuition subsidies to higher education providers. The amount providers receive depends on the field of education offered. There are eight different levels or funding clusters.

Between 2012 and 2017 universities received funding based on student enrolment numbers, allowing them to admit an unlimited number of undergraduate students who met entry requirements. This led to increased university participation rates, particularly among underrepresented groups. However, in 2017, the government announced a freeze on the demand-driven system, capping funding at 2017 levels and later implementing performance-based funding linked to measures such as student outcomes and employment rates. This shift

aimed to control public expenditure, improve educational quality, and better align higher education outputs with labour market needs.

Research funding

Research Block Grant (RGB) funding is allocated each calendar year and calculated using a program-specific formulae by the Department of Education. Funding is awarded on the basis on the relative performance of each higher education provider in attracting research income and research degree completions. This funding supports research degree teaching through the Research Training Program and the indirect costs of research through the Research Support Program. National Competitive Research Grants are awarded and administered by the Australian Research Council and the National Health and Medical Research Council.

Quality assurance system

In the Australian university system, quality assurance is primarily overseen by the Tertiary Education Quality and Standards Agency (TEQSA), which ensures compliance with the Higher Education Standards Framework. TEQSA conducts regular assessments and accreditation processes, evaluating institutions on governance, financial viability, academic standards, student outcomes, and the quality of education. Some universities, particularly those with established records of high-quality education and robust internal quality assurance systems, are granted self-accrediting authority. These self-accrediting universities can independently approve and accredit their own courses without needing TEQSA's prior approval for each program. However, they are still subject to periodic external reviews by TEQSA to ensure ongoing compliance with national standards. Internal quality assurance mechanisms within these universities, such as comprehensive reviews and audits, support continuous improvement and uphold accountability in delivering high-quality higher education.

Approach to system coordination/specialisation

At present specialisation is more often driven by individual universities responding to market demands, industry needs, and their own strategic priorities. Government funding and research grants do encourage development in certain areas, but the direction is generally broad and allows universities considerable autonomy in how they choose to specialise. Collaborative bodies like Universities Australia promote sharing of best practices and resources, but do not enforce a centralized strategy for specialization.

Commentary – recent reviews and policy developments

Review of the Australian Research Council

In August 2022, the Minister for Education announced an independent review of the Australian Research Council Act 2001 (Cth) (ARC Review) to consider the role and purpose of the Australian Research Council (ARC). The ARC Review made 10 recommendations to improve the governance of the ARC and to enhance its role, its purpose and its budgetary arrangements. The key recommendation is the establishment of an ARC Board to provide independence and oversight of the peer review process for research grants.

Universities Accord

In November 2022, the Australian Universities Accord Panel was commissioned by the Australian Government to conduct a review of the higher education system and to create a long-term plan for reform. Its recommendations included:

- A new objective for a national tertiary education system
- Targets to drive improvements to national workforce participation and productivity including a tertiary education attainment target of at least 80% of the working age population
- Expanding opportunity to all including participation targets for students from population groups most under-represented in HE

- A leadership role for First Nations people in the HE system and establishment of a Ministerial advisory group
- A focus on student experience and outcomes including higher and more accessible income support for students who need it most
- A strengthened international education system with higher quality courses that better align with Australia's skill and migration needs
- A stronger research system building on quality research in universities including setting targets for Australia's overall national spending on R&D as a percentage of GDP, a new strategic research fund and a pathway to fully funding university research
- Establishing an Australian Tertiary Education Commission (TEC). TEQSA and ARC to form part of the Commission as independent statutory bodies under its umbrella but retaining their legislated roles.
- A better funding model to be managed by the new Australian TEC.

Ireland

System snapshot

Number of universities	Number of domestic students (2022/2023)	Number of international students (2022/2023)	Percentage residents aged 25-64 with bachelor's degree or above
7 universities	120,735	24,490	45%
5 technological universities	84,635	6,895	

Summary of higher education system

The Irish tertiary education system contains universities, technological universities, institutes of technology (which deliver technical and applied tertiary education), colleges of education, national institutions (such as the national military college or ambulance service college) and other institutions such as private education colleges. The Irish higher education system was characterised by a relatively binary distinction between the university sector and vocational training until the introduction of technological universities in 2018.

