University Advisory Group Interim Report

The future of New Zealand's university system

September 2024

University Advisory Group

University Advisory Group

The University Advisory Group (UAG) was established by the Ministry of Education in March 2024 to provide advice to the Government on the needs of the university sector. Group members will consider challenges and aspirations of the many components of the sector, and its structure, efficiency and effectiveness.

This document is the first of two reports. It focuses on providing preliminary advice and recommendations.

The second report (due in early 2025) will provide further recommendations and advice on longer-term changes to ensure the future success of the university system in New Zealand.

Authors

Sir Peter Gluckman (chair), Alastair MacCormick (deputy chair), John Allen, Arihia Bennett, Phil O'Reilly, Dame Paula Rebstock, Sir David Skegg and Bella Takiari-Brame.

SSAG observers: Tracey MacIntosh, Hamish Spencer.

Project Lead: Hema Sridhar.

Published by the Ministry of Education, New Zealand, November 2024.

Mātauranga House, 33 Bowen Street
PO Box 1666, Thorndon
Wellington 6140, New Zealand.
www.education.govt.nz

ISBN: 978-1-77697-687-4 (online)

Preamble

On 25 March 2024, Cabinet approved the establishment of the University Advisory Group (UAG) to consider all components of the university system. In doing so it noted that:

"Our public research system, Crown Research Institutes and universities, face enduring structural challenges that get in the way of it delivering value to New Zealand. The system is fragmented, with poor visibility of the effectiveness of current investments, and suffers from duplication, inefficiency, and poor use of resources."

"The extent of the problems identified within both systems means that it would be surprising if the advisory groups did not recommend fundamental change."

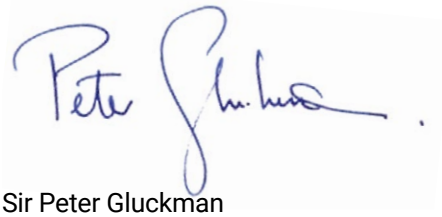
In accordance with the terms of reference, the panel has focused this interim report on a limited number of matters which include the purpose and functions of the university sector in New Zealand; whether and how universities should function in a more integrated system; whether there is adequate strategic consideration of the sector and issues of governance.

Furthermore, the UAG has also considered the Science System Advisory Group's (SSAG) first report, particularly focussing on those aspects pertinent to the higher education sector. The UAG's considerations on these matters are included in this report.

The UAG has conducted extensive consultation, with discussions and presentations across all eight universities, involving over 6,000 individual attendees, with vice-chancellors and chancellors, students' associations, and a wide range of academic and administrative staff. Panel members also benefited from intensive visits to each university in August. The UAG also met with a wide variety of other stakeholders including Universities New Zealand (through monthly engagements with the chancellors, vice-chancellors and research leads), NZQA, representatives of the Tertiary Education Union, government officials, Crown Research Institutes (CRIs), iwi representatives and the private sector. The panel consulted internationally with university system experts, senior officials and higher education experts in Australia, Singapore, Denmark, Norway, Israel, UK, Ireland and the OECD.

The UAG also sought submissions from the public in two separate rounds of consultations in May and August to inform this report. We received more than 160 written submissions in the first phase of consultation on the high-level principles affecting the system and a further 84 submissions in the second phase of consultation.

This interim report is aimed at providing an overview of the direction in our thinking, except in a small number of matters where the panel makes specific recommendations. A more in-depth report which elaborates further on the matters raised here will be provided in early 2025.



Sir Peter Gluckman
UAG Chair
September 2024

Contents

Recommendations

1. **Note** that the current tertiary education system, with the university sector as a part of it, is not operating optimally for New Zealand's productivity, social and broader interests. It is far from ideal for academic staff and students, and several universities face significant fiscal risk.
2. **Recommend** that urgency is given to addressing gaps in effective strategic governance and policy development in the university sector. The UAG recommends establishing a Higher Education Council (HEC) to undertake those roles and to develop appropriate oversight and funding mechanisms for the sector.
3. **Recommend** that changes are made in strategic planning, oversight and Crown contracting arrangements, such that the eight universities in New Zealand operate more cohesively as an integrated sector to meet New Zealand's future needs.
4. **Recommend** that the principles of institutional autonomy and academic freedom are ensured and respected. But universities must not become tools of ideology or partisan politics and should not limit freedom of speech beyond limits enshrined in law.
5. **Recommend** that greater differentiation at appropriate levels and domains between the universities should be encouraged and incentivised.
6. **Recommend** that university governance, academic governance and leadership need to be strengthened to be appropriate for the evolving and complex context in which they operate.
7. **Recommend** that academic governance must be strengthened to allow universities to take greater responsibility for their own academic performance. While universities must be managed well and Councils held accountable, this must not be an excuse for excess managerialism.
8. **Recommend** universities review their internal processes to reduce bureaucracy and excessive managerialism, which drive costs and diminish morale.
9. **Note** that in considering the future of New Zealand's university sector, greater consideration and cooperation is needed to understand the impact of digital technologies on the role of institutions, how they interact, how students learn and engage, and how research is conducted.
10. **Note** that universities need mechanisms to allow students to engage with academics in other institutions at both undergraduate and postgraduate levels.
11. **Note** that the UAG considered the recommendations made by the SSAG review and acknowledges and supports the recommendations relating to the university system (as well as the broader tertiary sector). Particularly relevant aspects of the SSAG review are:
    a. As the largest provider of publicly funded research, the university sector contributes in multiple ways to the health of the nation.
    b. The recommendation to establish a HEC to provide effective system governance of the university sector.
    c. The proposal to combine the ministerial functions for the universities (and potentially the whole of the tertiary education sector) with those of the science, innovation and technology (SI&T) ministry.
    d. The barriers between universities and the private sector and policy community can and should be reduced.

e. The relationships between universities and public research organisations (e.g. Crown Research Institutes) need to be as seamless as possible.

f. The issues regarding technology transfer and its barriers should be addressed, and the potential solutions include standardised rules for technology transfer and staff/student entitlements in the event of commercialisation.

g. The changing demographic of New Zealand presents challenges for future workforce and social development.

We recognise that these are high-level recommendations, and where appropriate and following feedback from the Ministry, Minister and Cabinet, the UAG panel will provide additional detail and further recommendations.

Executive summary

1. Universities are a critical instrument of a nation's social and economic development. They play an essential role in ensuring the health of a liberal democracy. Universities have multiple functions, and it is important to resolve what will be the central roles of publicly funded universities over the next two decades in liberal democracies such as New Zealand.
2. Internationally there is growing commentary, especially in Europe, about the need for fundamental rethinking of how national university systems and public universities operate. Many universities have been seen as slow to recognise changing needs in the tertiary education sector and to shift their strategies accordingly.
3. The most obvious role of the university is its educational function to provide a broad range of graduates with both general and vocational education. However, in a rapidly changing world, universities need to adapt to new ways to meet the needs of learners at different stages of their careers into the future.
4. Universities are the largest provider of publicly funded research. The multiple purposes of such research encompass knowledge generation as an end in itself; knowledge to assist society and governments through protecting the assets of a country and developing public policy; research that is the basis of fuelling an innovation economy; and research that supports professional practice (e.g. in medicine and healthcare, and in the law).
5. Universities in New Zealand are critical tools of social and socioeconomic mobility. University education provides a critical path for individuals from disadvantaged backgrounds to move towards greater equality within society.
6. In recent years, universities in New Zealand have had to invest more in educational remediation, and this is concerning.
7. Universities are a critical intellectual wellspring for a nation. They create a community of scholars, both developing and absorbing understandings in a range of disciplines and transmitting that knowledge in multiple ways to the broader community, particularly through developing the intellectual skills of the next generation. They are an important component of a nations' international connectivity. Academic freedom allows universities to take a core role as a critic and conscience of society and to be central to ensuring a vibrant liberal democracy.
8. However, we cannot ignore that the review is taking place in the context of New Zealand facing significant economic and productivity challenges, along with societal challenges including growing concerns about the cohesiveness of our society. How will New Zealand sustain itself in a rapidly changing world?
9. There are also specific contextual issues confronting universities. These include the size of the system, which has grown over recent decades to match demand and expectations, but which is somewhat mismatched to resources available; its relationship to other parts of the tertiary education sector; and debates over the societal roles of universities. Of particular focus is the rapidly changing impact of technologies, which will affect how young people develop, and how knowledge is gained, communicated and learned. These factors may fundamentally change how universities operate.
10. The eight New Zealand universities show some degree of autonomously driven differentiation, but the sector is not functioning well as an integrated system. There is evidence of both deficient cooperation in areas where more is desirable and excess competition beyond that desirable for student choice and quality assurance. This inevitably generates costs and

inefficiencies. The current funding system tends to encourage these expensive institutional behaviours, both in the interactions of universities with each other and in their internal operations.

