

Cabinet Paper material Proactive release

Minister & portfolio Hon Shane Reti Minister for Universities
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Strengthening the university system

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Some deletions have been made from the documents as the information withheld does not fall within scope of the Minister's portfolio responsibilities, and is not relevant to the proactive release of this material.

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In Confidence

Office of the Minister for Universities

Social Outcomes Committee

Strengthening the university system

Proposal

- 1 This paper outlines my priorities to strengthen the university system and its contribution to New Zealand's economic growth. It seeks Cabinet's agreement to replace the Performance-Based Research Fund with a more streamlined and cost-effective Tertiary Research Excellence Fund.

Relation to government priorities

- 2 New Zealand's universities and broader tertiary education system are central to our Government's *Going for Growth* agenda, especially its *Developing talent* and *Innovation, technology and science* pillars. International education is a key export growth sector under the *Promoting global trade and investment* pillar. A responsive tertiary education system is essential for a skilled workforce to deliver the *Infrastructure for Growth* pillar.

Executive Summary

- 3 To strengthen the university system and to increase the contribution of our wider tertiary education system to economic growth and New Zealanders' quality of life, I propose to:
 - 3.1 Issue a new **Tertiary Education Strategy** focussed on driving economic growth, by delivering the knowledge, skills and research New Zealand's economy needs to drive growth through innovation and productivity,
 - 3.2 Strengthen strategic oversight and collaboration across the university system, with a new **University Strategy Group** to deliver on the Strategy and catalyse change,
 - 3.3 Replace the **Performance-Based Research Fund (PBRF)** with a streamlined, more cost-effective **Tertiary Research Excellence Fund**,
 - 3.4 Improve **quality, responsiveness and accountability** with a stronger regulatory system for university quality assurance, programme approval and student mobility, and
 - 3.5 Improve **institutional and academic governance** to ensure universities are well-led and uphold academic standards.
- 4 These actions will improve the performance and accountability of the university system, and better align research, teaching and investment decisions with national priorities.

Background

The University System is important to our Going for Growth agenda

- 5 A skilled, adaptable workforce is essential to attract and complement capital investment, to boost productivity, and to enable New Zealand firms to compete globally and grow. We need a broad range of skills to create and diffuse new technologies across the economy, design and commercialise new products and services, and develop new markets. Universities and other tertiary education organisations (TEOs, including polytechnics and wānanga, and private education and training providers) must deliver the knowledge, skills and research New Zealanders need to apply in their work and their communities.

- 6 The Government is reforming the Science, Innovation and Technology (SI&T) system to deliver greater value and opportunity, drive new ideas to market, and ensure New Zealand competes and wins on the global stage. University research and research-led teaching are central to this system. Our universities must work better as a system, integrating their research effort with the broader SI&T system, improving commercialisation and knowledge transfer while sustaining fundamental research.

Our universities have served New Zealand well...

- 7 New Zealand's universities have earned strong international reputations for teaching and research quality. They have delivered high rates of participation and achievement in higher education and are at the core of New Zealand's international education industry, enrolling 65 percent of international students in 2024.
- 8 The recently released 2026 QS World University Rankings placed all our universities in the top 30% of 1,500 institutions worldwide. The University of Auckland ranked 65th. Few nations' university systems show such consistent performance. A QS spokesman noted: *"The breadth of excellence shown across the country's eight universities is testament to the work of students, outstanding staff and brilliant research carried out across New Zealand."*

... but the university system faces challenges and can do more to drive economic growth

- 9 New Zealand's university system lacks clear national strategic direction. While preserving institutional autonomy and the benefits of competition, we need more focus and coordination on key issues facing the system. Universities must build deeper connections with industry, across the tertiary and SI&T systems, with schools, iwi and the communities they serve. This requires change not only by universities, but also in the regulatory and funding systems that largely incentivise competing for students and academic reputation.
- 10 Issues requiring greater coordination and strategic direction include research infrastructure investment, building centres of excellence for key research and teaching specialties, meeting the challenges and opportunities of artificial intelligence, and scaling up effective research commercialisation.
- 11 Our universities and wider tertiary education system face growing challenges. Economic and social change and rapid technology advances (especially in artificial intelligence) are opening new industries and markets while disrupting others, including higher education itself. This demands new skills and greater adaptability and resilience of students. More progress is needed to improve outcomes for students and trainees with diverse needs and circumstances. These challenges must be met while managing within fiscal constraints.
- 12 To help drive economic growth through greater innovation and labour productivity, our universities must better align the knowledge and skills students gain with the changing needs of employers and industry. They must more effectively drive economic and social impact from their research, and pivot faster to meet industry needs and new opportunities such as in advanced technologies. We can learn from other small, advanced economies with more agile university systems that connect more effectively to their wider skills and science, innovation and technology systems.

University Advisory Group recommendations

- 13 In March 2024, Cabinet established the University Advisory Group (UAG) to advise the Ministry of Education on challenges and opportunities facing the university system. The UAG operated alongside the Science System Advisory Group [ECO-24-MIN-0030]. Both advisory groups were chaired by Sir Peter Gluckman.
- 14 The UAG's September 2024 interim report called for greater strategic oversight of the university system. It proposed a new separate, stand-alone Higher Education Council to take over the higher education policy, planning and funding functions of the Ministry of Education and the Tertiary Education Commission (TEC). Cabinet's Economic Policy

Committee considered this report in November 2024 and agreed the UAG's final report should focus on funding, quality assurance and governance issues [ECO-24-MIN-0263].

- 15 The UAG delivered its final report to the Ministry in April 2025. It retained but modified the interim report's structural change recommendation, as a New Zealand Universities Council to oversee a university system structurally and legislatively separated from the broader tertiary education system. The UAG also provided advice on reforms to the PBRF, broader funding settings, university quality assurance and university governance.
- 16 Appendix 1 summarises the UAG's proposals with Ministry of Education assessments.

Priorities to strengthen the university system

- 17 The UAG's advice has been helpful in identifying the need for greater strategic oversight and coordination in the system, and in proposing specific changes including to the PBRF. I do not consider the UAG's proposed machinery of government changes justify the disruption, delays, cost and uncertainty they would create. Separating universities from the broader tertiary education system would not serve the national interest or help to drive economic growth and better outcomes for students.
- 18 I propose to address many of the UAG's findings by driving stronger university system performance within existing organisational structures and legislation by:
 - 18.1 Issuing a new **Tertiary Education Strategy** focussed on driving economic growth,
 - 18.2 Establishing a new **University Strategy Group** to help drive a more strategic national system approach and catalyse change,
 - 18.3 Replacing the **Performance-Based Research Fund** (PBRF) with more streamlined and cost-effective **Tertiary Research Excellence Fund**,
 - 18.4 Reviewing regulatory settings for **quality assurance and student mobility** to improve accountability, efficiency and responsiveness, and
 - 18.5 Strengthening **institutional and academic governance** in universities.
- 19 I will also work with the Minister for Vocational Education to make ongoing improvements to the tertiary education system's performance. This work includes:
 - 19.1 Strengthening the design and use of the TEC's funding levers to drive more impactful teaching and research, with sharper incentives and requirements for providers to respond to students' and employers' changing needs.
 - 19.2 Refining policy settings for Centres of Research Excellence (CoREs) to ensure the next application round from 2028 encourages new activity areas and clusters, and
 - 19.3 Reviewing the budgeting approach to funding student and trainee numbers. This work, requested in Cabinet's Budget 2025 decisions, is underway. We expect any changes to be considered through the Budget 2026 process [CAB-25-MIN-0126.69].

A new Tertiary Education Strategy

- 20 With the Minister for Vocational Education, I am preparing a new Tertiary Education Strategy (TES), anchored on our Government's *Going for Growth* agenda. The strategy will also address the Minister of Education's International Education responsibilities.
- 21 The TES is a key tool for the Government to set a clear direction for change and improved tertiary education system performance. It is a statutory strategy that must set out the Government's expectations and priorities for government agencies and tertiary providers:
 - 21.1 The TEC must *give effect* to the TES through its investment and planning system and funding allocation decisions, and the TEC and NZ Qualifications Authority must *have regard* to the TES in performing all their statutory functions.

