



Briefing to the Incoming Minister

November 2023



Table of Contents

Table of Contents	2
Introduction from Chair.....	3
About us	5
Matters for your attention	9
Significant new opportunities	9
Key activities and milestones – next 12 months.....	10
Customers and regions.....	11
Ākonga – learners, trainees and apprentices	11
Employers.....	14
Regional focus	14
Products and programmes	17
From transition to transformation	19
Transformation Roadmap	19
Digital Transformation	19
Our financial landscape	21
Working with you	26
Governance and senior leaders.....	28
Te Pūkenga Council	28
Our Executive Leadership Team.....	29
Appendix A: Te Pūkenga Charter.....	31
Appendix B: Key Milestones.....	33
Appendix C: Financial challenges for ITPs	36
Appendix D: Financial Strategy.....	40
Appendix E: Financial Plan.....	40
Appendix F: Transformation Roadmap.....	40

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Introduction from Chair

Congratulations on your appointment as Minister for Tertiary Education and Skills.

We look forward to working with you over the coming parliamentary term. We welcome the opportunity to meet with you at your earliest convenience to discuss the matters outlined in this briefing, and any other matters you wish to raise.

This briefing provides information on what has been done since Te Pūkenga was established in April 2020, what is in progress, and what is currently scheduled in 2024 for Te Pūkenga. This includes the challenges we face and the plans we have put in place to mitigate these challenges and to support transitioning to a new national entity.

We understand the vital role we play supporting the Government's broader productivity, and economic and regional development goals. We do this by providing quality education and training to 270,000 ākonga (learners), to help them develop the skills they need to gain meaningful employment that supports over 35,000 employers grow their businesses and contribute to the New Zealand economy.

As we enter a fiscally challenging environment, it is crucial that New Zealand has the vocational and higher education infrastructure to support the Government's economic growth agenda. We are seeing learners and employers demanding improved services and improved value for money. As you will see in our Financial Strategy, Financial Plan and Transformation Roadmap, the next 12-18 months are focused on improving educational delivery and training while using our scale to create efficiencies across our operations.

We have come a long way

Te Pūkenga was established on 1 April 2020 as part of the Reform of Vocational Education, bringing together Institutes of Technology and Polytechnics (ITPs) and Industry Training Organisations (ITOs). The transition to a single, integrated institution delivering or supporting work-based, face-to-face, and online vocational education, was and is complex.

Collectively, the ITPs were not in good shape, with their viability significantly exacerbated by the Covid-19 pandemic. While the ITOs were financially sound, their service delivery models and support for both learners and employers needed significant enhancement.

As with other parts of the economy, Covid-19 had significant impacts as we began our establishment. The extended periods of lockdown in Auckland, the reduction in enrolments as learners left study to support their families, large reductions in international learners across the tertiary education system, and the impacts of difficult operating circumstances exacerbated declining enrolments and revenue.

That said, we also saw a remarkable willingness of staff across the network to take on extra roles and responsibilities and to be flexible in their approaches to teaching and support for our learners. This included moving the delivery of programmes online in a very short period of time. Some of these changes have meant we are well positioned for changing learner needs and demand for more online and flexible delivery.

Acceleration of our work programme post Covid-19

Much work has been done to support our network since mid-2022 when we recognised that we needed to accelerate our transition work programme post Covid-19. With significant effort and engagement from our kaimahi (staff) and leaders, we have established the foundations for consistent and accessible nationally-led, regionally delivered, vocational education and training. This includes working towards systems and processes that support the former ITPs and ITOs to deliver on our Charter and statutory functions with a focus on outcomes for ākonga, employers and communities in our four Rohe (regions).

As a result of our collective efforts, a significant number of milestones have been achieved over the past three years including many designed and delivered in consultation with our kaimahi, partners and stakeholders nationwide. Key milestones include the legal establishment of Te Pūkenga as a single tertiary education institute, development of our operating model for how we deliver education and training for our ākonga, establishment of our permanent leadership team, and the launch of our brand overseas.