11. The question then becomes whether the eight universities should function more as a system to maximise benefit to New Zealand. These inquiries lead us to question the state of strategic oversight of the system, governance arrangements, and operation and performance of each of the institutions.
12. The current model of system oversight is not optimal. There are gaps in how strategic policy is formed for the university system and its relationships to the remainder of the tertiary sector, the research sector and end-users in government and civic society, including business. It is apparent that the sector needs more effective system governance, as is provided for in many other nations.
13. University policy settings are currently the responsibility of the Ministry of Education and focus largely on either fiscal allocation to the Tertiary Education Commission (TEC) to manage, or on student allowances and loan policy. Inadequate attention has been given in recent years to the national expectations and development of the sector and to the degree of sector-wide coordination. This has led to the issues of inefficiencies, duplication and inappropriate competition.
14. On examination of the state of university governance, the preliminary view is that greater clarity is needed as to roles of Councils and what's expected of them, and that the processes of appointment – at least of ministerial appointments to Councils – needs review.
15. There is considerable variation between universities in academic governance, including the shape of academic boards and their performance and utility. Universities have diminished their commitment to genuine academic governance by allowing growing managerialism.
16. Good management practices are not synonymous with excess bureaucracy. Yet due to compliance requirements as well as increasingly managerial and low-trust attitudes within universities, there appear to be excessive costs incurred and increased inefficient burdens on academic staff.
17. While funding models will be a focus of the next phase of our review, we recognise several issues. One is the problematic consequences of the volume-based approach, which includes within-sector excessive competition, discounting of high-cost courses, etc. Another is that the Performance-Based Research Fund (PBRF) has large compliance costs, yet some research weighting and perhaps other forms of incentive are needed to ensure the broader range of functions of the university are met.
18. Core to the function of universities are their relationships to the other components of tertiary education, to the research system, to the policy community, and to broader society and business. These relationships must be considered when exploring the appropriate funding mechanisms and accountabilities for the sector to operate optimally for New Zealand's benefit.

Fiscal situation

19. The review takes place in the context of evidence from the sector of fiscal challenges, both at the institutional level and in the costs facing students. Currently the Crown invests approximately $2bn (about 0.65% of GDP) in the university sector (including the cost of the student support system), directly and indirectly.[1]

20. Six of the eight universities are judged by TEC to have some level of financial risk, which is quite significant in several cases. This reflects multiple factors – overly optimistic estimates of student growth, investment in inappropriate infrastructure, and poor strategic planning and conservatism about the operating model of universities in changing times.
21. The funding model is largely volume-driven by Equivalent Full-Time Student (EFTS) funding, and the Crown controls most of the inputs (EFTS funding, PBRF, student fees, public research funding levels). There has been a mismatch between costs and income from the Crown, which has grown in the face of inflation in costs and declining real income that universities have faced.
22. The current tools to intervene in a university facing either fiscal or indeed strategic issues are limited. Some other nations have greater ability to intervene, while respecting the principles of autonomy. The Irish Higher Education Act of 2022[2] is an example of a possible approach.
23. The financial state of the universities will be a focus for the panel's next report. But the intermediate and long-term viability of some universities is a concern if they continue with their present strategies and business models; this cannot be solved simply by greater Crown investment. The overall situation suggests that current governance at both the system level and institutional level is not adequate, given that in many cases the issues have emerged over time and investments have been made that may have been hopeful rather than strategic.
24. Part of the solution lies in greater rationalisation and differentiation rather than in yet more within-sector competition. Some remedies lie in addressing internal matters and institutional governance, and some in addressing the Crown's financial model, which creates several unintended consequences in the absence of effective system governance.

Institutional autonomy and academic freedom

25. The nature of a public university creates a set of paradoxes and ambiguities that cannot be avoided. On one hand the universities represent a distinct form of Crown Entity, with the Crown ultimately carrying risk and providing the bulk of funding and the legislative environment they operate under – recognising that they have multiple and essential public roles on behalf of society and the nation (as well as contributing to private good). On the other hand, it is their institutional autonomy and academic freedoms that allow universities to make the public-good contributions that make them a core institution of any modern liberal democracy. Yet at the same time the environment they are operating in is changing rapidly, so there should be periodic revision of how these complex organisations should operate and meet their functions.
26. There has also been growing controversy internationally about the functioning of university systems between those who see the primary role as being one of "truth seeking" and the emergence since the 1980s of more goal-orientated expectations by Governments. More recently there has been a shift towards some faculty and university communities seeing a primary role in advancing social justice. The reality is that nations are best served by finding a balance between what are challenging arguments.
27. The social contract of universities provides for their institutional autonomy and academic freedom. But with these unique rights come responsibilities – of protecting the freedom of speech and promoting civil discourse, within the law, and avoiding imposing ideological or partisan positions in teaching and research. It is important that in exercising these rights, universities promote evidence-based discussion and a genuine spirit of enquiry. Only with that balance of rights and responsibilities can they claim their privileged position.

28. The panel is conscious that institutional autonomy, which is not absolute, must be respected, and that there must not be political control of how they function. But incentives can be used to adjust how the sector as a whole and its components behave.

Higher Education Council

29. The panel has concluded that the current model of governmental oversight is not optimal. There are gaps in how strategic policy is formed for the university system and its relationships to the remainder of the tertiary sector, the research sector and to end-users in government and civic society, including business. It is apparent that the sector needs more effective system governance, as is provided in many other nations.

30. Strategic oversight would be best provided by the establishment of a Higher Education Council (HEC) which would have responsibilities in ensuring a more strategically aligned and integrated sector with further differentiation. The HEC would consult with the sector, government and employers to ensure the system evolves and adapts to New Zealand's multiple needs in education, research and knowledge transfer. The composition and scope of the proposed HEC require further consultation, and several models are under consideration. The current uncertain situation with the polytechnic sector creates further difficulties.

31. The HEC should have a key role in ensuring both the quality of university governance and the fiscal and capital health of the universities, and in promoting appropriate levels of institutional differentiation and coordination. Together the HEC and universities should identify and assist the development of programmes in areas considered deficient.

32. The HEC, working with the universities, should seek to manage and coordinate development of those vocational courses where a need for workforce and capability growth is identified, while avoiding unnecessary duplication. There needs to be clarity as to where universities and polytechnics have their respective roles in vocational training.

University governance and academic governance

33. University Councils have the core role to play in ensuring each institution is meeting its obligations to the State, in advancing the institution's strategy and standing, and its financial performance. Our preliminary view is that greater clarity as to roles of Councils and expectations of them is needed, and that the processes of appointment, at least of ministerial appointments to Councils, needs review. The *Review of New Zealand Tertiary Education Institution Governance* by Meredith Edwards in 2003[3] describes the situation well, and many of its recommendations are still pertinent.

34. The major determinant and assurance of academic quality should be robust academic governance within each institution. The panel notes with concern the relative decline in the role of academic governance. With strong academic governance within an institution, excessive bureaucratic performance assessments by the Crown may become unnecessary. University Councils have an obligation to ensure strong academic governance is not displaced by excessive managerial considerations.

35. While academic governance varies across the eight universities, in general it is in an unsatisfactory state and needs to be revised. The privileged position of a university requires that strong academic governance exists and that the link between council and academia is broader than is largely in operation now. The system cannot rely solely on the persona and approach of a Vice-Chancellor.

36. Universities are complex organisations needing high-quality management processes. But this is not an excuse for unnecessary bureaucracy, which may reflect poor management process.

37. A comment was made to the UAG that the university has shifted from being a community of scholars to being a community of managers. That such a comment was made and reflected many times is an alarm bell, suggesting internal change and stronger and more effective academic governance is needed.

38. The panel received much comment on the growth of academic managerialism, with extra layers of central bureaucracy and academics sitting in multiple layers of management roles. This is an unfortunate and concerning trend. It carries many costs, separates academia from leadership and creates many internal processes that suggest a very low-trust environment is growing in what should be high-trust institutions. The trend to greater centralisation, which appears to have grown, is putting more administrative efforts on already overburdened academic staff.

39. We recognise that much growth has occurred in IT support, and particularly in student welfare services. This is needed given the changing nature of the student body, but much is driven by compliance issues being imposed on universities by TEC, Health and Safety requirements, HSNO and other regulations and pastoral care obligations. Whether all of this is necessary is a matter for further reflection and beyond our scope. Official Information Act (OIA) requests have also become a major burden.

Differentiation

40. Universities should continue to promote cross-institution recognition of courses for credit. Universities should make greater use of joint development and online sharing of courses, especially in those areas with small student numbers (which does not mean these are not important courses for New Zealand) or limited faculty. This would allow greater academic critical masses to form in specific institutions, ensuring quality.

41. The universities should coordinate and cooperate in the provision of online teaching, especially in undergraduate programmes, and consider operating a common production house. Greater cooperation in graduate and research degree provision is also possible, and universities should be encouraged to differentiate on the basis of critical teaching and research mass.

42. The fiscal situation requires responses that include greater differentiation between institutions, cooperation, enhanced governance, and a more effective management culture rather than bureaucratic managerialism. Differentiation should not be mandated but encouraged by negotiation within the sector. The purchasing authority should adjust its purchasing approach to encourage and assist.