- 21.2 TEOs seeking TEC funding must describe in their proposed investment plans how they will give effect to TES priorities.
- 22 The previous Government's TES published in 2020 is not aligned with our Government's priorities, especially our *Going for Growth* agenda. While it remains in force, it constrains the TEC's ability to give effect to these priorities. The UAG concluded that the current TES is not fit for purpose. It lacks clarity, coherence, and fails to provide meaningful guidance on the changes needed in the university system to meet the evolving needs of learners, employers, and the economy.
- 23 The 2020 TES was combined with priorities for early childhood education and schools. It fails to reflect the distinct needs and responsibilities of adult learners and offers little practical guidance for tertiary providers. Crucially, it lacks sufficient emphasis on employment outcomes, career development, and the skills and research capabilities needed to support a productive, future-focused economy.
- 24 Our Government's new TES will have five clear priorities for action, focussed on economic growth through innovation and productivity, with key performance shifts and success measures. Appendix 2 provides a summary 'plan on a page' of the draft TES.

Table 1: Priorities of the draft Tertiary Education Strategy

Achievement Ensure students and trainees achieve qualifications that lead to good careers and economic security, with a focus on strong pathways between school, tertiary education, and work.
Economic Impact and Innovation Increase the economic impact of tertiary education by delivering relevant adaptable skills, and research that drives productivity, innovation, commercialisation and broader economic opportunities.
Access and Participation Enable access to education and training for people from all backgrounds and regions, ensuring more people build relevant skills that contribute to a productive economy.
Integration and Collaboration Deepen collaboration between education providers, employers, iwi, research institutions, and communities to align education with regional and national economic development.
International Education Boost numbers of international students, supporting the sector to grow and increasing New Zealand's international connectivity, as set out in the International Education Going for Growth Plan.

- 25 The Minister for Vocational Education and I will undertake targeted consultation on the draft TES then to bring a final TES to Cabinet for approval in November.
- 26 The new TES is a powerful lever to shape the investment plan guidance and assessment criteria the TEC will publish in early 2026, and its 2027 funding allocations to providers.

Strengthening strategic oversight and coordination across the university system

- 27 I propose to strengthen strategic oversight and coordination across the university system. While this need was a key UAG finding, the UAG did not offer workable solutions that avoid costly, disruptive and risky structural change. My proposed approach aims to create a better way for our universities to work effectively together as a system on TES priorities.

I will establish a new University Strategy Group

- 28 I intend to establish and chair a new University Strategy Group (USG) to drive collective decision-taking, improved policy and regulatory settings and coordinated action to give effect to the TES priorities. It will ensure an ongoing focus on improving the performance of the university system, especially its contribution to economic growth.
- 29 The USG will bring together independent experts, sector leaders and senior officials. It will operate in a similar way to the Prime Minister's Science, Innovation and Technology Advisory Council. The USG will be comprised of:
- 29.1 The Minister for Universities as Chair
 - 29.2 Up to three independent members, including one as Deputy Chair
 - 29.3 Up to three university Vice-Chancellors nominated by Universities New Zealand (UNZ) and a representative of the Public Research Organisations.
 - 29.4 The Chief Executives (or their nominees) of the Ministry of Education and MBIE, and the Chief Executive and a nominated Board member of the TEC.
 - 29.5 The Prime Minister's Chief Science Advisor will be invited to join the group.
- 30 Independent members will be appointed by the Minister for Universities following reference to the Cabinet Appointment and Honours Committee (APH). They will include at least one senior university academic (not currently in a senior management role) with a deep understanding of universities' roles in human capital, research and innovation.

Table 2: Likely initial priorities for the University Strategy Group

International education: Better coordinating international student recruitment under the International Education Going for Growth Plan.
Science, Innovation & Technology system connections: Strengthening coordination between universities, and with the SI&T system and business.
Artificial Intelligence: Meeting AI challenges and opportunities for teaching and assessment practices, academic integrity, and research.
Work-integrated learning: Improving work-integrated learning at all levels of the university system, and exploring new models such as degree apprenticeships.
Differentiation in research and teaching specialisations and centres of excellence across the university system.

- 31 The Ministry of Education will support the USG and draw on input from other agencies as appropriate. USG costs (including members' fees, set under the revised Fees Framework [CO (25) 2]) will be funded from the Ministry of Education's existing *Stewardship and Oversight of the Tertiary Education System* appropriation. Operational oversight of universities will remain the responsibility of the TEC and UNZ.
- 32 The USG complements other initiatives, including work underway by Vice-Chancellors and Crown Research Institute CEOs to identify and act on collaboration opportunities.

Reforming tertiary education research funding

The Performance-Based Research Fund helped lift research performance, but it needs reform

- 33 Since 2003, the Performance-Based Research Fund (PBRF) has supported universities and other tertiary providers to deliver the broad research capability and advanced skills needed for a dynamic economy and a healthy society. It complements mission-focussed science and research funds. Universities receive 97% of the PBRF's \$315 million annual funding. The balance supports research and research-led teaching in polytechnics, two wānanga and a small number of private training establishments (PTEs).
- 34 PBRF funding is based on three measures of research and research-led teaching: research degree completions (RDC, 25%), external research income (ERI, 20%) and a quality evaluation process (QE, 55%). The RDC and ERI components are recalculated annually. The QE process, in which expert panels rate individual academics' portfolios of research outputs, is conducted once every 6-8 years. In March 2024, the Government cancelled the 2026 QE round, pending UAG advice on PBRF reform options.
- 35 Significant gains in research quality followed the PBRF's introduction, but improvements appear to have subsequently slowed. The QE process has served its original purpose and is now unduly time-consuming and costly. Each QE round involves tens of millions of dollars in compliance costs across the system. It has become a distraction from universities' and academics' core role of producing high-quality, impactful research.

I propose to replace the PBRF with a Tertiary Research Excellence Fund...

- 36 The UAG recommended the PBRF should be retained, but renamed, simplified, made exclusively for universities and focussed on incentivising research intensity. It proposed retaining and reinforcing the RDC and ERI components, while replacing the QE process with a system of metrics centred on citations. This would meet the PBRF's core purpose, simplify it and reduce costs. Replacing the QE with metrics would allow funding to be more frequently reallocated, strengthening incentives for organisations to continuously improve their research culture and creating a forward focus.
- 37 I agree we need a research capability funding system that more efficiently supports TEOs to deliver quality research and advanced research-led teaching. I support the UAG's core proposal to replace the QE with metrics. This will cut compliance costs over time while maintaining incentives to deliver high-quality impactful research and enabling TEOs' funding to respond faster to changes in their relative performance.
- 38 I propose to replace the PBRF with a new Tertiary Research Excellence Fund (TREF): retaining the RDC component; redesigning the ERI component to create stronger incentives for user-led research that meets the needs of industry and other end-users; and replacing the QE with a new metrics-based approach centred on field-weighted citations. To balance the limitations of citation metrics, this will include a small number of supporting metrics to incentivise collaboration with end-users, commercialisation and applied research.

... with improved research plans and performance monitoring.

- 39 I also intend to introduce new research requirements for the investment plans providers must develop as part of the TEC's investment process. These plans will need to set out how providers will build their research capability and achieve impact in response to the TES priorities. With this, a new research performance monitoring system for TEOs will give greater visibility of the research performance of TEOs and the sector as a whole. This aligns with the UAG's advice to adopt a 'dashboard' approach to assess universities' research using a wider range of measures than those used to allocate funding.
- 40 Together, these changes will create a funding system that is more transparent, more outcomes-focused, and better supports high-quality, high-impact research. It will cut administration and compliance costs, especially for individual researchers. It will strengthen incentives for research that will contribute to economic growth, address national challenges and build research capability. The new system retains a strong focus

on research-led teaching and human capital development, while better supporting engagement with industry and research end-users.

Approach to non-university tertiary providers

- 41 The new TREF should continue to support non-university TEOs engaged in research, including polytechnics, wānanga and PTEs. While these providers account for only 3% of PBRF funding, this funding is important to support their statutory research functions and the requirement for degree-level and postgraduate teaching to be research-led.
- 42 With the Minister for Vocational Education, I will consider how the TREF can best support these organisations' research activity, including any modifications to the settings outlined above that may be required. These organisations' published research volume is too low to reliably base their funding on a citations-based metric, and they tend to have a different research focus and output that citation metrics do not capture well.