In September 2023, we announced our new organisation structure for about 90 percent of the organisation following extensive consultation with kaimahi and unions. The structure has been very well received, including by staff, unions and external stakeholders, with many of the 401 impacted staff applying for, and securing, roles in the new structure, keen to get on with delivering education as part of Te Pūkenga. The new structure will deliver a net reduction of 200 roles and approximately 9(2)(b)(ii)

The new structure is focused on driving the benefits of scale through reducing duplication and costs, driving efficiency gains, and leveraging our scale for impact, productivity and revenue growth. As an example, as part of the new structure, we have consolidated 25 communication teams into one, with regional representation and national reach. Similarly, a single finance team has not only helped with cost savings through a reduction in staff numbers, but also access to cost-effective procurement as a result of our scale.

Following this transition period of unifying the business entities and establishing our key foundations, we are well positioned for our transformational phase. We continually refine our Transformation Roadmap to reflect decisions from our recent restructure and the steps to a steady state which will deliver on our vision.

The roadmap will be aligned to our critical Digital Transformation programme which utilises modern technologies and practices expected of an organisation of our size and scale, providing consistent and secure national networks and resilience. All our work is also informed by Te Tiriti o Waitangi excellence and achieving equitable access and participation for all ākonga.

Financial sustainability remains a challenge in the short-term

Financial sustainability is a critical component of our reset, helping to address the financial challenges faced by many of the former ITPs. Our annual report for 2022 recorded a network deficit of \$80.353 million.

Our financial plan includes increasing international enrolments by building on our strong international pipeline, and a substantive review of our property portfolio. We do however continue to face challenges with immigration settings and processing timeframes. Other key projects underway include the unification of fees and programmes to remove duplication and excessive competition while ensuring consistency and equity for ākonga and employers, nationally. There is a pressing need to significantly shift the cost structure of face-to-face on-campus delivery to respond to the Unified Funding System (UFS) settings. Given the pressure created by the UFS, we are keen to engage with you as soon as possible.

As we continue to retain momentum for achieving good educational and work outcomes for New Zealand, we look forward to your direction and working with you to give effect to the Government's policy and aspirations for vocational and higher education and training.



Murray W. Strong
Chair

About us

Established on 1 April 2020 as one of seven key changes from RoVE, Te Pūkenga united 16 former ITPs, eight ITOs, and part of another ITO.

As a statutory Crown entity under the Education and Training Act 2020 and the Crown Entities Act 2004, we are monitored by the Tertiary Education Commission (TEC) and ultimately responsible to Parliament and the public.

Te Pūkenga is governed by a Council comprising members appointed by you, with support from the TEC, and representatives from kaimahi, ākonga, and Māori advisory committees who are appointed by Council. The Council has four committees: Appointment and Remuneration, Finance and Capital Investment, Health, Safety and Wellbeing, and Risk and Audit. Te Poari Akoranga is our academic board which has sub-committees. We have three statutory advisory committees: Learner, Māori and Staff.

We operate a distributed leadership model with kaimahi working all across the country and a formally identified head office in Kirikiriroa | Hamilton for legal purposes.

Key enabling functions including finance and property, people, culture and wellbeing, government relations, strategy, Council Secretariat and digital leadership have been consolidated and are operating as national functions. This enables us to operate a shared services model where many costs are carried by the centre rather than regions or business divisions which can instead focus on delivery for learners and employers.

Largest vocational education provider in Aotearoa New Zealand

We are primarily funded by government while also earning fee income from ākonga and employers. Our network spans across Aotearoa New Zealand with some 9,500 kaimahi (8,500 FTE) serving 270,000 ākonga (114,000 EFTS/STMs¹) comprising approximately 48 percent of learners enrolled in the tertiary education sector. By comparison, in 2022, Auckland University had 6,116 FTE staff and 35,828 EFT students.