Quality assurance

43. The issues of quality assurance have been a focus in discussions. Whether the Committee on University Academic Programmes (CUAP) is needed or not is a matter of debate, assuming good governance and with the maturity of our institutions. It may have reduced initiative and can be seen as anti-competitive in a space where competition is desirable. It provides some elements of quality control, but international best-practice can be more than met by academic processes within institutions, supported by the Academic Quality Agency (AQA)'s periodic assessment of how the institutions conduct their academic reviews.

Reputation

44. In teaching and research, the top university in the Times Higher Education world rankings is placed lower than all of the Australian universities in the Group of Eight. All eight of New Zealand's universities must strive to increase their global and Australasian standings without being inappropriately focused on ranking systems, which are poor proxies at best. The HEC and each university must explore the areas where each institution should strive for excellence, particularly at the postgraduate level.

45. Universities are arguably the most internationally connected part of the public sector ecosystem. As New Zealand seeks to expand its international linkages, universities and academics could play a greater role.

Partnerships and collaboration

46. The private sector and indeed government agencies see universities as too unresponsive and too expensive to contract to or partner with. The current research funding model and internal institutional models lead to a very high overhead rate compared to many other jurisdictions. University processes are seen as slow, and much bureaucracy lies between the academic and the potential contractor, without evidence of much value added.

47. It is in New Zealand's interests for the university and the wider SI&T sector to be more strategically aligned. One approach to achieve this alignment is by integrating the university sector and the SI&T sector under a single ministry, as was recommended by the SSAG. Consideration of the positioning of the polytechnics should await restructuring of the polytechnic sector, but the universities, wānanga and polytechnic sector need to allow for students to move with recognition between them.

48. Technology transfer and the barriers between universities and the private sector need to be addressed, and the UAG is fully supportive of the solutions put forward by the SSAG. These include standardised rules for technology transfer and staff/student entitlements in the event of commercialisation. PhDs focused on engaging with industry and researching within industry, entrepreneurship training, private sector experience and greater churn between faculty, private sector and the policy community must be further developed. Relationships between universities and public research organisations (e.g. CRIs) need to be as seamless as possible, and some mechanisms to address these were highlighted in the SSAG report.

Treaty of Waitangi

49. Universities have been at the forefront of considering the implications of the Treaty of Waitangi. Diverse approaches have been adopted, and this is to be encouraged. It is not the place of this panel to comment on the broader societal debate, but it is important that universities take seriously their obligations to encourage Māori in all academic disciplines as researchers, teachers and students. All are doing so, although there are challenges.

50. There has been much controversy in academia and beyond over the place of Māori knowledge (mātauranga Māori). Clearly this is a knowledge system that universities must study, although the Education and Training Act gives a particular role to wānanga as kaitiaki of mātauranga Māori.

51. Interdisciplinary and transdisciplinary education and research must be encouraged. However, integrity must be appropriately maintained in disciplinary teaching and thus inappropriate conflation of knowledge systems should be avoided.

The broader tertiary sector

52. Clarity is needed across the tertiary sector as to the role of different types of institution. We recommend that research-based master's degrees and higher degrees be offered only by universities, except in limited circumstances where wānanga, polytechnics or private training establishments can demonstrate a high level of research-based expertise. The question of whether all degrees in tertiary institutions need to be instructed by research-active staff may need revision, given that many degrees are offered in institutions other than universities. This has implications for funding mechanisms currently used by TEC.

53. A question that cannot be addressed in the absence of resolution on the shape of the polytechnic sector is whether the balance between university and polytechnic enrolments is appropriate. Universities are a much more expensive form of education given the broader role of academic staff. Since the massive rise in the size of the university sector started in the 1980s, costs have overridden the ability of the State to respond without a greater burden on students.

Some general considerations

54. **Student challenges.** The challenges facing many students include the high cost of living, the need to work (often long hours) while studying, more reliance on asynchronous online learning, and the impacts these factors are having on a shift away from on-campus learning. Along with the well-described rise in concerns over the mental health and wellbeing of late adolescents and young adults, this interplay creates a fundamental challenge to the system.

55. **Workforce burden and morale.** The large workload of staff, impacts on morale of excessive managerialism, and the low-trust environment characterise how academic staff see their institutions. In some cases, there is an element of fear related to issues of academic freedom, especially over matters that might be seen to have an ideological or political component. Other factors lowering morale include the limited nature of promotion criteria in several institutions, precarity of employment, and the degrading of academic governance. We consider that excess managerialism and risk aversion are a poor substitute for effective quality management and appropriate empowerment of academic staff. There is evidence that this is impacting on academic staff recruitment, retention and research collaborations.

56. **Lifelong learning.** Leading universities internationally undertake executive training and lifelong learning, but universities in New Zealand have not taken up this opportunity, which the private sector needs, and the space is being quickly taken up by the institutes of technology and polytechnics. Micro-credentials are an important element in the changing tertiary sector globally, and universities should be more ambitious in this space. This again suggests a need for greater strategic thinking about the sector.

57. **Demographic change.** The sector faces significant demographic change. In future an even greater fraction of school leaver students will have their domicile north of Taupō. The proportion of Māori, Pasifika and Asian students will grow. More students will be mature adults expecting to be instructed by online methods. The changing needs of future learners need to be better characterised to be able to better serve and support the anticipated growth in New Zealand. This includes understanding the increasingly neurodiverse needs of young learners.

58. **Technology.** Advances in technology will have a significant impact on the university sector, particularly how they operate and meet their multiple responsibilities. Digital technologies offer both opportunities and major challenges, and there is insignificant system-wide consideration of what might lay ahead. There is also a need to work collectively to consider the impact of

digitalisation on both staff and students, and to ensure the development of effective pedagogical approaches in that context.

59. **International students.** International students are an important element of our universities. But they must be more than simply 'cash cows'. They are important elements in institutional diversity and in New Zealand building its links to the world.

60. **PhD programme.** The nature of PhD programmes will need to evolve, recognising that most PhD graduates will not find a career in academia. There are many ways in which other nations are considering offering alternate pathways such as industrial PhDs. The introduction of programmes that allow PhDs to be more inter- and transdisciplinary will also enhance the range of opportunities.

61. **Workplace placements.** The use of workforce placements is important, but there are issues in unpaid vocational degree placements.

62. **Degree inflation.** There is a growing risk of universities using degree inflation (i.e., bachelors to masters) in vocational training as a competitive measure. Unless there is a compelling academic reason (for example, as required by a professional body as in clinical psychology), training to enter vocational professions should occur at the bachelor's level.

Final comments

63. The UAG is conscious that this review comes at a time New Zealand is fiscally constrained and is facing a great many challenges. That is even more reason for a cohesive and integrated university system that can deliver on its obligations for New Zealand. This interim report has outlined the key areas where greater detail is needed, and this will come through further consultation and engagement over the coming months. These include the nature of university governance, the apparent inefficiencies within the system, workforce and student matters, the broader impacts of technology, issues in capital expenditure, and issues in financial oversight. The appropriate funding tools will be considered once these matters have been fully addressed.

Introduction

1. It is important that the university system is seen holistically in providing high quality teaching and research across the arts and humanities as well as across the science and technology-based disciplines. A vibrant society needs graduates across the full range of academic disciplines. Indeed, business highly values graduates in the liberal arts as well as those with more specific technical and scientific skills.
2. New Zealand's eight universities all desire to be seen as research-intensive, at least in some domains. They each have distinctive characteristics, suggesting some degree of extant differentiation. One (AUT) presents distinctively as a university of technology, having evolved from a polytechnic, as did many newer universities in Australia, the UK and Europe when public policy trends shifted more polytechnics into the university framing (i.e. offering research-based degrees, with different expectations on staff). Lincoln, a smaller institution which previously was a college affiliated to the University of Canterbury, has now defined its shape as clearly focused on land-based teaching and research; Canterbury has focused on its regional responsibilities such as regional water management; Massey, which was previously land, food and agriculturally based, with a veterinary school, has moved to be broadly based and seeks to be seen as 'national'; Otago, our oldest university, is partly shaped by its focus on medical and related activities; Auckland is the most comprehensive of our universities and by far the largest; Waikato has an emphasis on society and culture, and a strong relationship with iwi and Māori; Victoria University of Wellington, being in the nation's capital, has a particular focus on public policy and related areas. These differences, real and perceived, have implications for the future shape of the university sector and in part inform this review.
3. Technology is changing the way knowledge is transmitted, learned and indeed developed. It would be naive not to consider the impact it will have on universities into the future. There are already obvious and immediate impacts of AI and large language models on student assessment and on the move from in-person to online learning. These technologies may well impact on how institutions can work together on the nature of pedagogy, as well as on skills and content needed. They will change the nature of research. Ultimately, they may affect whether some New Zealand students will look offshore for their training at a distance. This review is having to consider these issues as it looks to the future of the university system in New Zealand.
4. In a rapidly changing, technologically driven world, the skills needed over a lifetime will evolve. The question of the role of the university in supporting lifelong learning has not been a focus of the New Zealand system, whereas it is increasingly so in some comparator jurisdictions and leading universities. The range of qualifications offered by universities may change to include greater involvement in micro-credentialing and shorter courses. But private tertiary providers and the polytechnics (once that sector settles) may displace the universities from core leadership in such areas. New Zealand universities have not engaged deeply in executive training beyond formal degree programmes (e.g. MBAs), yet internationally leading universities have shown a robust market exists for such programmes.
5. Internationally there is growing commentary, especially in Europe, as to the need for some fundamental rethinking of how national university systems and public universities operate. They have been seen as slow to recognise changing needs in the tertiary education sector and to shift their strategies accordingly. There is commentary to suggest their range of offerings and thus their business model may need to change, but to do so within a more coordinated system. There

is also commentary that the nature of leadership within universities now needs to involve a set of skills appropriate for this more complex and unstable environment.