Table 3: Summary of changes from the PBRF to the new TREF

Current PBRF	Proposed Tertiary Research Excellence Fund
Quality Evaluation (QE) 55%	Research and knowledge exchange metrics <55% Centred on field-weighted citations for universities. Secondary metrics will capture research impact, non-citation research, and research by wānanga, ITPs and PTEs. Lower compliance-costs while allocating funding at an organisational level based on scale and quality published research and other research output and activity.
Research degree completions (RDC) 25%	Research degree completions (RDC) >25% Retain focus on post-graduate research qualification completions. Rewards TEOs for building human capital and future research capability through advanced study.
External research income (ERI) 20%	External research income (ERI) >20% Adjusted to place greater weight on user-led, rather than investigator-led, research. This better rewards and incentivises research that meets the needs of end-users, rather than investigator-led research that attracts grant funding.

A phased approach to implementing the Research Performance and Capability Fund

- 43 I propose to progress these changes in two phases.
 - 43.1 **Phase One:** From 2027, I will modify the PBRF to implement the changes to the ERI component outlined above, including the weighting of this component, and will introduce the new research requirements for investment plans of providers seeking PBRF funding.
 - 43.2 **Phase Two:** From 2028, the new TREF will come into effect, replacing the PBRF. This includes the new metric component, final component weightings and other design changes.
- 44 I seek Cabinet's authorisation to determine the details of these Phase One changes. These will be implemented via changes to the PBRF funding determination and TEC investment plan guidance, both of which will be issued in 2026 and take effect in 2027.
- 45 I will report back to Cabinet to seek final agreement to Phase Two changes by April 2026.
- 46 Appendix 4 summarises the timeline and key steps in the transition to the new TREF. A substantial detailed design work and sector engagement is required to ensure these changes are sustainable, cost-efficient and aligned with ongoing SI&T system reforms. This work will be led by the Ministry of Education and the TEC, in consultation with MBIE, with the input of an expert Technical Advisory Group. Work will include establishing a monitoring and evaluation plan to assess the impact of this reform.

Improving university quality assurance, responsiveness and governance

47 I propose to progress reforms in two other areas highlighted in the UAG's advice:

47.1 More effective regulatory settings for university quality assurance, and responsiveness to student needs, and

47.2 Strengthening universities' institutional and academic governance.

48 This work will build on the UAG's advice, noting that many of the UAG's specific recommendations [Appendix 1, recommendations 10-21] are premised on broader machinery of government changes that I do not intend to pursue. Universities can separately or collectively take some actions, including implementing some UAG recommendations, within existing legislative settings. Other options will require legislative change that can be considered in a possible Education and Training Amendment Bill, likely in the next parliamentary term.

Improving quality assurance and responsiveness to student needs.

49 The UAG proposed changes to the regulatory framework for universities to reduce compliance costs, delays and barriers to innovation in the current system. The UAG's recommendations include devolving to individual universities (under national codes of practice), greater responsibility for quality assurance and for approving new or revised programmes and qualifications. Universities New Zealand (UNZ) currently has statutory responsibility for nearly all aspects of university quality assurance and programme approval. UNZ is in the process of reshaping the independent academic audit and quality assurance function conducted by its Academic Quality Agency.

50 I agree our universities need a more agile regulatory approach to increase responsiveness to student and industry needs and to cut compliance burdens, while upholding quality and the system's international standing. This is particularly important as AI and other trends drive rapid changes in the skills students need and in teaching and assessment practices.

51 We also need to reduce barriers to student choice and mobility. Students need more and clearer options to dually enrol or to transfer between tertiary education providers without undue costs or requirements to repeat study, and they lack options to challenge universities' policies and practices that restrict mobility. Universities currently lack sufficient accountability to improve student mobility, and have incentives to 'capture and hold' students to maximise the number of credits they undertake.

Strengthening universities' institutional and academic governance

52 The UAG proposed changes to improve institutional governance by university councils, and the academic governance role of academic committees. UAG recommendations include a national code for university governance with a framework for monitoring and scaled interventions, measures to ensure chancellors' and council members' capability, and changes to council membership and academic committee constitutions.

53 I agree university governance and academic governance must be strengthened to improve decision-making, education and research quality, and accountability. This becomes more important if greater responsibility is devolved to individual universities for quality assurance and with the removal of the external PBRF Quality Evaluation for individual researchers. I will explore change options, drawing on the UAG's advice.

54 I will direct officials to develop advice on quality assurance and governance, working with the University Strategy Group and in consultation with universities. I expect to report to Cabinet on progress, including legislative change options, in the first half of 2026.

Cost-of-living Implications

55 These proposals have no immediate or direct cost-of-living implications.

Financial Implications

- 56 This paper's proposals have no direct financial implications. Introducing the new TREF to replace the PBRF will be implemented within existing baselines, with any change to overall funding to be considered in future budgets. Costs of the proposed University Strategy Group will be met within the Ministry of Education's existing tertiary education system stewardship appropriation.

Legislative Implications

- 57 This paper has no immediate legislative implications. Subject to further work, legislative amendments may be needed to reform university governance and regulatory settings.

Impact Analysis

- 58 Regulatory Impact Analysis requirements do not apply to this paper's proposals. Where options to be further explored may require legislative and/or regulatory change, regulatory impact analysis will be undertaken as appropriate in developing these options.
- 59 A Climate Implications of Policy Assessment (CIPA) is not required.

Population Implications

- 60 These reforms aim to improve the of New Zealand's tertiary education system for all population groups. The new TES must by law include the development aspirations of Māori and other priority population groups. It will highlight the need to improve school-study-work transitions, achievement of qualifications and employment outcomes for Māori, Pacific and disabled people.

Use of External Resources

- 61 The Ministry of Education and TEC funded UAG members' remuneration and support to the UAG from Kōi Tū, Centre for Informed Futures. To ensure timely delivery while meeting other work demands, the Ministry engaged external specialist expertise to support analysis of UAG advice, PBRF changes and preparation of a new TES.

Human Rights

- 62 This paper's proposals do not have any human rights implications that require analysis of their consistency with the Bill of Rights Act 1990 and Human Rights Act 1993.

Consultation

- 63 The following agencies have been consulted: the Treasury; MBIE; TEC; NZQA; Education NZ; Ministry of Health and Health NZ; Ministry of Social Development; the Ministries for Pacific Peoples, Disabled People, Women, Ethnic Communities, Māori Development, Culture & Heritage, and Primary Industries. The Department of Prime Minister & Cabinet and Public Service Commission have been informed.

Communications and Proactive Release

- 64 Subject to Cabinet agreement, I intend to announce the initiatives set out in this paper and to release this paper with the UAG's interim and final reports. The Minister for Vocational Education and I intend to release the draft TES for targeted consultation in August and September before Cabinet considers a final version in November 2025. Targeted consultation will focus on key stakeholders including industry groups and tertiary education sector leaders.

Recommendations

The Minister for Universities recommends that the Committee:

- 1 **note** that the Minister for Universities, with the Minister for Vocational Education is preparing a new Tertiary Education Strategy, anchored in the Government's *Going for Growth* agenda, with priorities focussed on delivering knowledge, skills and research with economic impact by driving innovation and productivity growth;

- 2 **note** the Ministers for Universities and Vocational Education will bring a new Tertiary Education Strategy to Cabinet in November 2025 for approval following targeted consultation;
- 3 **authorise** the Minister for Universities to determine terms of reference and membership of a University Strategy Group to strengthen strategic oversight of the university system, with up to three independent members appointed following reference to the Appointments and Honours Committee;
- 4 **agree** to replace the Performance-Based Research Fund with a new Tertiary Research Excellence Fund, with funding allocated based on three components:
 - 4.1 A metric-based assessment of research output, centred on field-weighted citations with secondary metrics to capture research impact and non-citation research;
 - 4.2 External Research Income, prioritising user-led research, and
 - 4.3 Research Degree Completions;
- 5 **agree** to Phase One of the transition to the Tertiary Research Excellence Fund in 2027, increasing the priority on user-led research within the ERI component, increasing the overall weighting on this component, and introducing strengthened research requirements for investment plans of providers seeking PBRF
- 6 **authorise** the Minister for Universities to determine the detailed settings for Phase One of the transition to the Tertiary Research Excellence Fund;
- 7 **invite** the Minister for Universities, in consultation with the Minister for Vocational Education, to report back to Cabinet by April 2026 on the final design of the Tertiary Research Excellence Fund to be implemented from 2028, including citation and secondary metrics, and the approach to non-university tertiary education organisations;
- 8 **note** that the Minister for Universities is advancing work on options to:
 - 8.1 improve the regulatory framework for university system quality assurance, programme and qualification approval, and student mobility, and
 - 8.2 strengthen institutional governance and academic governance in universities.
- 9 **note** that the Minister for Universities intends to publish the University Advisory Group's interim and final reports, and to proactively release this Cabinet paper and its appendices.