Industry training (work-based learning) accounts for 42 percent of our learners, 28 percent of our revenue and 22 percent of our operating costs. Some 1,400 staff are directly engaged in the delivery of work-based learning in 35,000 employer businesses.

Face-to-face and online delivery (delivered previously by polytechnics) accounts for 58 percent of our learners, 72 percent of our revenue and 78 percent of our costs. Just under 8,000 staff are directly engaged in face-to-face and online delivery.

Last year, ākonga satisfaction rate was 89 percent; 70.4 percent of ākonga Māori completed their courses and 77.2 percent of all courses were completed.

In considering the future of Te Pūkenga, it is essential to recognise the size, scale, and complexity of work-based learning. Te Pūkenga is considerably larger and more diverse than a large polytechnic. This enables us to achieve economies of scale, whilst also being able to better respond to learner and employer needs. Thanks to our scale we have become an increasingly attractive business partner internationally and domestically. For example, we have signed a vocational education alliance with the Chinese Ministry of Education (CMoE) and 30 participating Chinese education organisations. Domestically we have been expanding our provision of education and training services to large national employers who prefer a single national agreement with a consistent cost structure and nationwide delivery.

¹ EFTS – Equivalent Full-Time Student - 1.0 EFTS equates to a programme of study or training that is 120 credits (generally 1,200 notional learning hours delivered over 34 teaching weeks). Figures are as at December 2022.

STM – Standard Training Measure - An STM is a unit of a quantity of training. One STM is the nominal amount of training that is required for a learner to achieve 120 credits in an approved and structured training programme.

Our approach has been to develop an organisation that can leverage its scale where it is meaningful while remaining locally responsive. Where we have identified scale benefits, we have moved to establish national approaches. Areas of scale benefits include:

- digital platforms and services
- enabling services in finance, property management, people, culture and wellbeing, legal services, internal audit, communications, procurement and insurance
- industrial relations, productivity and driving performance
- academic systems, qualification and programme development, moderation, and quality assurance
- sharing of excellent teaching practice and fostering nationally consistent delivery
- delivery at scale of initiatives that lift learner success and tackle deep-seated equity issues
- reporting and engaging with the Minister, government agencies and national regulators like the TEC, NZQA, WDCs, and professional bodies
- pricing frameworks
- providing services and products to support large national employers
- expanding international education opportunities such as the opening up of China to the delivery of sub-degree level vocational qualifications.

Out of a total of 1,347 unique qualifications previously offered at separate institutions across the country, around 30 percent have been brought into new unified national programmes. Work is progressing to complete the unification of programmes to reduce duplication and costs and ensure learners receive the same high-quality education and training regardless of where they are based in the country.

Focus on outcomes for ākonga and employers

Our role is to provide excellent and quality education opportunities that support learners, employers and communities to gain the skills, knowledge and capabilities needed now and in the future. All our activity is guided by the mission statement:

Ka whai huarahi whakahirahira te katoa o ngā ākonga me ngā pūkenga e tika ana, ngā tohu e tika ana, ka rapa te whai, ā, ka iti iho te noho nama | All learners into great mahi, with the right skills and qualifications, faster, and with less debt.

Our statutory functions are set out in section 315 of the Education and Training Act 2020. They include the provision or arranging of education and training, being responsive to and empowering stakeholders, and improving the quality and consistency of vocational education and training in collaboration with Workforce Development Councils (WDCs). They also include improving tertiary system outcomes by connecting with schools and other organisations and improving outcomes for ākonga Māori and Māori communities in collaboration with iwi, hapū and others.

We are also guided by our Charter, which is at Appendix A.