6. Across the Western world, the days of universities assuming they can continue as always and expect increased taxpayer support to meet their needs without challenging their business model and seeking partnerships, including strategically with other universities, government, business and communities, seem to be over. The calls to 'give us more money and leave us alone' fall on increasingly deaf ears. Strategic coordination across the whole of the tertiary sector, with clear differentiation, as well as co-ordination with the research and innovation sector, is a growing theme in countries we compare to. This review takes place in that context.

The current state of the system

7. The university sector in New Zealand is a critical asset for the nation. It has multiple functions discussed in this report and represents a considerable investment by the Crown. In 2023 the sector comprised approximately 2% of the Crown's annual expenditure, made up of $1.98 billion in direct support (including the PBRF) through TEC, $598 million in contestable or contract government research funding, $301 million in student support, and approximately $419 million in student loan write-down costs. In 2023 there were 133,903 FTE students in the university system, of which 116,315 were domestic and 17,588 were international.

8. The Education and Training Act 2020 (the "Act") is the principal Act governing New Zealand's eight universities. The Act is administered by the Ministry of Education under the oversight of Ministers of Education. In the current government, responsibility for the universities lies with the Minister of Tertiary Education and Skills.

9. The Minister must issue a Tertiary Education Strategy (TES) (s 7) setting out the government's long-term strategic direction and current and medium-term priorities for tertiary education, and an International Education Strategy (s 8). The Ministry of Education monitors the work of Crown agencies operating within the tertiary sector, obtains budgetary funding for tertiary education in Vote Education, and has a Tertiary Education Policy Division which advises the Minister.

10. The main Crown agencies are the Tertiary Education Commission (TEC) and the New Zealand Qualifications Authority (NZQA). The TEC allocates Vote Education funding for the tertiary sector, including public institutions and private providers, and monitors their performance. NZQA maintains a national register of approved qualifications. NZQA has responsibility for approval and quality assurance of all tertiary education, except for the universities.

11. The Vice-Chancellors' Committee, known as Universities New Zealand (UNZ), is a statutory body established under the Act, its members being the eight Vice-Chancellors, who are the chief executives of the universities. UNZ has the power to approve and quality-assure all degrees, diplomas and other qualifications offered by the universities. UNZ executes this role through its Committee on University Academic Programmes (CUAP).

12. Under the Act, universities are established as institutions. Section 267 of the Act provides for academic freedom and institutional autonomy.[4] The characteristics of universities are defined in s 268, Establishment of Institutions.[5] Each university is an incorporated body governed by a council, which must adopt a constitution. This constitution defines the membership of the council, which is required to have between 8 and 12 members, including 3 or 4 members appointed by the Minister. The Act defines the powers of the councils and chief executives to administer institutions.

13. TEC is a Crown Entity with funding, monitoring and intervention, and other functions defined in s 409 of the Act. It has a board of 6 to 9 members appointed by the Minister. The board appoints a chief executive.
14. Section 409 of the Act contains a useful outline of the framework for planning, funding and monitoring in the tertiary education sector.[6]
15. Yet the current Tertiary Education Strategy is a rather bland document which has had little or no impact on the evolution or actions of the New Zealand university sector, except in increasing the impact of Te Tiriti and giving focus to learners' success. That it has effectively no other impact highlights the lack of effective system governance.
16. Given the importance of the university sector in determining New Zealand's workforce and social and economic future, a periodic strategic evaluation of the sector is appropriate, as is reflected in the terms of reference of this review.

What is a university?

17. In New Zealand, the term 'University' is protected in the Education and Training Act.
18. Universities are only one type of post-secondary educational institution, and their roles are much broader than simply providing further formal education. Depending on the mix of these broader roles, there are a wide range of institutions around the world that can be termed universities. This creates challenges in drawing comparisons. But universities are generally defined by having research as a core activity and requiring that teaching is generally supported by scholarship and/or research-active staff. But even with this definition, universities vary in their shape and function including:
    a. Institutions that are research-intensive across a broad range of disciplines.
    b. Institutions that are research-intensive but have a narrower scope and may only educate in a limited subset of disciplines.
    c. Institutions that are scholarship-intensive but do not offer doctorates.
    d. Institutions that are purely focused on postgraduate education.
    e. Institutions that provide a broad range of undergraduate exposures but have more focused graduate offerings.
    f. Institutions that have a more technological focus (universities of technology).
19. Globally, the degree of interface with research institutions and with other aspects of tertiary education (e.g. vocational training, polytechnics, community colleges) accordingly also varies considerably, impacted by factors including the nature of research system, scale, role of private sector institutions, etc. Increasingly, systems are evolving in response to changing workforce and societal needs.
20. There has been a tendency in the Western world since the 1990s for the policy community to see universities in increasingly utilitarian terms – that is, for training individuals to enter the immediate workforce and to value the research undertaken by universities primarily in terms of the knowledge produced for private sector exploitation. These are both important roles for a university, but it is an inadequate description of the function of the public university when considering questions of strategic oversight, governance, performance evaluation, funding and student support.

21. A more comprehensive description of the functions of modern universities would include the following. Each of these functions provides justification for taxpayer support.

    a. Universities are a critical intellectual wellspring for a nation. They create a community of scholars, both developing and absorbing understandings in a range of disciplines and transmitting that knowledge in multiple ways to the broader community, particularly through developing the intellectual skills of the next generation.

    b. In turn, this fundamental role, when associated with academic freedom, allows universities to take a core role as a critic and conscience of society and to be central to ensuring a vibrant liberal democracy.

    c. The most obvious role of the university is its educational function. This may be in the form of those vocational roles which require education in a research-informed manner: medicine, veterinary science, law, etc. But much university education is more broadly based at the undergraduate level, especially in the humanities and the sciences. Such education has proved to be equally valuable to the private sector and it is misleading to regard such general education as not relevant to employment and productivity. Employers are increasingly seeking such graduates to understand and have some experience in how the private sector operates. Universities are responding in a variety of ways. Further, as the world changes, careers also change, and there is a growing need for lifelong learning, short courses and stackable micro-credentials. Overseas, the university sector is much more active and responsive to these growing demands.

    d. For students entering postgraduate education, beyond providing additional disciplinary depth, the key additional component is to provide and develop the capacity of the student to understand how knowledge in that discipline is developed and applied.

    e. Universities are the largest provider of publicly funded research. The multiple purposes of such research encompass knowledge generation as an end in itself; knowledge to assist society and governments through protecting the assets of a country and developing public policy; and research that forms the basis of fuelling an innovation economy; and research that supports professional practice (e.g. in medicine and healthcare, and in the law).

    f. Universities transfer their knowledge, know-how and expertise to society, governments and business, especially through the production of graduates as well as the more formal processes of technology transfer.

    g. Universities are essential tools of social and socioeconomic mobility. There is much evidence that university education provides a critical path for individuals from disadvantaged backgrounds. In doing so, universities can provide an important path towards achieving greater equality within society.

    h. Universities provide an important environment in which many young people mature, interact with a broad range of other identities and world views, and complete formation of their own identities. They have a critical role to play in preparing the student body to succeed throughout life, including potentially reskilling.

    i. Universities are some of the most internationally and globally connected institutions in any country through their faculty. In many countries their staff are core to a country's international projection.

22. Universities have essential characteristics. Beyond their combining of teaching, scholarship and research, they are characterised by a distinctive form of governance in which academics largely

determine much about how the institution is organised and operates. In the liberal democracies, this is enshrined in the concept of *institutional autonomy*, which limits the capacity of the State to determine how the institution develops its pedagogy and research. Typically, that autonomy is reflected in the shape of governance and ownership. While universities in New Zealand are part of the wider State sector and are legally Crown entities, their staff are not public servants. They are generally regarded as being owned by society. The concept of academic freedom is linked and determines that governments should not control how individual academics conduct their teaching and research.

23. Recently issues of *freedom of speech* have become conflated with academic freedom. As societies have become more polarised, university campuses have either fought to protect freedom of speech, within the limits of the law, or paradoxically have been under pressure by some groups to constrain it. This has become a point of political contention in many countries.

24. Universities have traditionally taken pride in hosting robust but civil academic, intellectual and social debate. At times this has, in some countries, spilled into activist activities, reflecting the distinct nature of faculty and student bodies in a relatively free intellectual environment. But it can lead to uncivil intolerance towards some members of the academic community, as has been the subject of recent New Zealand commentary. Societal change in the style of conversation and rhetoric on one hand, and the apparent changes in socio-emotional development for young people who can be less comfortable with difficult conversations on the other, have created challenges. In turn, this has provoked greater interest by commentators and politicians in how universities conduct themselves. In some countries this has led to legal action, compliance issues and the growing risk of political interference.