Hon Dr Shane Reti
Minister for Universities

Appendices

1. **Summary of the University Advisory Group's final report recommendations and Ministry of Education assessments**
2. **Draft Tertiary Education Strategy summary 'plan on a page'**
3. **Tertiary Research Excellence Fund development timeline**

Proactively Released

UAG Final Report Recommendations and Ministry of Education Assessment

Agree	Agree in part	Largely disagree	Disagree	Consider further
Broadly agree with UAG recommendation, although further work likely required on detail, and to assess its relative priority and fit with the Minister for Universities' work programme.	Agree with the main thrust of the recommendation but disagree with aspects. More work needed to refine the proposal and assess the best option to achieve the intent.	Concur to a degree with the findings or problems defined but disagree with the proposed action.	Disagree with the recommendation, as poorly evidenced, inconsistent with government objectives and priorities, unnecessary to achieve its aims, or likely less effective than alternatives.	Further exploration of the recommendation and alternative options is warranted.

UAG Key Findings	Assessment and comment	
a. <i>The New Zealand universities have served the nation well, but they face significant challenges and uncertainties.</i>	Agree	This applies also to the broader tertiary education system, although different subsectors' and individual institutions' issues and challenges differ in nature, degree and urgency.
b. <i>There is a strong rationale to treat the eight universities as a system and to support greater differentiation between them.</i>	Agree in part	<p>Universities are a sub-system: Government can attend more to universities' distinctive issues. But our universities are a part of our <i>broader skills and innovation systems</i>. Formally separating universities from the broader tertiary education system is unnecessary to improve coordination between universities or to better connect them into the wider science research and innovation system. Some UAG proposals (especially those that would reduce student access and relocate undergraduate study outside universities) would require <i>greater</i> links with the broader tertiary education system.</p> <p>Differentiation: "bottom-up" and incremental, or more "top-down"? The Ministry favours a less centrally directed approach to differentiation. Universities compete by building on established strengths and pursuing new opportunities. The right incentives and regulatory environment to encourage this will likely achieve more sustainable gains with fewer errors than a planned approach defining universities' roles.</p> <p>Internationally, diversified and specialist research university systems sit over large 'second tier' undergraduate teaching-focussed university systems. New Zealand's system has not developed this way. There are education quality and reputational benefits from having all our universities internationally ranked and delivering undergraduate teaching led and informed by research. Seeking to push one or two NZ universities into the global top-tier would require very high investment and may not achieve the desired result, while disadvantaging others and the system as a whole.</p>
e. <i>It is misleading to see the tertiary education sector as a unitary entity. The university component is functionally and operationally distinct and thus requires distinctive policy consideration.</i>		
c. <i>The lack of effective policy consideration of the universities as a system operating in the national interest is a fundamental weakness.</i>	Largely disagree	Government has prioritised intervention in other parts of the tertiary education system, taking a relatively light-touch approach to 'steering' universities. This has been an active policy choice. Government and universities can more actively tackle university system issues, including how much universities should differentiate and specialise. This does not require separating universities from the broader education system or establishing a separate agency. More directive planning has risks. It may focus universities on influencing and responding to the centre, discouraging innovation and responsiveness to changing student, employer and community needs. Central decision-makers with limited information and foresight will make errors.
d. <i>There needs to be a closer match between strategic policies for the university system and the Crown funding: greater investment will likely be needed to ensure universities retain their reputation and quality and meet New Zealand's future needs.</i>	Agree in part	Government can more actively align funding with national strategies, with or without a universities-specific strategy. A new Tertiary Education Strategy with clearer priorities is a first step. This needs to be followed up with funding decisions and other actions aligned to the strategy. We do not agree that ringfencing university funding from broader tertiary resourcing and other government fiscal priorities, constraining fiscal flexibility for the government, will necessarily advance the national interest.
f. <i>UAG applauds government's decision to recognise universities' strategic and operational issues are distinctive and to separate ministerial responsibility for universities from other components of the tertiary education sector.</i>	Noted	

UAG Recommendations [some paraphrased]	Assessment and comment	Next steps
A strategic approach		
1. <i>Develop a National University Strategy, and fund and administer the eight universities as a distinct system.</i>	Largely disagree	Universities should operate more as a system, but also need to connect better with New Zealand's broader skills and innovation systems.
Establishing a separate Government agency to oversee the universities		
2. <i>As the highest priority establish a NZ Universities Council - administratively separate from the rest of the tertiary education sector</i>	Disagree	A new Tertiary Education Strategy must better reflect Universities' roles and set clearer actionable priorities. Funding and regulatory systems can better address universities' distinctive roles, issues and opportunities.
3. <i>Preparatory to NZUC's establishment, appoint a Ministerial Advisory Committee to advise on some proposed NZUC functions and on establishing the new entity, and to begin planning for the NZUC to assume TEC's functions and the Ministry's policy responsibilities for universities.</i>		Structurally separating universities from New Zealand's broader education and innovation systems is unnecessary achieve a more strategic and coordinated approach across the university sector. It would increase barriers for students and would, by design, constrain government's ability to prioritise resources.
4. <i>[NZUC and Advisory Committee membership, appointment criteria]</i>		Machinery of government change will be disruptive, with costs and risks in the transition, and will not resolve the fundamental trade-offs faced.
5. <i>[Proposed statutory functions of NZUC]:</i>		Universities have largely benefitted from an integrated tertiary education budgeting and funding system: resources have followed demand largely in universities' favour.
- <i>Advise the Minister on a University Strategy (as part of the TES)</i>		
- <i>Oversee evolution a more differentiated system, define system objectives and national interest, set high-level objectives and performance measures with each university</i>		
- <i>Allocate funding, monitor performance, advise on interventions, and nominate for Ministerial council appointments</i>		
- <i>Approve qualifications (delegating to universities) and oversee university self-audits.</i>		
Regulatory structure for universities		
6. <i>To the greatest extent possible, base the regulatory structure for universities on shared codes... with responsibility for overall performance lying with the university councils. Codes should include: University Governance Protocol, Financial Management, Academic Governance, Quality Assurance, Qualifications and Pastoral Care and Student Welfare</i>	Consider further	Consistency and standards of performance across NZ universities can be improved. Codes are a potential tool.
7. <i>Base compliance with codes principally on self-audit by the universities, with self-audit and outcomes quality assured by the proposed NZUC.</i>		Internal self-audit requires external oversight. This is currently done collectively via UNZ for quality assurance and qualification approval. In other systems, external regulators oversee devolved self-accreditation, programme approval and quality assurance (e.g. UK, Australia). A stronger regulatory approach to 'consumer protection' may be warranted, to improve student choice, mobility, and avenues of recourse for dispute resolution. UAG's proposals could help, but its model of self-audited codes lacks "outward" accountability to students and employers.
Legislation and regulation		
8. <i>As the legislative opportunity arises, consider consolidating all legislation relating to universities in a new Universities Act.</i>	Disagree	A separate Act is unnecessary. Consider minor/technical amendments in routine legislation amendment bills, or in any future tertiary education amendment bill (eg: following further work on options for council membership, quality assurance, codes of practice)
9. <i>Amend the Education and Training Act 2020 to rename the Vice-Chancellors Committee as Universities NZ (UNZ) and amend UNZ's functions to reflect UAG's proposed changes to its roles...</i>	Agree in part	The legislated name and statutory functions of the "Vice-Chancellors' Committee" are no barrier to using the UNZ trading name or performing other functions for universities. Changes to UNZ's statutory functions can be considered in consultation with the universities. This may include a role overseeing new codes of practice, and changes to statutory roles in quality assurance and programme approval.
10. <i>Amend the Act to provide for monitoring of university governance, with scaled interventions. [UAG proposes governance codes and intervention model be developed by its proposed NZUC, consulting with UNZ.]</i>	Consider further	Governance quality is a gap in our current monitoring and interventions framework. Subject to resource constraints and competing priorities, the Ministry and TEC could develop and implement this in consultation with UNZ (and, through UNZ, with chancellors and councils).
		Further policy work on academic and institutional governance improvement with UNZ and universities