Some of our focus areas

Across Te Pūkenga we are actively exploring and adopting new ways of working. Key initiatives include:

- **Building relationships with employers:** leveraging our scale to provide training and education services to large customers such as the New Zealand Defence Force (NZDF), Air New Zealand, Te Whatu Ora, Metlifecare, Fulton Hogan, and Corrections.
- **Secondary/Tertiary programme, foundation, youth pathways:** provision of Secondary-Tertiary Programme (Trades Academy) as the largest trade academy in New Zealand. There are 10,036

learners in Secondary Tertiary Alignment Resource (STAR), Trades Academy and Dual Pathways Pilot programmes as at 1 September 2023. We are on track to exceed the total number of young people undertaking these programmes.

- **Integrating our systems:** integrating 25 different systems through our Digital Transformation programme, starting with a single FMIS. Our comprehensive procurement process has identified a single supplier to streamline and standardise our financial process reducing the current 25 systems to a single, efficient platform.
- **Enabling national network response:** we harnessed the strength of the network to provide support and enable continued delivery of services to 3,391 ākonga in February 2023 after Cyclone Gabrielle ravaged the EIT|Te Pūkenga Hawke’s Bay campus in Taradale.
- **Collaborating with others in RoVE:** our Memorandum of Understanding with other vocational education providers and organisations facilitates collaboration (rather than competition), including with Te Wānanga o Aotearoa, Waihanga Ara Rau (WDC for constructure and infrastructure industries) and Independent Tertiary Education New Zealand and Quality Tertiary Institutions | Ngā Wānanga Kounga.
- **Building and sustaining provision in rural and remote communities:** through the Strategic Component Fund of the UFS, we are trialling new approaches that improve sustainability of provision particularly in Tai Tokerau | Northland, Tairāwhiti, Taranaki, Tai Poutini | West Coast, and Murihiku | Southland. The ability to scale the Hyflex model (hybrid-flexible learning) from SIT | Te Pūkenga is also being considered as a way of supporting rural and remote delivery.
- **Repositioning responsiveness to Te Tiriti:** within the organisation structure, all roles hold specific Tiriti-related responsibilities and performance measures. We are committed to ensuring our work is centred on the needs of ākonga Māori and their whānau, driven by a focus on culturally affirming equity for ākonga Māori, and improving outcomes for New Zealand.
- **International education:** rebuilding and expanding international education is a key part of improving our financial sustainability. We have hosted visits to Te Pūkenga by both the Chinese Minister for Education and the Indian Minister of State for Education in recent months. We signed a vocational education alliance with the Chinese Ministry of Education (CMoE). In November, a Te Pūkenga delegation travelled to China to meet with the 30 new potential alliance partners that the CMoE has identified, and to begin planning with the CMoE for a high-profile in-market launch of the alliance in Q1 2024. This alliance has the potential to open the Chinese market to significant sub-degree / vocational training. This initiative is one of five key priorities signalled by the Chinese Minister of Education during the Prime Minister’s visit this year. **It would be appropriate for the launch of the alliance to be led by the Minister.**

Kaimahi – staff

As at October 2023, we had 9,550 kaimahi at multiple delivery sites and workplaces across Aotearoa New Zealand. Kaimahi are based in four regions and just under 60% identifying as female, 39% identifying as male, and less than one percent as other genders.

Region	Kaimahi (headcount)
1	1,805
2	2,102

3	3,497
4	2,146

This year, we consulted and confirmed decisions on our organisation structure for close to 90 percent of the organisation. We are currently implementing the decisions of the change which is another significant step in securing the efficiencies that reflect the scale of a national organisation which is regionally responsive and focused on meeting the needs of local communities.

As a consequence, 401 employees were formally advised that their roles have been disestablished and were given notice of the date their employment will end. A further 350 fixed term employment agreements will not be renewed at the end of their term, and some 50 vacancies will not be replaced.

The new structure has 602 new roles, which we are actively recruiting for. There has been strong interest both internally and externally in the new roles, with a large number of quality applications, demonstrating commitment to, and indicating an endorsement of, Te Pūkenga.