25. The principles of institutional autonomy and academic freedom both lead to distinct rights but also some *key responsibilities* of the institution. A university in a liberal democracy should avoid as an institution taking a political position or espousing an ideology or imposing such on its staff or students through requirements in teaching or research. Universities must be pluralistic institutions, and it is totally inappropriate for a university in a liberal democracy to become an instrument of ideology, politics or political manipulation.

26. Such statements are easy to make but can be very sensitive in interpretation. In the New Zealand context, for example, there are issues regarding the positioning of Māori perspectives in teaching and research in many disciplines that are seen by some to have ideological and political dimensions. This has been reflected in some bitter and ongoing debates within New Zealand academia about how these issues are reflected in teaching, research and staff recognition. It appears that in some cases, institutions have overridden the capacity of some disciplines to determine the content of their teaching, and certainly some staff feel constrained.

27. The broader context of how New Zealand's bicultural underpinning, as reflected in the Treaty of Waitangi, is resolved is indeed a matter of societal contention and is the basis of distinct political positions. Ultimately these are issues for New Zealand society to resolve, but the potential elements of ideology and politics in the context of the role and functioning of universities cannot be ignored. Academic staff have an important role to play in such debates, and they should be able to express their views without fear of disapproval or censorship.

28. Thus, if an institution determines to require or promote a distinctive world view within a disciplinary course or makes compulsory courses that have a clear political perspective, this could be seen to breach the social contract between the broader community and the university, as well as undermining credibility in the disciplinary course. This cannot be lightly dismissed,

as it is the social contract that has given the university the unique freedoms of institutional autonomy and academic freedom. University staff, students and academic leaders need to give this implied contract greater attention.

29. Universities are largely built around disciplinary teaching and research, and there is increasing recognition of the role for transdisciplinarity in producing actionable knowledge. The processes of transdisciplinary research usually focus on engaging from the outset with end-users (be it community, policy or business) and respecting different world views (both academic and non-academic) in framing the questions, the research approach and its translation. Importantly, this is distinct from conflation of disciplines and world views, and such conflation has generated several concerns. Transdisciplinary research requires different processes to linear research and engages end users in even framing the question and approach. It is generally seen as building off a solid background in disciplinary teaching and research.

30. Undergraduate students increasingly expect and should have exposure to a broad base of disciplines. There is a growing expectation that they will receive training in areas such as the ethics and civics of their broad area, in areas such as entrepreneurship, and be exposed to interdisciplinary approaches.

31. One question that emerges is whether there should be clearer boundaries between different classes of training and teaching institutions, including polytechnics and private training establishments. Most offer undergraduate degrees, if only to a minority of their students, but the nature of the institutions, the expectations of students, and the obligations on the faculty are distinctive. The major differences are in the role of research and disciplinary scope. Only universities are required to offer research-informed (as opposed to scholarship-informed) teaching. The expansion of some polytechnics into research, and of universities into further areas of vocational training which are well provided by polytechnics and private training establishments, is not helpful, albeit students must be able to appropriately move between institutional types. If the PBRF or a similar research-based incentive scheme is to continue, perhaps it should apply only to universities.

32. This then leads to the question of whether institutions other than universities should be allowed to offer research degrees which have active research as part of the requirement (research master's, doctorates, etc.). The definition of a university would suggest that is generally inappropriate, and this should be a clearer dividing line between types of institution. The exceptions may be:

    - Wānanga with their unique responsibilities, as defined in the Act, as kaitiaki of mātauranga Māori, who should be allowed to offer doctorates and research masters in that domain of study.
    - Polytechnics in very selected and narrow areas where they can demonstrate a critical mass of research-intensive faculty.

Reputation

33. The nature of a university is such that research, teaching, the market's interest in their graduates, and the state of their faculty determine its reputation. Universities in larger countries are thus generally differentiated by their reputation as well as their range of offerings. While ranking systems are much debated, several exist to suggest the relative state of each institution, and that can affect reputation. Institutions may form clubs with other universities they see as having similar characteristics and standing. Examples would be the Group of Eight in Australia or the

Russell Group of 24 in the UK, where the leading research universities form their own networks. New Zealand universities are variously members of different international university coalitions.

34. Universities and university faculty take their academic reputation seriously and, in many ways, this is the most important way in which leading universities manage their quality assurance. Often, they quote ranking systems which integrate measures not only of research, but of graduate outcomes and quality of education by use of proxies such as staff/student ratio. There are several ranking systems, and they all have weaknesses and are poor proxies at best. They show the limits of measuring what is inherently subjective. They play a role in student attraction (more so in larger countries), in creating international inter-institutional relationships, and in the perception of employers, the private sector and donors. They can influence where investors look for exploitable knowledge and where multinational corporations see advantage in co-location of R&D activity. They also drive several intra-institutional behaviours.

35. The current rankings of the eight universities in NZ in the three major systems is shown in the table, along with their relative position in Australasia for each of these ranking systems. Each of these systems uses somewhat similar methodology, but ARWU has a much more global focus.

36. The reliability and meaning of rankings are debatable, but they illustrate the rather undesirable positioning of all NZ universities vis-à-vis Australia. The ranking approach can also be used at discipline level.

	2024 Times Higher	2024 Times Higher	QS 2024	QS 2024	ARWU 2023	ARWU
	Global ranking	Australia/NZ ranking	Global ranking	Australia/NZ ranking	Global ranking	Australia/NZ ranking
Auckland	150=	10	68	7	201–300	9–16
AUT	401–500	>26	407	30	801–900	35–39
Canterbury	501–600	>26	256	25	401–500	24–28
Lincoln	401–500	>26	362	29	801–900	33–39
Massey	501–600	>26	239	20	701–800	33–34
Otago	301–350	21=	206	18	401–500	24–28
Victoria	401–500	>26	241	21	401–500	24–28
Waikato	401–500	>26	250	24	900+	35–39

Demographic considerations

37. New Zealand's demography is changing rapidly. One obvious factor affecting the universities is the declining fertility rate across all ethnicities, albeit that Māori and Pasifika remain at higher fertility rates than Pākehā. This means that a far greater percentage of the student population in the future will be Māori or Pasifika. Particularly in Auckland, there will be a high proportion of students from South or East Asia. These realities have important implications for tertiary education, compounded by the legacy of the obvious educational inequalities facing many Māori and Pasifika students in the high school years.

38. But other demographic shifts may be even more important to the sector. The predicted population growth will be mainly north of Taupō. Undergraduate students may like to leave home to go to university; this can aid personal development and is a common feature of university choices in some countries. Nevertheless, the majority are choosing to attend university in their hometown for personal and economic reasons. This may have implications for the size of the university sector and its distribution. Already we have seen decisions and investments made by universities to competitively attract students from the limited domestic pool of students from

each other, largely on non-academic grounds. This is not a wise use of largely taxpayer-derived funds. Undergraduate student choice is guided by many factors and, except in the specific vocational areas, is likely to be based on reasons other than educational quality. This is different to the larger countries, where the quality of the undergraduate programme offered plays a larger part in student choice. But given costs and other reputational considerations, Australia may become increasingly more attractive for some students.

39. Many universities in Australia, the UK and in New Zealand have relied on international students largely as a volume-based income stream. None of the New Zealand universities has become as dependent on overseas students as Australian and UK universities, but the Covid-related decline in international students showed the vulnerability of export-focused university education and its impact on most of our universities. The competition for international students is global. The university system in New Zealand needs to resolve what its core international strategy is. Has it the standing to attract postgraduate students that create broader advantage to NZ (as was the case decades ago in the Colombo plan era in attracting both graduate and undergraduate students who became leaders in their countries), or will it remain largely volume-based and vulnerable to geostrategic externalities, and if so, are there prudent limits on its size and mix?

40. A new approach that has emerged internationally is the growth of offshore campuses located in target markets. These have a very mixed history. The logic of any New Zealand university doing this needs to be carefully explored.

41. In the 1980s and 90s there was a worldwide move to policies that incentivised a massive increase in tertiary sector participation.[7] In New Zealand that has led to growth in the university sector from approximately 79,000 students in 1990 to 148,000 in 2023. The integration of the colleges of education into the university system, along with AUT from its prior polytechnic background, was part of that policy shift. The question now being asked globally is at what scale is research university or university-based tertiary education appropriate vis-à-vis training in other parts of the tertiary sector. As discussed elsewhere in this report, New Zealand has a very simple tertiary system, and the lack of differentiation in both the university and the polytechnic sectors reduces student choice and constrains strategically driven development to meet New Zealand's needs.

42. Questions that may need a clearer policy position include whether there is a desirable distribution of students across different types of tertiary education – clearly there needs to be a match between resources available and demand. Is there an optimal size of the international student cohort? What is the desired balance between undergraduate and postgraduate training? There are no simple answers.