Ireland is a member of the European Higher Education Area (Bologna process) – see **Annex 1**.

Definition of a university

The Irish Universities Act 1977 (the Act) sets out the objects of a university, which include the advancement of knowledge and promotion of learning, contribution to economic and social development, and the training of high-level professional, technical and managerial personnel. The Act also requires universities to promote the languages of the State with special regard to Irish language and culture. Universities have a right to academic freedom.

The functions of technological universities are aligned with vocational training-focused institutes of technology, with an emphasis on degree-level education and industry-focused research. They are also expected to facilitate access and progression particularly through relationships with the further education and training sector.

Funding system

The Irish public funding for higher education has three core elements: a block grant including research support, funding ring-fenced for specific purposes (e.g. institutional restructuring arising from the national strategy or growing specific programmes) and performance funding. Performance funding allows for the withholding of up to 10% of the allocated block grant based on verified performance against agreed targets for the preceding year. Funding is allocated by the Irish Higher Education Authority.

Quality assurance system

Universities have primary responsibility for their own quality assurance (QA). Under the Act, universities are required to establish QA procedures that include regular evaluation of departments and faculties, and assessment of teaching, research and other services of the university (assessment must include feedback from students).

Quality and Qualifications Ireland is that state agency responsible for approval of qualifications. They also ensure that providers have appropriate QA procedures in place, and that these are implemented and effective.

Approach to system coordination/specialisation

The Higher Education Authority (HEA) is the key intermediary between the Irish government and the tertiary sector. The HEA monitors system performance by developing performance agreements with universities, which set out universities' contribution toward their institutional strategy and the National Strategy for Higher Education. The national strategy focuses on improving system flexibility, student experience, and connections between higher education, society and business. As part of an annual dialogue on performance, universities also submit an impact assessment case study to the HEA which informs the distribution of performance funding (see the funding section above).

While the HEA also has oversight over university governance, this is mainly through gaining assurance from universities that they are complying with relevant legislation and regulations.

Denmark

System snapshot

Number of universities	Number of students (2023) (combined domestic and international)	Percentage residents aged 25-64 with bachelor's degree or above
Universities	144,654	38%
University colleges	71,690	

Summary of higher education system

The Danish higher education system is made up of business academies (offering short, diploma-style programmes), special training institutions, university colleges, universities and higher education institutions.

Separate to the vocational education sector, university colleges offer professionally-oriented bachelor's programmes. Universities offer undergraduate and postgraduate degree programmes, with "university-level institutions" offering programmes at the same level within distinctive subject fields such as architecture, design, music and fine arts.

Denmark is a member of the European Higher Education Area (Bologna process) – see **Annex 1**.

Definition of a university

The Danish Act on Universities states that the purpose of the university is to conduct research "ensure equal interaction between research and education, perform ongoing strategic selection, prioritisation and development of its academic research and educational fields and disseminate knowledge of the methods and results of science." Universities must also contribute to social development and the "development of international collaboration". Academic freedom is enshrined in the Act.

Funding system

In Denmark, public funding for higher education institutions has four main components:

- A basic grant that is independent of the development in full-time equivalent number of students;
- An activity grant that depends on the full-time equivalent number of students;
- A result grant that depends on the graduates' average time of study and the graduates' average employment rate after completion of their education programme;
- A quality grant that consists of the funding that was not implemented as result grants.

Funding is officially administered by the Minister for Science, Technology and Innovation and received in a lump sum – higher education institutions have autonomy over spending. Student fees (aside from tuition fees for international students) are fully subsidised by the government.

Quality assurance system

University programmes must be approved and quality assured by the Danish Accreditation Institution. Additionally, as part of the Bologna Process, Denmark has implemented the European Standards and Guidelines for Quality Assurance in the European Higher Education Area, and all public higher education study programmes must meet these international standards of quality and relevance.