We have work underway to complete the transition from the old division structure to the new structure. Currently most of the new regional Ako Delivery teams become operational on 8 April 2024. Some work-based learning divisions will transition into the new structure in May and June 2024.

We have consolidated collective employment agreements with the two major sector unions – Tertiary Institutes Allied Staff Association (TIASA) and the Tertiary Education Union (TEU). Both agreements have some common terms and conditions and have carried forward the remuneration and benefits structure from each of the former polytechnics.

However, there are significant differences in employment terms and conditions, remuneration, productivity and the nature of work for the ITPs and ITOs that formed Te Pūkenga. For example, some kaimahi with the same or very similar roles are employed for 34, or 37.5, or 40 hours per week and some have different teaching loads and provision for research. There are also a range of very different leave entitlements.

We are currently experiencing significant remuneration pressure from, for example, recent pay equity settlements in health and nursing pay increases which impacts the remuneration of our nursing lecturers. This is compounded by the need to recruit additional staff to respond to nursing workforce shortages.

We anticipate work in early 2024 on TEU and TIASA collective agreements to address the major differences in employment conditions across the network. This is a major opportunity to address productivity gains across the former polytechnic workforce and to achieve benefits from the integration of face-to-face, online and workplace learning teams and roles. This could help make small cohort remote delivery viable, realising economies from the alignment of learner support functions across all delivery modes.

At the core of this is the ability to change the nature of front-line roles to reflect the centralisation of qualification and programme development and face-to-face and work-based delivery integration. Lifting the productivity of front-line delivery is a key part of our response to the UFS and our Financial Strategy.

The TEU has initiated bargaining to extend coverage to include all allied staff across the network.

Matters for your attention

Our priorities will depend on the priorities for the Government, however there are some matters for your consideration over the coming months.

Council appointments

In March 2023, the terms of three Ministerial appointments to the Council ended and the then Minister appointed two new Council members. This leaves an existing vacancy on the Council. The terms of three other Council members end in March 2024, including the current Chair. We would like to discuss the matrix of skills for future appointments with you. The Council considers it would benefit from stronger experience in major change processes, digital transformation, commercialisation and business development, and international market development alongside representation of employer perspectives.

Statement of Intent (SOI) and Statement of Performance Expectations (SPE)

The Education and Training Act 2020 and Crown Entities Act 2004 require Te Pūkenga to submit a SOI every four years and an annual SPE. We have a statutory requirement to provide the draft SPE and SOI to you no later than two months before the start of our financial year, which is 1 January 2024. The drafts of these two documents have been provided to your office for feedback separately. As Minister, you are required to provide feedback to Te Pūkenga within 15 working days after receiving them. TEC will support you with this.

End of Apprenticeship Boost

A total of 35,788 employers engaged with programmes in 2022. Many credit the Apprenticeship Boost subsidy for providing training support to their employees and trainees. Budget 2023 extended Apprenticeship Boost for a further year. The future of financial incentives to support in-work learning will require careful consideration.

Significant new opportunities

There are significant cross portfolio opportunities that align with the Government's focus on economic development and better outcomes for New Zealanders, and would benefit from your early attention. We would be happy to expand on these opportunities if you are interested in exploring them further.

Secondary – Tertiary pathways

For a growing number of secondary school students, the pathway from the compulsory sector to higher education is difficult. Attrition at this point is one of the major impediments to developing the workforce that New Zealand needs now and for the future. The current funding rules between secondary schools and higher education providers make it difficult to design and deliver flexible responses that would make this transition easier and more effectively support learners to engage in study with their secondary school and with Te Pūkenga in exploring trades training. Establishing more flexible funding rules would help the design of pathways that are more effective for learners and contribute to your Government's key education priority of lifting engagement, attendance and achievement standards across the compulsory sector.