43. While acknowledging the critical role of universities as tools of social mobility and equity, there is a danger of lowering entry or qualification standards to the point that they undermine the sector's value proposition for students, employers, society and productivity, and for the country. Universities in New Zealand are having to invest more in educational remediation. Other countries (e.g. Ireland, Finland and Singapore) have shown that an important part of the solution lies in focusing on ensuring equity and quality in secondary education, but universities will always have a role in ensuring educational equity.

Should the sector operate as a more integrated system?

44. These various issues create a strong argument for effective systems governance and strategic oversight of the sector by the Crown. This was a core focus of our initial consultations and discussion. There was a near-unanimous view in the submissions (other than from the institutions themselves) that running eight fully autonomous institutions with minimal

cooperation and excessive frank competition was not desirable. Indeed, it is not inconceivable that in future there may be changes in the institutional architecture (number of universities or number of campuses).

45. But the panel also believes strongly that the protection of institutional autonomy and academic freedom is critical, and that creates some design limits. But it also recognises that in small countries, coordination of offerings and activities is important to stop unnecessary duplication; to avoid gaps and promote academic concentrations in disciplines; to ensure the system meets workforce needs and adjusts to changing technologies needed in the country; and to support an innovation economy – all while meeting the broader social goals that a university has in a liberal democracy.
46. The current model of funding and incentives creates barriers that inhibit collaborative partnerships between institutions.
47. The panel therefore concludes that greater differentiation should be strongly encouraged and incentivised. This requires a more strategic view of the system and then the judicious application of contracts and incentives to promote desirable differentiation. It will also require some consideration of major capital investments by each institution that currently do not necessarily need Crown approval, although they are largely funded or guaranteed by the taxpayer. These are issues to be explored later in this review process.
48. A more differentiated teaching and research system could be developed from the current situation. Broad undergraduate education should continue to be offered by the civic universities. However, in the smaller disciplines, the institutions should coordinate using technology so that a student in one city might take a course or part of a course electronically in another institution, coordinating timetables where possible so that it is easier for the student. The eight universities should automatically allow students undertaking undergraduate degrees to include courses for credit from another of the eight universities, but this would be made easier by harmonisation of degree structure. At the postgraduate level for coursework-based degrees, similar cross-engagement and cross-crediting should be allowed.
49. Research-based postgraduate exchange study might similarly be possible using digital means and brief in-residence experience. This is done in Norway, allowing students to receive supervision from more than one institution. While this may be less ideal than full in-person education, it would allow students to receive training from the leading academics in a discipline within New Zealand, while recognising that personal circumstance now makes it less practical for many students to move location. It would have the added advantage of incentivising universities to focus on building a critical mass of high-quality academics, as funding would move with the student.

System governance

50. What became obvious to the review panel is the lack of capacity for effective system governance of the university system. The current tertiary education strategy has not provided a useful long-term strategy for the university sector and provides no granularity to inform planning or manage the sector.
51. University policy settings are currently the responsibility of the Ministry of Education, but its recent priorities have been on other parts of the system. This has meant less attention has been paid to the national expectations and development of the sector, and to the degree of sector-wide coordination the panel feels is desirable. This has contributed to the issues of

inefficiencies, duplication and inappropriate competition. Further, given the challenges we face that require intellectual reflection, workforce development, and contributions to society and business from the universities, some refocus is needed.

52. TEC, on the other hand, is not mandated to look at policy for the sector, but looks to issues of performance, risk, funding and compliance. But it has limited tools to intervene when an institution is at risk. It could be argued that such a hands-off approach in a neoliberal market-driven model is appropriate given the concept of institutional autonomy, yet the Crown already tightly manages some aspects of the sector and controls the bulk of its funding (student fee limits, EFTS funding, publicly sourced research funding and incentives such as the PBRF) and thus effectively determines the sector's future. Decisions over such matters require a strategic rather than simply a fiscal view, given the importance of the sector to New Zealand's future.

53. The universities meet as Universities NZ (UNZ), but this mechanism has not shown any capacity to build a coordinated and integrated sector. UNZ has a number of roles, including quality assurance. As will be discussed in the next report, the current arrangements for quality assurance have been questioned and other approaches may need to be considered.

54. The issue is how to strike a balance between having eight autonomous universities which are incentivised to be more focused on competition than collaboration, versus a more systems-based approach that acknowledges the importance of appropriate competition for quality enhancement but promotes collaboration for New Zealand's benefit. We strongly support the latter approach. The weight of submissions was also of that view.

55. The UAG identified several areas in which it considered strategy elements were deficient and which justify a new approach:

    - The need for a long-term view of higher education which transcends the political cycle.
    - The lack of an independent mechanism to advise the Crown on the fiscal needs and strategies for the sector.
    - The lack of an overview that ensures the entire system meets the broad goals of the university sector and leads to appropriate contracting and incentives to achieve these.
    - The need for a mechanism to encourage and manage differentiation and reduce barriers to cooperation without disturbing academic freedom.
    - The need to recognise that the eight institutions vary in nature and role.
    - The need for an authoritative set of data on the system.
    - The need for a coordinated understanding of NZ's workforce needs and the role of universities in meeting those.
    - The need for long-term planning against demographic change.
    - The need for a coordinated, integrated approach to the research needs of New Zealand.
    - The need for a coordinated response to an evolving polytechnic sector.
    - The need to reduce unnecessary duplication.
    - The need to ensure coordinated development in education and research in areas that New Zealand needs but may be deficient in – such as some newer technologies.
    - The need to provide insights on the impacts of new technologies on higher education.
    - The need to have a more strategic overview on the sector's capital expenditure. Capital expenditure has been very high in this sector over recent years, not all of it necessary to meet the core goals of the sector.

56. Beyond the above, there are areas where more formal collaboration between the institutions might be encouraged – for example, in addressing the many challenges arising from new technologies.

57. Many other liberal democracies have developed a more strategic view and oversight of their university sector, often with some form of Higher Education Council or equivalent. The UAG strongly recommends the urgent need for a structure that provides oversight of the whole sector. We therefore recommend the establishment of a Higher Education Council (HEC) to have these strategic oversight roles, a model developed in other countries of similar size such as Ireland and Israel. We note the SSAG has reached a similar conclusion, albeit in the context of a different set of considerations.

58. The first SSAG report makes a proposal for a Higher Education Council (HEC), with the ministerial functions for higher education being combined with those for SI&T. The UAG is fully supportive of this approach. Several options were considered as to the scope of the HEC. The UAG agrees that there are three key boundaries regarding universities:

    a. First, with the external research system. The priority is to have the HEC take responsibility for universities and report via the combined ministry.

    b. Second, the boundary between universities and the remainder of post-secondary education. Other countries vary in whether they treat these sectors within a single agency or dual agencies.

    c. Three, the boundary between university and secondary school.

59. Further work is needed on the optimal design of the HEC. The UAG suggests that the HEC should be a Crown entity reporting to the Minister. Our discussion is limited by the current uncertainty about the polytechnic sector. The HEC might encompass both the university and polytechnic sectors, or it could act in an advisory capacity or effectively operate via the current TEC.

60. The HEC would have several core functions:

    a. To have strategic oversight over the university system.

    b. To have a long-term view of the university system.

    c. To oversee the degree of differentiation that is desirable.

    d. To advise the Crown on funding needs, mechanisms and incentives.

    e. To be assured about the financial state of the universities, with powers to intervene early by a variety of means.

    f. To oversee major capital expenditures.

    g. To be assured that universities are achieving appropriate standards in teaching, research and knowledge exchange.

    h. To oversee significant changes in the shape of the sector that may evolve.

    i. To have a process to ensure governance of the eight universities is appropriate, perhaps by being the nominating group in place of the ministerial appointments to university Councils.

    j. To take on any role agreed to review fiscal or other concerns about institutions and recommend remedial action.

Institutional governance

61. University Councils play a critical role as they are responsible for ensuring each institution operates to mission, with fiscal responsibility, and that the executive is appropriately performance managed. The nature of university governance is extremely variable across the liberal democracies. New Zealand has adopted the tradition of relatively small Councils, with a mix of staff, student and independent governors. The latter are a mix of ministerial appointments and nominations from the Council itself. The overall performance of several of the New Zealand universities raises the question of whether governance is functioning well.

62. There is no debate about the need for staff and student representation and there is merit in the argument for more than one academic member (in addition to the Vice-Chancellor).

63. Particular attention should be given to who is appointed as Chancellor, as that person becomes chair of the Board, which has primary responsibility for performance management of the Vice-Chancellor. However, it is generally agreed the appointment is for the Council to make from its members, which in turn means that careful attention needs to be given to the membership of the Council.

64. The 2003 Meredith Edwards review considered many of these issues in governance and in particular the skills required of Council members and the responsibilities of Council. The Panel is continuing discussion on these matters. The panel is concerned that ministerial appointments are not necessarily made with the institution's needs and required skillset in mind. The panel is considering mechanisms to reduce that risk.

65. Currently TEC has limited ability to intervene when institutions give rise to concern. Its powers relate almost solely to fiscal crises. But there may be other serious grounds for concern. The 2022 Irish Higher Education Authority Act has developed careful processes that respect institutional autonomy and keep ministerial engagement well removed yet provide for a HEC to interact with universities when there are major concerns affecting their ability to deliver on their mission. The next stage of discussion and consultation will explore these issues in more depth.