Approach to system coordination/specialisation

Compared to New Zealand, the Danish Act on Universities provides the Minister for Science, Technology and Innovation with some significant powers over university activity (e.g. the Minister can lay down general rules regarding tests, examinations and grading). Notably, the Minister can approve exemptions to legislation or lay down special rules for governing collaboration activities between universities and other education or research institutions (or other universities).

Norway

System snapshot

Number of universities	Number of students (2023) (combined domestic and international)	Percentage residents aged 25-64 with bachelor's degree or above
10 universities (public) 9 specialized universities (6 public, 3 private)	227,548	36%
14 university colleges (7 public, 7 private)	71,514	

Description of higher education system

Norway has the following categories of higher education providers:

- Public universities, which offer the broadest range of academic programmes (from bachelor's through to doctoral degrees) and are a broad range of research and research training
- Specialised universities (both public and private) which offer bachelor's through to doctoral study in a particular field and are responsible for research and research training in these fields
- University colleges have a stronger emphasis on teaching than research and largely offer bachelor programmes in particular professional fields.

Definition of a university

The purposes of universities and university colleges are to:

- offer higher education at a high international level
- carry out research and professional and artistic development work at a high international level.
- disseminate knowledge about the activities and spread understanding of the principle of professional freedom and the application of scientific and artistic methods and results, both in the teaching of students, in their own work in general and in public administration, cultural life and enterprises.
- contribute to environmentally, socially and economically sustainable development.

Funding system

The Norwegian university system is primarily publicly funded, with domestic and EU students able to study at public institutions without tuition fees. Private institutions receive less public funding but are permitted to charge tuition fees.

Funding is allocated by the Ministry of Education and Research based on a combination of factors, including student enrolment numbers, research output, and institutional performance. Universities receive block grants that cover operational costs, salaries, and infrastructure, with specific allocations for research and development projects. This public funding model aims to promote equal access to quality education, support academic and research excellence, and ensure that institutions can operate without relying on tuition revenue.

Quality assurance system

The Norwegian Agency for Quality Assurance in Education (NOKUT) is responsible for accrediting higher education institutions as universities, specialised universities or university colleges to ensure they meet national standards of quality and relevance.

Full universities are permitted to self-accredit their programmes, as can some more established university colleges. Institutions permitted to self-accredit are subject to periodic reviews by NOKUT. Other institutions are required to seek NOKUT's approval for new programmes.

Approach to system coordination/specialisation

The Norwegian university system is coordinated primarily through the Ministry of Education and Research, which sets overarching policies, allocates funding, and ensures compliance with national educational goals, *as set out in the Long-Term Plan for Research and Higher Education 2023-2032*. The Ministry of Education and Research can also set regulations in a number of areas, for example instructing universities to coordinate on admissions policies and on recognition of prior learning.

The Norwegian Universities and Colleges Admission Service (NUCAS) runs a centralised admission process for all domestic students. Students submit their applications via NUCAS, including information such as school grades and prior study, and list their preferred programmes/providers. Universities set their specific admission requirements for programmes and the number of enrolments available in each programme, and NUCAS assesses students and makes offers based on these criteria.

Universities Norway (UHR) represents all of the universities and university colleges and provides a forum for coordination between institutions. While it does not appear to have a legislative role, it has strategic units for different disciplines and national strategic units (for functions such as research and education), which develop guidelines etc for members.

The Research Council of Norway funds specialized research projects. Centres of Excellence in Higher Education promote specialized teaching and research initiatives.

Finland

System snapshot

Number of universities	Number of university students (2023) (combined domestic and international)	Percentage residents aged 25-64 with bachelor's degree or above
13 universities	174,748	35%
22 universities of Applied Sciences	174,587	

Description of higher education system

Finland, as a member of the European-wide Bologna process (see **Annex 1**), has a binary system of higher education consisting of 13 public universities and 22 universities of applied sciences. Vocational education is a separate part of the education system.

University consortiums supplement the Finnish university network in regions that do not have their own universities and they coordinate academic activities in their respective areas. The universities of applied sciences, the municipalities and the regional council of the region often also take part in this cooperation. For example, the University of the Arctic, established in 2001, is a network of universities, colleges, research institutes and other organisations concerned with education and research in and about the North.