We also suggest that it would be timely to explore further the potential for initiatives such as the Secondary-Tertiary High School that has operated at MIT | Te Pūkenga achieving outstanding results for learners who have disengaged from the compulsory sector. We believe this initiative provides a model that is worthy of consideration for expansion as part of a focus on lifting engagement, attendance and achievement.

Pathways from welfare to full-time study

For many years the relative value of financial assistance for those receiving welfare benefits has been higher than those available to people undertaking fulltime study. This provides a significant barrier to beneficiaries

whose pathway to productive employment sensibly includes a period of fulltime study. Addressing this misalignment and removing policy barriers for people progressing from welfare to education would be a helpful step in reducing inter-generational welfare dependency.

Pathways from welfare to in-work learning

For some beneficiaries the most effective pathway to on-going and sustainable employment would be through work-based learning. There is a significant opportunity to use the scale and breadth of our work-based learning portfolio and our relationship with 35,000 employers to better align with the way in which the Ministry of Social Development (MSD) engages with, and supports beneficiaries to enter or re-enter the workforce. Maximising the effectiveness of this opportunity may require more flexibility in the way in which MSD can support learners. Sustainable employment outcomes are more likely to arise if the beneficiary is supported to succeed. This may include assistance with securing a driver’s licence, travel support, and higher levels of support in the workplace than would otherwise be part of a work-based learning programme.

Immigration New Zealand policy settings and processing

International education plays a key role in contributing to New Zealand, economically, socially and culturally. It is also a key pillar of our financial sustainability plan. While there is considerable interest in our offer internationally, our immigration policy settings, particularly in relation to work rights in- and post study, visa processing times, and low approval rates for some markets (including those that support a diversification strategy) impact our growth potential.

Key activities and milestones – next 12 months

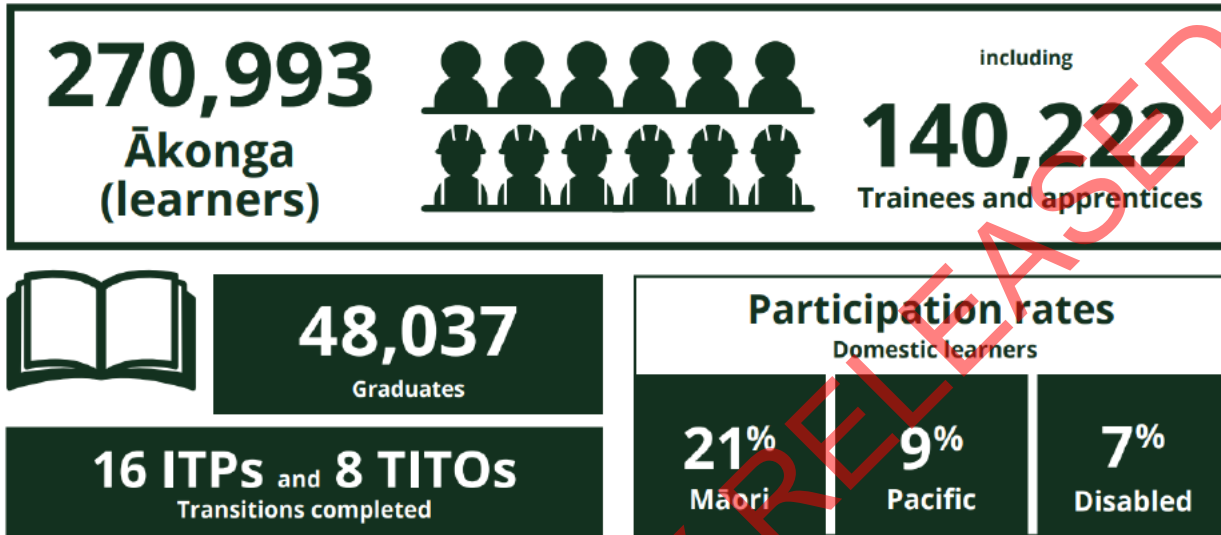
Date	Activity / Milestone
November 2023	First Te Pūkenga self-assessment submitted to NZQA.
Underway and on track for completion by 23 December 2023	Consolidation of multiple support services into single teams (with regional representation) to drive efficiencies, and reduce significant duplication and costs. This includes: <ul style="list-style-type: none"> • Consolidating 25 communications teams into one • Establishing a single risk and internal audit function • Establishing a single legal team, reducing cost in legal advice • Ending 350 fixed term contracts as new permanent structure is stood up.
On track for completion by February 2024	National secure digital identity solution for kaimahi and ākonga developed to establish single identity with Te Pūkenga email address and single, secure and managed access to all systems. This will significantly reduce cyber security risk.
Underway and on track to be completed by March 2024	Contract for national connected network and single WiFi system established with REANNZ with a progressive roll out. This will increase access and mobility and reduces cyber security risk.
Underway and on track for completion by April 2024	Transition to regional delivery model. Complete establishment of the teams for Academic Centre and Learning Systems, Learner and Employer Experience and Attraction, and Tiriti Outcomes groups. Complete stage 2 of the Digital team, including strengthening of cyber security capability.
Underway and on track for completion in 2024 and 2025	9(2)(b)(ii) <div style="background-color: #cccccc; height: 15px; width: 100%;"></div> <div style="background-color: #cccccc; height: 15px; width: 100%;"></div> <div style="background-color: #cccccc; height: 15px; width: 100%;"></div>