UAG Recommendations [some paraphrased]	Assessment and comment	Next steps
University governance		
11. Amend the Act to fix university councils' size at 14 members, being: <ul style="list-style-type: none"> a. 4 appointed by the Minister b. The vice-chancellor c. 3 members elected from the permanent academic staff, the permanent general staff, and students d. 2 elected from the senate or academic committee e. 4 members appointed by council, including 1 Māori member appointed by council after consulting local iwi. 	Agree in part <p>A 2014 law change capped councils' size at 12. This aimed to strengthen external expertise and encourage universities to be more outward-facing. TEC considers the move to smaller councils broadly improved decision-making.</p> <p>We agree that a greater academic voice on councils could help strengthen academic governance, and should be a priority if the Government were to legislate to allow for larger university councils.</p> <p>Universities have options under current law to make more space for more academics on councils.</p> <p>The law should not require that vice-chancellors be voting council members. Outside the university sector it is not generally seen as good practice for CEOs to be voting members of the governing body that appoints them and holds them to account.</p>	Further policy work on academic and institutional governance improvement with UNZ and universities
12. [Recommends the proposed NZUC would nominate candidates for ministerial appointments to university councils, with the Minister restricted to selecting from the NZUC's nominees]	Disagree <p>Problems can arise with ministerial appointments if insufficient regard is had to legislative criteria or to a university's governance capability needs. This applies to all TEIs and to other public entities.</p> <p>Constraining Ministers' ability to appoint candidates to those nominated by a new NZUC reflects UAG's concern to maintain a high level of autonomy for universities. However, this approach is rare for Crown entities, and dilutes Ministers' democratic accountability for Ministerial appointments.</p> <p>Councils must retain responsibility and accountability for appointing their chairs. A consultation requirement or effective veto by an external party is not compatible with a council election process.</p>	No action
13. Chancellors should be elected or re-elected only after prior consultation with NZUC.		
14. The University Governance Protocol [see rec 10 above] should contain a section on chancellors' role and duties and their significance for leadership of council.	Agree in part <p>We agree with UAG's concerns: councils may elect individuals lacking the governance and leadership skills and time needed to effectively lead the council.</p> <p>A Governance Protocol would be needed to underpin any new monitoring and intervention framework. That likely requires legislation. But universities could initiate a voluntary code without an external monitoring and intervention framework.</p>	Further policy work on academic and institutional governance improvement with UNZ and universities
15. Councils must formally consult confidentially with the academic community via a senate advisory group on the appointment or reappointment of a vice-chancellor.		
16. UNZ and NZUC should expand support for governance through induction and other education programmes.		
	<p>Vice-chancellor appointments are among councils' most important functions. Councils commonly seek university community input on vice-chancellors' appointments and performance reviews. A Governance Protocol could formalise this, without detailing how universities should do this.</p> <p>This can be progressed regardless of whether the proposed NZUC is established. Subject to resourcing, TEC can increase and refresh governance induction and support.</p>	Consider within TEC resourcing and priorities
Academic governance		
17. Schedule 11 to the Education and Training Act 2020 should be amended so the academic committee (senate) membership comprises academic staff, the university librarian and students.	Agree in part <p>We agree academic committees should not be dominated by executive staff.</p> <p>The law lets universities define membership and selection/appointment arrangements for academic committees. Councils could be called on to assess and improve academic governance, including by changes to academic committee membership statutes. This is a relatively low legislative priority.</p>	
18. [NZUC and UNZ] ensure the Code of Academic Governance sets out principles and practice of good academic governance.	Agree <p>Legislative change is not required to enable this, but would be required to mandate it.</p> <p>Universities, UNZ, TEC, and chancellors could progress this. In first instance universities can be invited to progress this as a voluntary code. Consider a legislative requirement as part of a future governance monitoring and intervention framework (rec 10).</p> <p>Questions of detail include how prescriptive such a code should be, and the extent to which universities should be free to develop their own approaches.</p>	Further policy work on academic and institutional governance improvement with UNZ and universities
19. Include in the Code guidance for the academic committee's constitution and terms of reference.		
20. Academic committee constitutions should provide that a clear majority of members not hold senior academic leadership roles.		
21. Provision should be made in the Code of Academic Governance for the academic committee's membership to be expanded to include all professorial staff in exceptional circumstances.	Largely disagree <p>Universities can opt to do this under current law. Universities need to have avenues available for their academic community to raise significant concerns. It is unclear that expanding the academic committee/senate is the best or only means of achieving this.</p>	

UAG Recommendations [some paraphrased]	Assessment and comment	Next steps
Qualification approval		
22. Amend the Act so that approvals for university qualifications are delegated by NZQA to NZUC which in turn delegates this power to the universities with minimal constraints.	<div>Largely disagree</div> <p>Aside from replacing UNZ's role with the proposed NZUC, these recommendations seek to reduce the level of coordination/oversight of programme and qualification approvals. These recommendations are somewhat at odds with the general thrust of the UAG's proposals, as programme/qualification approval and quality assurance are the key areas where New Zealand universities <i>currently</i> operate as a formally separate system.</p>	With UNZ and universities' input, review regulatory approach (and funding levers) to quality assurance, qualification/programme approval and student mobility.
23. The Committee on University Academic Programmes (CUAP) process should be replaced with a requirement of universities to satisfy NZUC and UNZ that independent external peer review has been undertaken.	<div>Consider further</div> <p>This recommendation is directed to UNZ, which under current legislation can revise its quality assurance and qualification approval processes largely as it sees fit.</p> <p>There are concerns across universities with the current CUAP process and compliance burden issues. Our concerns focus more on CUAP's impact on innovation and responsiveness to learner needs.</p> <p>External peer review is insufficient to protect the broader system's reputation. Collective oversight is needed, and universities have strong incentives to maintain standards across the system.</p>	
24. UNZ should establish a committee to develop the Qualifications Code and reach agreement on: a. a system enabling students to enrol in more than one university ... without barriers to cross-enrolment and at no additional cost. b. improved cross-crediting for undergraduate degrees.	<div>Consider alternative solutions</div> <p>Universities should face stronger expectations and accountability to ensure students can dually enrol, transfer between institutions and build qualifications with as few barriers as possible. This is important for student mobility not only between universities, but also between universities and other tertiary providers.</p> <p>A stronger regulatory approach, conditions on funding, and/or increased accountability to students would likely be more effective than relying solely on codes of practice self-audited by universities.</p>	
25. In general, research degrees should be restricted to universities and wānanga, with other tertiary providers approved to offer research degrees only in exceptional circumstances.	<div>Disagree</div> <p>The UAG report does not offer strong evidence of a problem with current arrangements.</p> <p>Universities deliver the great majority of research degrees. University academics support and advise on most non-university research degrees including in wānanga.</p> <p>The UAG questions universities' role in 'vocational' fields, singling out nursing as an example. But demand for advanced nursing qualifications is increasing, for roles with expanded scopes of practice. A retreat from nursing education by universities would require more research degree teaching in polytechnics.</p>	
Size and scope of the New Zealand university system		
26. The NZUC should regularly review the size and scope of the university system, and each university should consider where course-specific entry limitations based on academic standards should apply so as to advance their standing.	<div>Disagree</div> <p>The UAG takes a clear position that access to university undergraduate education should be more restricted, and university teaching focus more on higher-level research-based degrees. The report makes no recommendation on the university system's scale and scope, but says the proposed NZUC should form a view on this and act accordingly.</p> <p>The UAG has not addressed the costs to students or to New Zealand's economy of constraining access to university education. It argues that much undergraduate teaching, especially in 'vocationally-focussed' programmes needn't be research-led and may be better delivered in polytechnics. This is not well evidenced or quantified, and the UAG has not made a case that such a major change would benefit New Zealand or its economy as a whole (even if it were to benefit the university system and institutional prestige).</p> <p>We agree with UAG that the number of universities is not the issue, and that more collaboration and differentiation can offer efficiency and quality gains. In some cases, limiting geographical competition/duplication of provision may benefit quality and efficiency. It is unclear that top-down direction is the best way to drive differentiation and/or collaboration. Centrally directing universities' mix of research and teaching risks forgoing the benefits of competition, innovation, and responsiveness to student and industry demand.</p> <p>Individual universities can and do set higher entry standards for specific courses. Being more selective can boost an individual university's rankings, but can become a zero-sum game or worse across the university system and for NZ if it is not to compromise other institutions' rankings and student access and participation. Universities should not pursue status at the expense of their contribution to meeting New Zealanders' education needs.</p>	<p>New TES should identify government's priorities for access/participation and student outcomes for the university sector.</p> <p>The scale and scope of the system should then respond to student demand and government's investment through the TEC investment plan process.</p>