The Ministry of Education and Culture (MEC) is responsible for higher education and science policy, legislation and funding. It sets the overall objectives of Finland's higher education policy and are based on the Government programme:

- to promote Finnish competitiveness, well-being, education and learning as well as sustainable development,
- to anticipate and help regenerate society, culture and working life and make sure the required highly educated workforce is available,
- to develop higher education institutions as an internationally competitive entities where each institution also responds to regional needs.

In 2017, the MEC published *Vision for higher education and research in 2030*. The aim was to formulate a future scenario to enable the development of a high-quality, effective and internationally competitive higher education system in Finland by the year 2030[1].

Definition of a university

Finnish higher education institutions are autonomous. Universities of applied sciences are public limited companies whereas universities are independent legal entities.

Section 2 of The Universities Act 2009[2] states that:

The mission of the universities is to promote independent academic research as well as academic and artistic education, to provide research-based higher education and to educate students to serve their country and humanity at large. In carrying out their mission, the universities shall promote lifelong learning, interact with the surrounding society and promote the social impact of university research findings and artistic activities.

[1] Vision 2030 - OKM - Ministry of Education and Culture, Finland

[2] en20090558_20160644.pdf (finlex.fi)

The universities shall arrange their activities so as to ensure a high international standard in research, artistic activities, education and tuition in conformity with research integrity.

The Universities Act also sets out the duration of the academic year and academic terms as well as the "normative duration" of degrees upon which targets are based.

The mission of the universities of applied sciences (UASs) is defined in Section 4 of the Universities of Applied Sciences Act[3] as:

> *The mission of universities of applied sciences is to provide higher education for professional expert tasks and duties based on the requirements of the world of work and its development and on the premises of academic research and academic and artistic education and to support the professional growth of students.*
>
> *The mission of universities of applied sciences is also to carry out applied research, development and innovation activities and artistic activities that serve education in universities of applied sciences, promote industry, business and regional development and regenerate the industrial structure of the region. In carrying out their mission, universities of applied sciences shall provide opportunities for continuous learning.*

Funding system

In Finland, education is free at all levels except for adult education. In higher education, private funding is about 4% of total expenditure. Higher education students must buy their learning materials or use public library services. Meals, health, and welfare services are subsidised by the state.

Total expenditure on education as a percentage of GDP was 5.2% in 2021 (EUR 13 billion). The university education and research share amounted to nearly EUR 2.5 billion (19%). Vocational education accounted for EUR 2 billion (14%).

Core funding for higher education institutions is appropriated annually through the Budget process. Higher education institutions also receive financing from other sources such as the Research Council of Finland, Business Finland, foundations, enterprises, the European Union, and other international sources. In 2023, central government funding for universities of applied sciences was EUR 954 million and for universities EUR 1,999 million.

Quality assurance system

Since 2005, the Finnish Higher Education Evaluation Council (FINHEEC) has conducted audits of the quality assurance (QA) systems of higher education institutes (HEIs). FINHEEC is an independent authority responsible for the national evaluation of education in its entirety, It is listed in the European Quality Assurance Register for Higher Education (EQAR) and a member of the European Association for Quality Assurance in Higher Education (ENQA).

FINEC assesses the comprehensiveness, performance and effectiveness of the QA system and focuses on two levels: the higher education institution's QA system as a whole and the quality assurance related to the institution's basic mission (education, research/R&D, interaction with and impact on society and regional development).

Approach to system coordination/specialisation

Every four years, higher education institutions and the MEC agree on performance measures covering the following: common objectives for the higher education system, key measures for each higher education

[3] en20140932_20200516.pdf (finlex.fi)

institution, the tasks, profile, core areas and newly emerging scientific fields in each higher education institution, degree objectives as well as the appropriations allocated based on these. The agreement also specifies how the outcomes of the objectives will be reported on.

The MEC reports that other steering measures it uses (such as information sharing) "…aim to encourage and engage higher education institutions in other action that require mutual interaction. Ministry representatives visit each higher education institution during each agreement period and organise regional events for actors and key stakeholders in the field to strengthen mutual interaction".