Academic governance

66. Historically universities were considered communities of scholars, and the major governance was through the professoriate as a collective in the form of an academic board or Senate. The Vice-Chancellor was an academic and chaired the board as well being responsible to the Council for the administration of the university. But as institutions became more corporatised, power shifted away from academic boards into the senior management teams of the institutions. There are some reasons why this has occurred: fiscal risk, health and safety requirements, and employment (only in 1989 did the Vice-Chancellor, instead of the Council, become the employer of all other staff). But it has opened a gulf of varying width between academic management and the academics in universities. The legislation requires Council to take account of academic boards in all matters that are considered academic, but in our consultation, there were requests, including from Councils, for greater clarity on this role.

67. We noted considerable variation in the shape of academic boards and their performance and utility. While it is unrealistic to go back to the 1970s, there is a growing sense that the pendulum has swung too far away from academic governance. This was also commented on in the Meredith Edwards report,[8] even 20 years ago. We strongly recommend that academic governance be strengthened.

Quality assessment

68. Quality in academic activity is a subjective term. Words like excellence and impact can mean very different things to different observers. Even simple metrics like success rates can have different explanations. Research performance measures are even more debated, and the move internationally has been away from bibliometric approaches. Yet accountability requires some efforts at quality assessment in research and teaching. In teaching there is increasing awareness of the limitations of student assessment, and the major focus is on assessment rates, employment rates and the assessed quality of the qualification.

69. Universities in most advanced countries generally take responsibility for their own academic developments by relying on robust academic governance and some external review, whether of programmes or in examinations, especially at PhD level. In New Zealand, the University Vice-Chancellors Committee (operating as Universities NZ) is responsible for programme approval and accreditation via its Committee on University Academic Programmes (CUAP). This process involves peer review of new programmes by academics at the other universities. There are mixed views about CUAP, but in general, the view is that it inhibits rather than helps given the maturity of our universities and their standing. Many submitters raised concerns with the slow speed of the process, and that it inhibits innovation and promotes anti-competitive perceptions and behaviours. It is a cost that is perhaps no longer needed. At best CUAP should be restricted to new classes of degree or qualification and not be involved in course development beyond that.

70. The Academic Quality Agency (AQA), an independent body established by Universities New Zealand, provides external quality assurance for the universities via a regular cycle of audits. Universities NZ has decided to disestablish AQA in its current form and is currently considering a replacement quality assurance system. It will be important that the universities continue to be subject to robust, independent external quality assurance, particularly if CUAP's role is to change in future.

71. Research assessment is subject to much international debate as it moves away from individual assessment based on bibliometrics. But in New Zealand, research assessment is used to inform the PBRF – funding of about $315m pa (of which 55% is based on the quality assessment) that is distributed as a bulk grant to universities, and to other providers to a lesser extent, on a formula primarily weighted by research performance. New Zealand is one of few countries to still use such a mechanism (UK has something similar, but other countries have abandoned this approach). The PBRF is very expensive to administer, taking an enormous amount of time to try and make somewhat objective a factor (research excellence) which is inherently subjective. The cost of each Quality Evaluation round to TEC is approximately $7m, and the universities claimed a cost to them for each round of $40m in 2013, although the actual costs are very hard to calculate. But universities continue to need a funding mechanism that incentivises and recognises research. Many university staff believe such a funding pool is essential to ensure their research is given priority by university administrators. The panel agrees with the Government's decision to freeze the PBRF in the 2018 model until a simpler system is explored and developed. We will provide further advice as part of our next report, when we consider financial models in detail.

Relationships

72. **Polytechnics and wānanga.** It is not the place of the panel to comment on these other two components of the post-secondary educational and training sector. The wānanga have a particular and unique role in the New Zealand context. As yet the panel has not had dialogue

directly with them. They are currently also under the aegis of the TEC and covered within the same omnibus legislation.

73. Internationally, high-quality technical education occurs within a differentiated polytechnic sector, with mechanisms for interchange with the university sector as appropriate. The redesign of the polytechnic sector here may allow for similar developments, particularly as the demand for highly qualified technicians will grow in a technology-dominated future. The issue of how they should fit into future policy oversight processes is discussed above.

74. **Research system.** The universities and CRIs together provide the major components of the public research system. There are somewhat different obligations on each in that CRIs provide more of the required stewardship research and universities more of the research for knowledge development (see SSAG report). CRIs have more in-depth partnerships with their core sectors, but both should have critical roles in producing knowledge that flows to society, policy and particularly to business.

75. It is important that universities and CRIs (or their replacement) have more seamless relationships. Too much of the relationship is currently obscured by tensions about overheads on research funding, IP issues, associated cultural attitudes and differing approaches to their workforce and entitlements. The SSAG report points to solutions including greater use of cross appointments, more joint research supervision and matching entitlements.

76. The use of mission-led and large-scale collaborative research grants (e.g. National Science Challenges, Centres of Research Excellence (CoREs)) that cross institutional types is a further important element. Depending on the future evolution of both the public research organisations and the universities, there is potential for focused hub-and-spoke research and training entities to form.

77. **Public policy.** Several universities provide formal training in public policy, and many other graduates find their careers within the public service. But unlike in other democracies, there is very little churn of staff or exchange between universities and the public sector. This is to the detriment of both communities. If universities want to have more impact on public policy, then they need academic staff with the expertise and understanding that comes from having spent time in the public sector. The potential for exchange programmes is worth exploring. The public sector turns to the university sector for expertise only in places. Part of this is due to relative ignorance. Cost is another factor, and the ability of bureaucracy in the university system to get in the way of relationships is a further factor. Some academics cannot distinguish between the needs of policy research and those of academic research. The growth in the use of big data in policymaking, especially in the social sector, offers significant opportunities. Given that so much research talent in the universities could be applied to assist policy development, these issues need to be addressed.

78. **Private sector.** The businesses we have consulted have pointed out the major issues that restrict deal flow between universities and business, and thus the value added to New Zealand. They see universities in general as isolated, expensive (overhead rates are very high by global standards), slow, bureaucratic and placing too many barriers between the client and the academic. The SSAG review discusses these issues at length. They arise because of incentives in the system that favour the institution maximising its own interests rather than the interests of the innovation/product for New Zealand. The overhead issue relates both to the mode of funding universities and their cost structures; this will be subject to the next stage of the review. The SSAG report offers potential solutions. It also highlights the need to promote

entrepreneurship training for undergraduates, industrial PhD programmes, and more courses that include exposure to the private sector (so-called co-op programmes). The UAG supports these recommendations.

79. Businesses have another important role. They have a view of future workforce needs and continually reflect on how their needs will shift in the face of rapidly changing technology. Their input to institutions and the HEC on the needs of employers, and their perspectives on the quality and the desired and actual attributes of graduates, will be important. Businesses have also noted the value of liberal studies-based graduates as well as more skills- and technical-based education.

80. **Community.** Universities are core institutions in their local communities and generate much local economic activity. But beyond that they need to use their talents to open their knowledge to the broader community. Dunedin is an example of a city where that relationship is synergistic. Local government could turn to universities more, for their expertise. But like business, they sometimes find universities self-interested, poorly responsive and expensive to work with.

81. **Iwi.** Each of the universities has done much to engage with their local iwi and to meet their obligations as defined in the Act related to the Treaty of Waitangi. Those iwi groups which provided advice to the panel were generally pleased with the progress made. Universities have strengthened their research and training in Māori culture, te reo, history, sociology and mātauranga Māori, often in partnership with their local iwi.

82. **Pacific people and other ethnic communities.** Similarly, the universities, especially those in the major civic centres, have worked assiduously to build relationships with Pacific communities and work towards greater student participation and completion. Less attention has been paid to the distinctive needs of Asian communities, except within the overall scope of student pastoral care. Yet already in Auckland in particular, these are growing communities with distinctive needs.

83. **Disabilities.** The universities in general have been making strides with respect to disability communities.

84. **Mental Health.** The issues of mental health in the student cohort are a growing and major challenge.

85. **Workforce.** The future workforce will inevitably face multiple changes, and the required skills and knowledge will change in parallel. This will mean a greater focus on retraining, lifelong learning and executive education. The role of universities in New Zealand in this regard is poorly developed. The private sector has moved ahead through independent mechanisms, except in a few areas. The universities could be an important resource, but that would require some level of refocus, for example offering micro-credentials. Short courses are a common feature of major universities overseas. A national strategy may be needed.

86. **Schools.** To a greater or lesser extent, each of the universities works with the high school community to attract students. Of potential concern is the number of students from higher decile high schools choosing to do their first degrees offshore. Many these students will be lost to New Zealand over the long term. This is a significant reason for our universities to focus on their reputation and student experience.

87. A growing concern for the universities is the declining educational preparation of students leaving high school. This impacts on the universities in multiple ways. It aggravates the real concerns over inequitable competition and entry of students from educational disadvantage to university. It also puts pressures on the universities to remediate.