UAG Recommendations [some paraphrased]	Assessment and comment	Next steps
27. <i>Standards for the University Entrance qualification should be set by UNZ and where entry standards and limitations exist, appropriate pathways or support for educationally disadvantaged students must exist.</i>	Agree in part While the system is somewhat messy, this is not clearly evidenced as a problem from <i>students' and employers'</i> perspective: the "users" of qualifications including UE. The Productivity Commission (2018) with similar reasoning recommended that UE be abolished. The then Government declined, noting UE's value as a national standard and a known qualification. Universities already can and do set their own entry standards for under 20-year olds, for restricted entry programmes, and where necessary due to insufficiency of staff, and facilities.	Consider any changes to UE in the context of NCEA reforms.
28. <i>Universities should not be come overdependent on international student revenues.</i>	Agree in part International student growth does create financial, reputational and educational risks. Some risks may not be fully internalised in individual universities' decisions (especially reputational risks to the broader sector). University councils, financial monitors and student wellbeing regulators should be alert to these risks and broader benefits of international education growth. However, New Zealand's universities have considerable scope to gain greater revenue, international prestige and educational and research benefits from well-managed growth in international student enrolments.	New TES international education priority, and International Education Going for Growth Plan.
29. <i>The Universities should seek to further collaborate</i> a. <i>to improve access of students at the undergraduate and course-based masters' levels.</i> b. <i>to build effective critical masses of scholars for advanced studies and research.</i>	Agree We agree, although it is unclear what the current performance problems or barriers are. There are teaching quality and access trade-offs to consider in concentrating research and advanced teaching in particular disciplines in fewer universities. For universities' teaching functions, there are trade-offs especially in regards to high-cost low-volume provision and fields where only a few offer final qualifications needed to enter professions.	Action for universities
30. <i>To lift performance and quality, New Zealand's universities should consider seeking formal international partnerships with world-renowned universities in the disciplines where they seek to excel.</i>	Agree The UAG does not identify specific current barriers to this opportunity, or evidence of current poor performance. There are strong incentives in PBRF, international rankings, revenue opportunities, and New Zealand student experience for universities to seek international partnerships.	Action for universities

The academic portfolio

31. <i>Universities should be careful to restrict compulsory courses to those required by vocational bodies or to where there is strong disciplinary and pedagogical justification.</i>	Largely disagree We agree with the UAG that course requirements are academic decisions for universities. However, universities' reasons to set compulsory courses or content can extend beyond vocational, disciplinary or pedagogical requirements. Universities define graduate profiles to assure employers and students that graduates have a core set of knowledge and skills. Many top international universities prescribe compulsory undergraduate courses or breadth-of-study requirements. Universities may expect their graduates in any field of study to gain certain competencies, including in civics, communication, and multi-and bicultural understanding. This is a matter for universities themselves to resolve, as it is at the core of their legislated academic autonomy.	No action.
32. <i>Universities should expand their graduate degree and diploma programmes, especially in areas where they have existing disciplinary strength, and find ways to enhance the provision of micro-credentials.</i> 33. <i>The qualification approval regulations and the caps on tuition fees should be reviewed to ensure they are not constraining the development of micro-credentials in universities.</i>	Agree Universities should take opportunities to develop and promote high-quality micro-credentials and grow their graduate programmes to increase options for students studying while pursuing a career. Qualification approval for micro-credentials should be agile, enabling innovative content and delivery. Provision must respond to student and employer demand to ensure good graduate outcomes. There should be a high bar for the TEC to push expanded provision of programmes with low evidenced demand. For micro-credentials for employee professional development, the case for public funding is weaker than for degree programmes for pre/early-career students. Current fee regulation is designed largely for long undergraduate programmes and is not well-suited to micro-credentials.	Action for universities and in ongoing policy review.
34. <i>It needs to be recognised that while the future is not yet clear, the probability is that AI will drastically change the shape and role of many educational institutions including universities. Strategic oversight will be needed to ensure that government and institutional governance is able and ready to adapt as circumstances demand.</i>	Agree in part Disruptive general purpose technologies including AI are transforming university teaching and research, and the knowledge and skills needed by students and employers. This is a critical issue for universities, and requires a degree of strategic leadership and coordination that may include coordinated infrastructure investments and managing system-wide impacts on patterns of student demand. It is unclear what role government or a steering entity should play, or when decisions would be better made at a system level rather than by institutions responding to the issues and opportunities they face. For research, government	University Strategy Group to advise on options to strengthen sector response to AI trends.

UAG Recommendations [some paraphrased]	Assessment and comment	Next steps
35. <i>We recommend a system-wide approach to the development of AI for teaching. Government and universities must be ready to seize technological opportunities to enhance teaching and research.</i>	<p>can set standards or funding conditions on matters like responsible AI use, open access and open data. Universities can develop collective policies or standards for technology, including AI use by students and teachers.</p> <p>An overly-structured, system-wide approach may impede local initiative and innovation, and delay technology adoption. Institutions trying diverse approaches (including through private sector and international university partnerships) may deliver better with uncertain and rapid technological change.</p>	
Faculty, students and equity		
36. <i>University councils and administrations should give more attention to the negative impacts of the expansion of centralised university systems and services on staff welfare and morale and the mitigation of these effects.</i>	<p>Agree in part</p> <p>Growth in central systems, administration and support functions is a concern to some academics. However available evidence does not show recent a trend to increased centralisation in NZ universities.</p> <p>Internationally, as universities grow more complex and serve a greater diversity of students, some functions become increasingly centrally organised. Common data, technology, specialists (e.g. academic advisors) and student services demonstrably improve student success.</p> <p>These are management issues generally best left to universities. Strengthening academic governance may help to address staff welfare and morale issues and any related challenges.</p>	
37. <i>Universities should create more opportunities for staff to broaden their experience by secondments, rotations, exchanges or parttime appointments in industry and in public service.</i>	<p>Agree in part</p> <p>While staying out of individual employment and management matters, councils can take a strategic view of universities' employment mix and promote opportunities for staff to broaden their experience. Evidence is lacking, however on the current state of universities' practices and employment patterns in this regard, so it is unclear if this is a systemic issue.</p>	Actions for universities
38. <i>Universities should be free to take actions they see fit to address concerns about educational disadvantage.</i>	<p>Agree, but more required</p> <p>Universities should be free to use their discretion to address educational disadvantage and disparities in outcomes, within the constraints of the law (for example the Human Rights Act).</p> <p>Improving access and completions for all students is a system-wide issue for which Government should set high expectations and monitor performance. Progress in learner success has resulted both from universities taking local action, and system-level work including capacity building and accountability requirements.</p>	
39. <i>Learner success should be included in the Code for Academic Governance.</i>	<p>Agree in part</p> <p>Whole-of institution approaches to learner success are a key to improving student outcomes and wellbeing. Some aspects of learner success and equity efforts can be appropriately incorporated in a Code for Academic Governance. Other aspects are matters for a Code of Pastoral Care and Student Welfare, for qualifications and programme design and quality assurance, and for overall institutional governance and culture.</p>	
40. <i>Discontinue separate submission of Learner Success Plans and Disability Action Plans. Include sections for learner success and disability action in universities' Investment/Strategic Plans instead.</i>	<p>Agree</p> <p>The TEC is now integrating learner success plans and disability action plans into investment plans for all tertiary education organisations.</p>	Underway
Funding		
41. <i>There needs to be a closer alignment between strategic policies for the university system and the funding made available by the Crown. Greater investment will likely be needed to ensure New Zealand's universities retain their reputation and quality and meet New Zealand's future needs.</i>	<p>Agree in part</p> <p>Government can more actively align funding with its Tertiary Education Strategy (or a university-specific strategy). But priorities will always be a mix of strategic vision for change and meeting other priorities (cost pressures, sustaining access, balancing with priorities in other sectors).</p> <p>Universities' performance is constrained by available resources, as for all other public entities. Prioritising public investment (including funding, fee regulation and student support for universities and the wider tertiary education and research systems) involves trading off overall priorities and the relative benefits of fiscal flexibility for government and certainty for institutions.</p>	New Tertiary Education Strategy priorities to inform budget priorities and TEC investment
42. <i>The investment planning system should be changed to align with the funding cycle so review dates and funding periods have the same three-year cycle for all universities.</i>	<p>Largely disagree</p> <p>TEC's ability to vary institutions' plan lengths depending on the quality of their plans, their capacity and risks, is an important performance improvement lever and incentive.</p> <p>Funding is reviewable annually (to reflect demand patterns and government budget decisions).</p> <p>Universities can update their strategic plans at any time.</p>	No action