Singapore

Number of universities	Number of students (2022) (combined domestic and international)	Percentage residents aged 25-64 with bachelor's degree or above
6	122,809	37%

Description of higher education system

Within the Singaporean higher education system there are six publicly funded autonomous universities, which are relatively specialised in terms of subject focus and research intensity. Specifically, the universities can be distinguished as either research-intensive or applied-degree pathway universities.

The post-secondary education sector also includes five polytechnics (which focus on professional technical and economic fields resulting in an advanced diploma), ten branch campuses of foreign higher education institutions, two private post-secondary institutions focussing on the arts, a newly-established publicly funded private university, and other government-affiliated education institutions offering specific diploma and degree programs.

Definition of a university

There is no single definition of a university within Singaporean legislation – each university is established under its own Act.

For the large, research-intensive National University of Singapore, functions within legislation include the provision of education facilities, the advancement and dissemination of knowledge and research, the conferring and awarding of degrees, diplomas and certificates. The Singapore Institute of Technology, which focuses on applied education and science and technology, has a more simplified function within legislation to "to pursue, within the limits of the financial resources available to it, the objects provided by its constituent documents and, in particular, to confer and award degrees, diplomas and certificates..."

Funding system

Singapore's Ministry of Education provides an annual recurrent block budget to the universities based on their actual enrolment each year and their respective capitation rates. Universities are allowed to retain operating surpluses.

The Academic Research Division within the Singaporean Ministry of Education manages research funding for higher education providers. The Singaporean government has a strong commitment to research investment with multiple funds available for academics and public research institutions.

Quality assurance system

Each university is required to develop a Policy Agreement and a Performance Agreement with the Ministry, which set out the margins of universities autonomy in their activities and the targets in the areas of teaching, research, service and organisational development over a five-year period, respectively. Universities are required to submit annual reports on their progress on the targets within their Performance Agreement to the Ministry. The Ministry also oversees general quality assurance policy.

Approach to system coordination/specialisation

Universities have the ability to determine their own strategies and directions, in line with their Policy and Performance agreements. As mentioned, the university sector in Singapore is relatively specialised, with universities varying in research intensity and subject focus (e.g., Nanyang Technological University is a

comprehensive and research-intensive university with a strong focus on STEM, while Singapore University of Social Sciences provides an applied education that targets both fresh school leavers and adult learners, in the domain of the social sciences, and disciplines that have a strong impact on human and community development).

The government provides targeted funding and grants to develop strengths in strategic areas, aligning with national economic priorities. Autonomous universities have the flexibility to design specialized programs and research centers, while industry collaborations ensure that offerings remain relevant to market needs. The SkillsFuture initiative encourages lifelong learning and the development of specialized courses aligned with emerging skills. Additionally, Research Centres of Excellence (RCEs) in specific fields drive advanced research and attract top talent. These mechanisms collectively ensure that universities in Singapore remain responsive to economic and technological advancements.

California (USA)

System snapshot

Number of universities	Number of students (2023) (combined domestic and international)	Percentage residents aged 25-64 with bachelor's degree or above
University of California (ten campuses)	295,573	37%
California State University (23 campuses)	454,640	
116 California Community Colleges	~2 million	
~310 private colleges (nonprofit and for profit)		

Summary of higher education system

The California Master Plan for Higher Education was originally adopted by the Californian legislature in 1960, and has subsequently been periodically updated. The outlines the missions of the public higher education providers:

- The University of California (UC): Offers Bachelor, Master, professional degrees and the Ph.D., primary research and public service function, minor responsibility for Teacher Credential
- The California State University (CSU): Offers Bachelor and Masters degrees, primary responsibility for Teacher Credentials, minor research and public service functions.
- Californian Community Colleges: Offer two-year academic degrees as preparation for UC and CSU, vocational and adult education, and non-credit education.

The Master plan also sets out principles for learning support, funding and quality assurance, as well as admission rules for each subsector:

- The top one-eighth of high school graduates are eligible to attend the University of California.
- The top one-third of high school graduates are eligible to attend California State University
- Community colleges are open to all high school graduates and adults who can benefit from tertiary education.