Customers and regions

Ākonga – learners, trainees and apprentices

In 2022, the last full year for which data is available, we had a total of 270,993 learners, including 140,222 trainees and apprentices.

Figure 2: 2022 full-year enrolments



Domestic enrolments for all three delivery modes remain down at Te Pūkenga and across the tertiary education sector. As at 3 November 2023, there were 225,900 ākonga studying and training with Te Pūkenga with 30 percent being under-served learners (ākonga Māori, Pacific and disabled ākonga).

There were 98,620 (44 percent) in work-based training; 86,455 (38 percent) studying campus-based courses; and 47,651 (21 percent) studying online. Some ākonga study in more than one delivery mode.

The majority of ākonga are learning in construction and infrastructure (22 percent), community health education and social services (17 percent), or the services industry (17 percent).

We are working on a range of strategies to lift enrolments, including closer partnerships with industry and large employers to focus on areas of skills need, and more targeted marketing and engagement.

International learners

In 2019 (pre-Covid) we supported 10,700 international EFTS (18,593 learners). This fell to just 4,500 EFTS (8,163 learners) in 2021 and 2,858 EFTS (5,778 learners) in 2022 due to the extended impact of border closures.

Today, the international education pipeline for Te Pūkenga is strong, and we have exceeded the budget for 2023. As of 3 November 2023, international ākonga across all business divisions are at 5288 EFTS for the year.

We are currently budgeting international enrolments for 2024 at 5,351 EFTS. 9(2)(b)(ii)

We are working with Immigration New Zealand (INZ) around issues with efficient student visa processing which impacts the timely conversion of applications and subsequent programme enrolment at Te Pūkenga. We would like to discuss possible opportunities in this area with you.

We have hosted visits to Te Pūkenga by both the Chinese Minister for Education and the Indian Minister of State for Education in recent months. India and China are our largest international student markets, with both countries strongly focused on vocational training and interested in working with us.

Following the signing of the China New Zealand Memorandum of Arrangement in August 2023, between China’s Ministry of Education and Te Pūkenga, we sent a delegation to China to progress this initiative. A preparatory meeting was held in early November to progress discussions.

The sponsorship of the Chinese Ministry of Education is significant and the key enabler that has not been available to individual polytechnics in the past. The scale of Te Pūkenga network is the key attraction to the Chinese Ministry and regional agencies. Our meetings in China were led by the Ministry of Education CCIPE Directors, and attended by five provincial education authorities from Sichuan, Guangdong, Hunan, Chengdu, and Qingdao. In addition, 11 Chinese universities attended (see below) with a further 15-20 wishing to explore possible relationships.