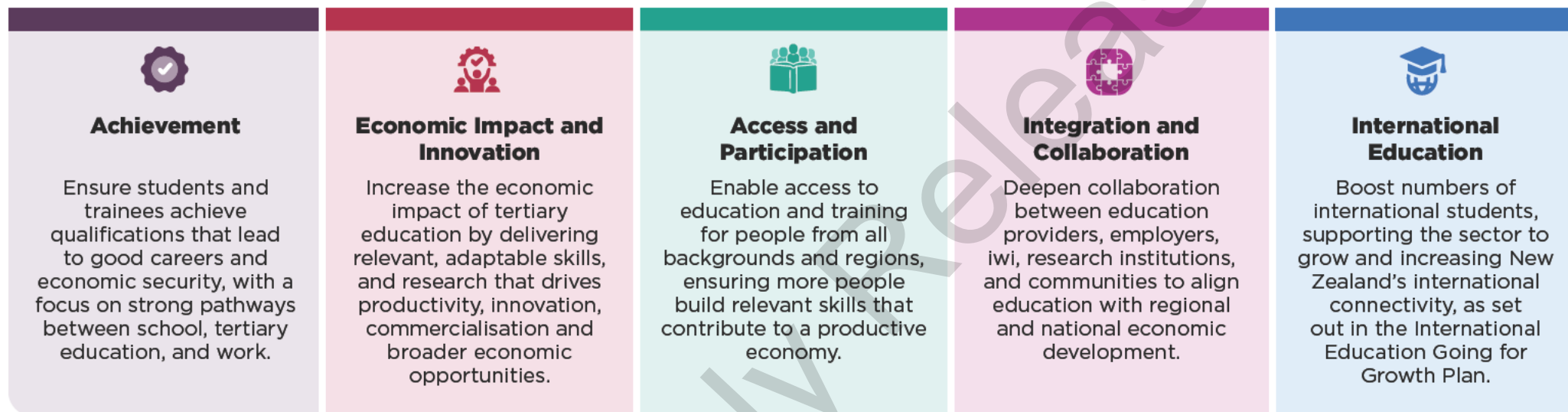
UAG Recommendations [some paraphrased]	Assessment and comment	Next steps
43. <i>University strategic plans should be used as comprehensive investment plans.</i>	Consider further Investment plans and strategic plans should be aligned and fall out of the same planning process. However they serve different functions. Universities' strategic plans cover activities not directly in the scope of TEC investment plans. Investment plans focus on activities funded by TEC (and via student support), and key institutional and investment risks that TEC monitors. Universities can and do use their strategic plans as the core of their investment plans, adding detail if needed to meet specific investment plan requirements.	
44. <i>There should be a separate set of Funding Mechanisms for Universities, including for Delivery at Level 7 (degree) and above.</i> 45. <i>Once the NZUC is established transfer from TEC to NZUC the allocation of funding to universities and their oversight and accountability.</i>	Disagree Separate funding mechanisms would be needed if TEC's funding role for universities transferred to a new entity. Otherwise, this risks adding duplication in regulation and administration. Government can fund activity at different rates for universities if it wishes, within a common funding system. The UAG does not make a strong case that NZUC will perform a funding role better than the TEC does, or that the benefits of a 'ringfenced' university funding system outweigh the disadvantages. Funding universities under separate appropriations and funding mechanisms will add friction to the public financing system for tertiary education. This may not benefit universities as intended. While giving universities more certainty, it reduces government's fiscal flexibility to redirect funding to meet changing student demand and/or other public policy priorities. Universities have been the main beneficiaries of an integrated tertiary budget, gaining funding relative to other providers in response to changing student demand.	No action
46. <i>The funding mechanism should include flexibility for NZUC to adjust funding rates.</i> 47. <i>The NZUC should reserve funds for new developments and to incentivise activities in the national interest.</i>	Consider further Some flexibility to adjust rates or supplement funding may be a useful addition to the funding system. However, this requires trade-offs between volume (access/participation) and price. This is a matter of political and financial accountability ultimately for Ministers, and requires fiscal constraints/disciplines to avoid unduly inflating funding rates at the cost of reduced access. At the margins, there will always be potential projects arguably meriting an increment on bulk-funded grants. These potentially demands must be managed in a coherent and predictable way, without encouraging institutions to look to the centre, rather than to the students, industries and communities they serve. Existing budget management approaches create some space at the margins to fund emerging priorities. The system could be made more flexible and responsive, but holding funds back for discretionary investment requires a trade-off, reducing the amount available to commit to universities to meet student demand or deliver their research.	Address in ongoing funding policy work
48. <i>Tuition fees in general should follow movements in course costs and inflation rates.</i>	Agree in part While we broadly agree, this is insufficient. There are two related issues here: how to set relative fees across courses, and how to adjust fees over time. Directly indexing fee caps to a price inflator erodes both financial discipline incentives and the government's discretion to prioritise its limited budget.	Ongoing in budget process
49. <i>To give universities greater revenue stability, consider smoothing out funding allocations (such as by grants for multiple years or basing funding on weighted averages calculated over several years using both enrolment history and projections).</i>	Disagree Despite some perceptions in the sector, universities have stable revenues compared to most similar-scale organisations, and especially compared to other tertiary education providers. They have capacity to manage revenue variations. Existing funding mechanisms provide for some protection from rapid revenue changes. Smoothing approaches such as those proposed would give universities more certainty, but reduce incentives to respond to changing demand. Over the last 4 years, annual changes for universities have been small. Most have gained funding. There is not a clear revenue certainty problem (outside of major external shocks).	No action
50. <i>In so far as is possible, simplify reporting and accountability measures to align with the investment plan and reduce duplicative reporting against different frameworks.</i>	Agree We agree reporting and accountability should be as simple as practicable. As universities deliver a complex mid of outputs for multiple 'clients' and funders, fit for purpose reporting will be complex. TEC will continue its efforts to ease and improve reporting processes.	Ongoing in TEC work