Private colleges are also part of the broader higher education system – these include both nonprofit and for-profit institutions, with non-profits ranging from large research institutions (e.g. Stanford) to small liberal arts colleges, and for-profit institutions awarding a large share of sub-degree qualifications.

Funding system

The funding system for Californian universities, particularly the University of California (UC) and California State University (CSU) systems, is a combination of state appropriations, tuition and fees, federal funding, grants, and private donations. State funding, allocated by the California State Legislature, is a significant component but has fluctuated over the years, impacting tuition rates. Both the University of California and California State University systems enter into multi-year compacts with the state government that set out funding increases in exchange for commitments to make progress on shared goals for increasing student access and success.

Tuition and fees paid by students provide a substantial portion of revenue, with in-state and out-of-state students paying different rates. Federal funding supports research initiatives and financial aid, while grants and contracts from various agencies and private donations also contribute to the financial stability and development of the universities.

Quality assurance system

UC campuses are accredited to approve programmes by the Western Association of Schools and Colleges (WASC), which evaluates the quality of higher education institutions through a peer review process. Graduate programmes require approval by the University of California.

Approach to system coordination/specialisation

The California Master Plan sets out specific roles for the different categories of institution. While there is limited coordination between UC, CSU and the community colleges, there are mechanisms within the two universities. Within the University of California (UC) system, several mechanisms promote specialization. The UC system fosters research excellence, interdisciplinary collaboration, and partnerships to cultivate expertise in various fields. This is facilitated by specialized institutes and centres, professional schools, and colleges offering tailored programs, and collaborative initiatives with industry and government.

The Office of the President of the University plays a central role in coordinating system-wide efforts, setting strategic priorities, and facilitating collaboration among the UC campuses. Through strategic planning, resource allocation, and policy guidance, the Office of the President supports the development of specialized programs, research initiatives, and partnerships that advance the UC system's mission of education, research, and public service while addressing the evolving needs of California and society at large.

Annex 1: Policy arrangements in Europe

The European Union and the Bologna process

Binary systems in Europe began to emerge in the 1960s and 1970s as an explicit policy response to increasing participation in higher education. It was believed that the creation of new vocational institutions would answer the need for professional qualifications and provide specialised occupational skills and relieve the pressure on universities.

Although vocationally focussed higher education institutions in many European countries do not have the right to grant PhDs, over time the distinction between academic and vocational curricula has become blurred. The distinction has become even more so as non-university institutions develop their research capability and capacity in order to compete with universities.

The Bologna process was initiated with the Bologna Declaration in 1994. The aim was to introduce a more comparable, compatible and coherent system for European higher education. The process is an inter-governmental voluntary undertaking by each signing country to reform its own education system by:

- creating a system of academic degrees that are easily recognisable and comparable
- promoting the mobility of students, teachers and researchers; and
- ensuring high-quality learning and teaching.

Key focus areas of the process include lifelong learning, employability, funding, degree structures, international openness, data collection, and quality assurance. The process is currently implemented in 48 member countries (the European Commission is also a member). The Bologna process has created a binary system of university (primarily research-focused) and non-university (primarily vocationally focused) sectors.

European quality assurance processes

In most European countries, higher education institutions or study programmes are subject to regular external review by a quality assurance agency. The European Quality Assurance Register for Higher Education (EQAR) is an independent register of quality assurance agencies which have demonstrated compliance with a common set of principles for quality assurance in Europe – the European Standards and Guidelines (ESG). Although membership is not compulsory, most European Higher Education Area (EHEA) countries eligible to apply for governmental membership are members of EQAR.

Control through quality assurance agencies is usual in Europe. Most agencies are registered associations, foundations or consortia and hence not-for-profit private entities. Some agencies include universities, but many exclude universities in the name of independent evaluation although individual academics as well as students are often members of the QA agencies. Some have argued that as European higher education reforms have loosened the ties between the state and universities, QA agencies have become intermediary bodies between the state and universities. Along with this change, has been an increased influence of the business world – employers' associations, chambers of commerce and trade and professions are often members of QA agencies, sometimes providing programme accreditation.

[4] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Ac11088 and http://www.ehea.info/