Technology and its impact

88. An indirectly related but core question is the future balance of online and in-person teaching. With advances in technology and the impact of Covid, students are expecting courses to be delivered asynchronously and online. The associated decline in campus experience may impair the ability of the university in its broader roles and impact on students' learning. Yet students see this as a partial solution to the high costs of being a student, allowing them to work regular hours. It also is creating workload and pedagogic challenges for faculty, as good online programmes require very different preparation, and dual online/in-person teaching has additional burdens. As technological capacities grow, this may have implications for the nature of New Zealand university campuses and capital investments, and for which institutions students choose to enrol at. It also has implications for faculty, as there is the greater burden of both in-person and online teaching.

89. Technology continues to play a significant role in how universities operate both now and into the future. The ease of access and capabilities offered by artificial intelligence mean that emerging technologies can disrupt not only the way in which research is conducted within the universities, but also how teaching is delivered and how the university operates (improved productivity functions, governance and oversight, management functions). Some aspects to consider include:

    a. Curriculum development and integration – technologies such as AI and quantum need to be embedded into core elements of relevant courses to appropriately prepare the future workforce with these critical skills.

    b. Workforce growth and needs – as demand for AI, quantum and such expertise grow, universities play a crucial role in training the next generation of scientists and engineers, as well as professionals and practitioners.

    c. Delivery of learning. Advances in technologies are increasing the ability for students to learn based on their individual needs. Increasingly, AI and improvements in connectivity tools could mean that universities could deliver more bespoke and tailored learning opportunities for future students (including providing more inclusive learning opportunities for students with disabilities, etc.).

    d. Research tools and infrastructure. Technology allows greater access and ease for research to be conducted. Leveraging quantum capabilities could allow complex research to be undertaken that may need complex simulations, or utilise large data sets or analysis. It can also enable new ways of learning, including immersive learning environments (including AR/VR or digital twins for experimentation, etc.).

Staff and students

90. While largely for consideration in our later report, there are a set of issues that cannot be ignored. Student welfare is a significant concern. The cost of living is driving students to compromise their learning by relying on off-campus, online learning, to their potential detriment. This adds to the burden carried by many young people having emotional challenges due to factors in society.

91. The mental health of the current and future cohorts of students is a challenge in every developed society, reflecting sociological and technological change. Universities find themselves having an enormous and growing obligation in pastoral care which was simply not there two decades ago. As the student body becomes more socially and ethnically diverse, these challenges are likely to

grow. At the same time these issues are reflected in ongoing debate about how universities can encourage students to be exposed to diverse ideas and debate.

92. Staff, too, feel compromised. Workload patterns have changed enormously. Universities have diminished their commitment to genuine academic governance with growing managerialism. The cost structure of universities has increased academic staff workloads, increased precarity for research and teaching-only staff, and many feel that the concept of a community of scholars has been lost and replaced with managerialism (which is not the same as effective and good management, which must always be there). Workloads have been increased by pedagogical changes, by excessive compliance requirements, and by a sense that teaching loads must increase along with administrative functions at the expense of research. Some academics fear speaking out about what they believe, or about requirements being placed on teaching content. The concept of the university as a safe place for critical debate may have been compromised.

Next steps

93. Consultations to date have identified many other important matters such as workforce, student issues, and research and teaching performance assessment. These will need further discussions with the relevant stakeholders, and thus no definitive comments are made here on these matters.

94. The UAG is aiming to take a logical and consequential approach in addressing the matters within our terms reference. The UAG has consulted extensively to date, and this has identified a range of other important matters which will need further discussions with the relevant stakeholders over the next few months. As such, no definitive comments are made here on these matters but that should not be taken as a sign of lesser importance.

95. The UAG will look to address the following areas in more detail over the coming months, which will inform the final recommendations on funding mechanisms, incentives and matters related to capital expenditure.

    a. The shape and role of the HEC (if this proposal is agreed in principle by Cabinet) and any transitional arrangements.

    b. The expectations on university governance and academic governance.

    c. The balance of the requirement for managing complex organisations with claims of excess managerialism and excess compliance costs.

    d. Performance assessment, including research assessment.

    e. Further work on differentiation in the sector.

    f. The size of the student body (domestic and international).

    g. Workforce issues, noting concerns about precarity for junior academics, workload and performance assessment.

    h. Student issues, including costs.

96. These will inform the recommendations on funding mechanisms and incentives, and matters related to capital expenditure.

97. The UAG members discussed at length the recommendations in the first SSAG report, primarily focussing on those aspects directly affecting the universities. These primarily included the establishment of a single ministry for higher education with science, innovation and technology (SI&T), the establishment of a HEC, the architecture of the SI&T system, the barriers within the research system itself as well as between the science sector, business and policy communities.

98. The UAG agrees with each of the recommendations of the SSAG, in particular the formation of a single ministry embracing research, science, technology, innovation and universities, establishing a HEC reporting to it, addressing the issue of technology transfer, and reducing barriers between the universities and the private sector.

99. The UAG noted the ongoing work of the SSAG, and in particular the areas where both panels' work will intersect. While not yet discussed in depth, the two panels agree that the present form of the PBRF is not appropriate to continue, and that issues of research assessment and incentive funding will be discussed in the next phase.

Final remarks

100. New Zealand has universities of quality, and produces fine graduates and research, but is a system under pressure. We have identified many areas where the system can serve New Zealand better. We need an integrated and strategically overseen system that allows the sector to contribute more effectively to our economic, social and environmental health. This is a once-in-a-generation opportunity to make a step change that will have enormously positive consequences for New Zealand.

Acknowledgements

We thank officials in TEC, Ministry of Education and MBIE for their assistance. In particular we acknowledge the Ministry of Education and TEC for providing secretariat support. We particularly thank Andy Jackson (DCE Policy, Ministry of Education) and Tim Fowler (CEO, Tertiary Education Commission) for their support. We thank Jill Rolston and Emily Strong in Koi Tū: The Centre for Informed Futures for assistance.

Glossary

Term	Definition
Academic Quality Agency (AQA)	An independent body established by Universities New Zealand, provides external quality assurance for the universities via a regular cycle of audits.
Committee on University Academic Programmes (CUAP)	The mechanism through which Universities New Zealand approves and quality assures all degrees, diplomas and other qualifications offered by the universities.
Equivalent Full-Time Student (EFTS)	A unit of measurement used in New Zealand's tertiary education sector to determine funding and eligibility for student loans and allowances.
Performance-Based Research Fund (PBRF)	The Performance Based Research Fund is a bulk funding mechanism, administered by the Tertiary Education Commission, designed to encourage and reward high-quality research and research-led teaching across all subject areas and types in degree-granting Tertiary Education Organisations (TEOs).

Endnotes

1 This excludes contestable funding and contracting government research.

2 Higher Education Authority (2022). Higher Education Authority Act 2022. Higher Education Authority. https://hea.ie/assets/uploads/2017/04/HEA-Act-2022.pdf

3 Edwards, M. (2003). Review of New Zealand tertiary education institution governance. Report for Ministry of Education. https://www.beehive.govt.nz/sites/default/files/ACF49F4.pdf

4 Section 267(4) states:

..academic freedom, in relation to an institution, means—

(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.

5 that universities have all the following characteristics and other institutions have one or more of them:

(a) they are primarily concerned with more advanced learning, the principal aim being to develop intellectual independence:

(b) their 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; and

(ii) 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.

6 the Minister determines the design of funding mechanisms and whether funding under those mechanisms is via plans:

(b) TEC develops the details of how to implement funding mechanisms:

(c) TEC issues guidance on what must be contained in proposed plans:

(d) TEC identifies criteria for assessing proposed plans:

(e) an organisation prepares a proposed plan—

(i) in consultation with the persons or bodies the organisation considers ought to be consulted, and any other persons specified by TEC; and

(ii) in a manner consistent with TEC's guidance:

(f) the organisation submits its proposed plan to TEC:

(g) TEC applies assessment criteria to the proposed plan and decides whether or not to give funding approval:

(h) if the proposed plan is given funding approval, TEC determines the amount of funding payable to the organisation by applying the appropriate funding mechanism:

(i) if an organisation's proposed plan receives funding approval, TEC monitors the organisation's performance to determine if it is achieving, or has achieved, the outcomes it has specified in its plan.

7 The massification of university education was a public policy decision of the 1990s across the western world. The intent was understandable in terms of promoting social mobility and impacting productivity. The unintended consequences in the growth of public universities globally were that the costs grew beyond the capacity of many public systems to pay. Exceptions tended to be where the polytechnic remained strong or where the non-research-intensive university was encouraged by more aggressive differentiation. New Zealand's small system did not allow for that to be a focus. The reasons for growth outstripping income were multiple: a lack of strategic

policy oversight of the system, a focus simply on student support rather than the shape of the system. University staff do less teaching as a fraction of their workload, research infrastructure costs grew relatively fast compared to general costs, expectations on universities for compliance and accountability grew, incentives imposed through fiscal models had unintended consequences, and there was a naïve set of assumptions about non-State income. In New Zealand this was compounded by the nature of full cost funding of research and a low research intensity.