UAG Recommendations [some paraphrased]	Assessment and comment	Next steps
The Performance-Based Research fund (PBRF)		
51. Continue the PBRF, renamed the Research Intensity Component for Universities (RICU), focused solely on incentivising research intensity.	Consider further	New Tertiary Research Excellence Fund to replace the PBRF. Two phases of change, with sector technical advisory group.
52. Abandon individual portfolio assessments [the QE component] and calculate PBRF on the basis of research degree completions, research income and citation rates of the institution. Significant changes from the current allocations should not be abrupt.	Agree	
53. [NZUC should] consider a dashboard approach to assist its strategic analysis and review of the system.		
Centres of Research Excellence		
54. Continue and enhance the CoREs Scheme.	Agree	Address in future funding mechanism updates.
55. Focus on new areas of investigator-led activity aligned with national priorities rather than funding well-performing existing activities.		
56. Continue to require collaboration across universities and other research active entities.		
57. Fund CoREs for one 6-year cycle, with a maximum of one 6-year renewal. Provide reduced 2-year transitional funding for CoREs terminated after one round.		
58. Distinguish between new and renewing applicants in reviews.		
Capital Expenditure		
59. All capital projects over \$75 million should have business cases and their sources of funding approved by the NZUC.	Agree in part	Consider strengthening policy levers to improve coordination in strategic capex.
60. Universities should be required to comply with Cabinet rules and Treasury processes for the management of large capital projects.		
61. Universities should continue to seek approval for debt financing and the divestment of significant assets (>\$15million), but this should be given by the NZUC rather than from the Secretary of Education as is presently required.		
Interactions between the university sector and the research and innovation sector		
62. There should be cross-appointments between NZUC and the proposed National Research Council, with both represented on the proposed Research Infrastructure Advisory Committee.	Consider further	University Strategy Group Action for universities and CRIs/PROs
63. Universities and PROs should increase joint and cross appointments of research-active staff.	Agree	Action for universities

OBJECTIVE STATEMENT

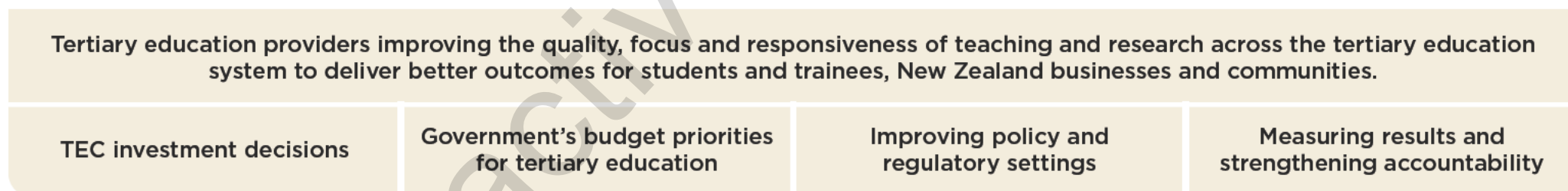
A tertiary education system that enables people to succeed with knowledge and skills that advance an innovative, high-productivity economy, and improve quality of life.

OUR PRIORITIES



DELIVERING OUR PRIORITIES

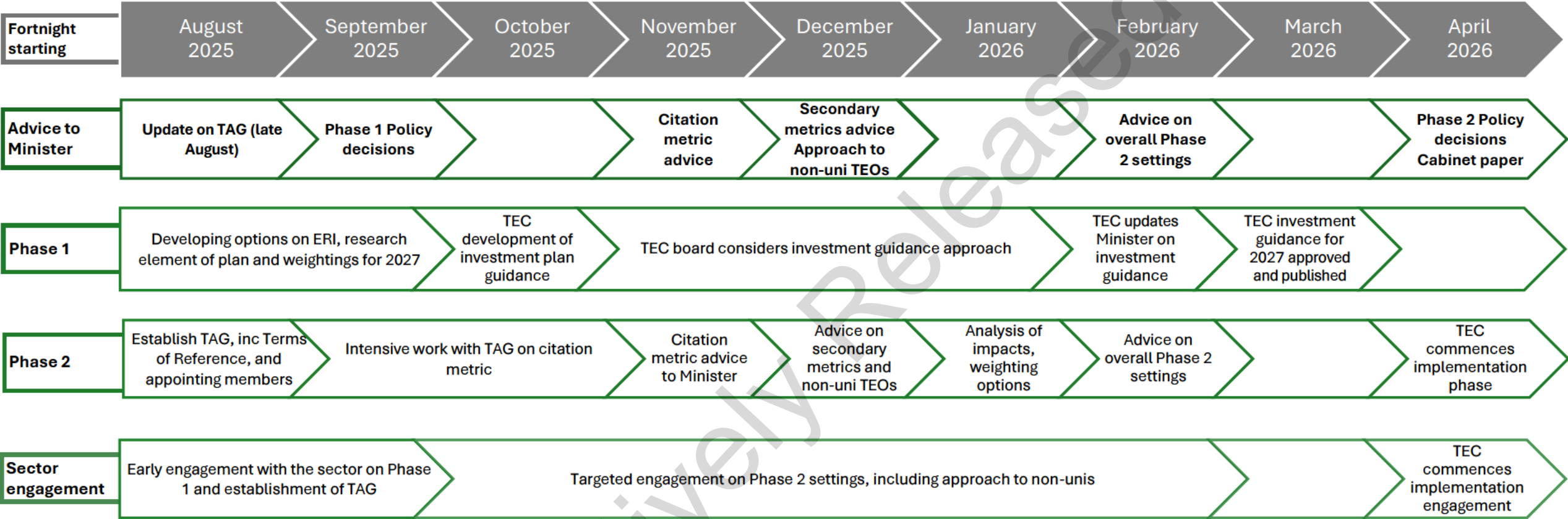
The strategy will drive better outcomes for NZers under these priorities through...



MEASURING SUCCESS



Tertiary Research Excellence Fund Work Programme





Cabinet Expenditure and Regulatory Review Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Strengthening the University System

Portfolio Universities

On 19 August 2025, the Cabinet Expenditure and Regulatory Review Committee:

- 1 **noted** that the Minister for Universities, with the Minister for Vocational Education, is preparing a new Tertiary Education Strategy, anchored in the Government's Going for Growth agenda, with priorities focussed on delivering knowledge, skills and research with economic impact by driving innovation and productivity growth;
- 2 **noted** that the Ministers for Universities and Vocational Education will bring a new Tertiary Education Strategy to Cabinet in November 2025 for approval following targeted consultation;
- 3 **authorised** the Minister for Universities to determine terms of reference and membership of a University Strategy Group to strengthen strategic oversight of the university system, with up to three independent members appointed following reference to the Cabinet Appointments and Honours Committee;
- 4 **agreed** to replace the Performance-Based Research Fund (PBRF) with a new Tertiary Research Excellence Fund, with funding allocated based on three components:
 - 4.1 a metric-based assessment of research output, centred on field-weighted citations with secondary metrics to capture research impact and non-citation research;
 - 4.2 External Research Income (ERI), prioritising user-led research; and
 - 4.3 Research Degree Completions;
- 5 **agreed** to Phase One of the transition to the Tertiary Research Excellence Fund in 2027, increasing the priority on user-led research within the ERI component, increasing the overall weighting on this component, and introducing strengthened research requirements for investment plans of providers seeking PBRF;
- 6 **authorised** the Minister for Universities to determine the detailed settings for Phase One of the transition to the Tertiary Research Excellence Fund;

- 7 **invited** the Minister for Universities, in consultation with the Minister for Vocational Education, to report back to Cabinet by April 2026 on the final design of the Tertiary Research Excellence Fund to be implemented from 2028, including citation and secondary metrics, and the approach to non-university tertiary education organisations;
- 8 **noted** that the Minister for Universities is advancing work on options to:
- 8.1 improve the regulatory framework for university system quality assurance, programme and qualification approval, and student mobility; and
- 8.2 strengthen institutional governance and academic governance in universities;
- 9 **noted** that the Minister for Universities intends to publish the University Advisory Group's interim and final reports.

Tom Kelly
Committee Secretary

Present:

Hon David Seymour (Chair)
Rt Hon Winston Peters
Hon Nicola Willis
Hon Chris Bishop
Hon Brooke van Velden
Hon Shane Jones
Hon Paul Goldsmith
Hon Louise Upston
Hon Judith Collins KC
Hon Shane Reti
Hon Casey Costello
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Mark Patterson

Officials present from:

Officials Committee for EXP
Office of the Minister for Space
Office of the Minister for Universities
Office of the Minister for Vocational Education



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Expenditure and Regulatory Review Committee: Period Ended 22 August 2025

On 25 August 2025, Cabinet made the following decisions on the work of the Cabinet Expenditure and Regulatory Review Committee for the period ended 22 August 2025:

EXP-25-MIN-0088	Strengthening the University System Portfolio: Universities	CONFIRMED
Out of scope		

Rachel Hayward
Secretary of the Cabinet