Our size is opening the door to many potentially high value new relationships, to complement the current ones we hold. The scale and breadth of programmes that we now offer, and our strong industry links together with our undergraduate to post graduate level qualifications is of great interest to the universities and local polytechnics we have spoken with internationally.

Figure 3: International enrolments 2019-2023 (as at 3 November 2023)



Te Pūkenga international enrolments for 2023 are predominately from India (2,500 or 45 percent of all international enrolments), China (736 or 13 percent), Nepal (565 or 10 percent), Sri Lanka (425 or 8 percent), and the Philippines (242 or 4 percent).

Most international ākonga are studying Level 7 degree or Graduate Diploma and are studying across a range of subject areas.

Figure 4: International enrolments in 2023 by level of study

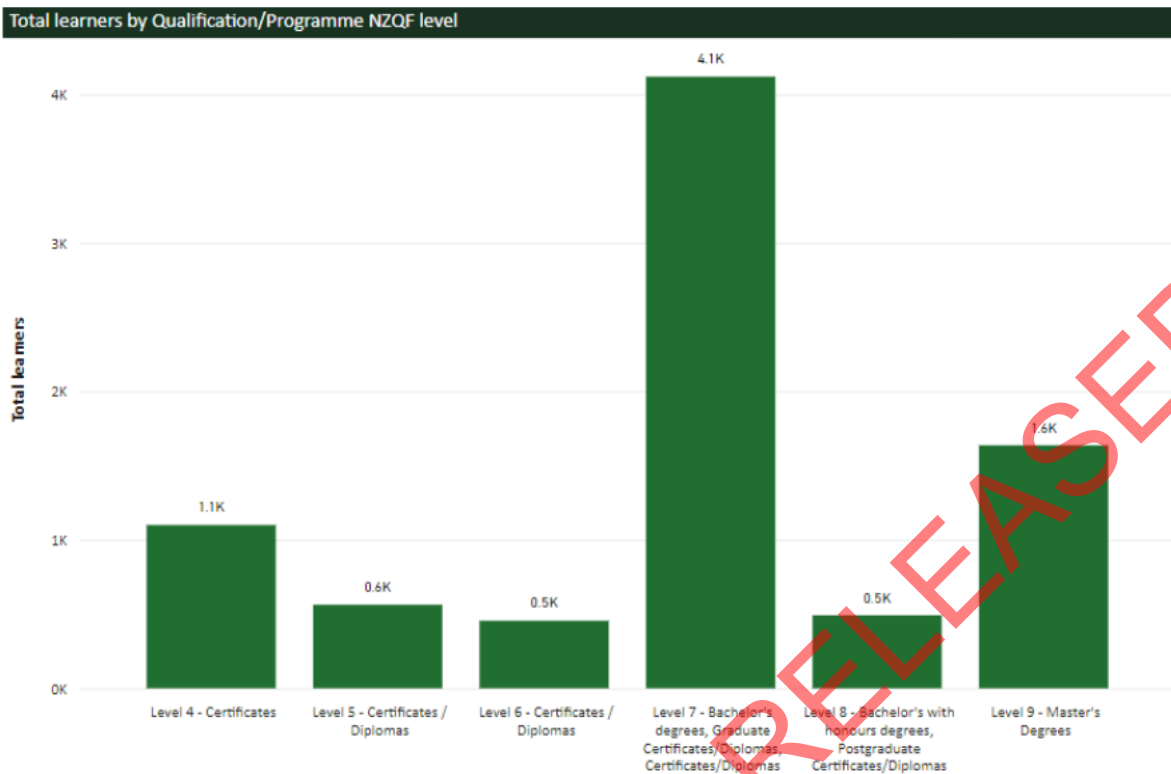
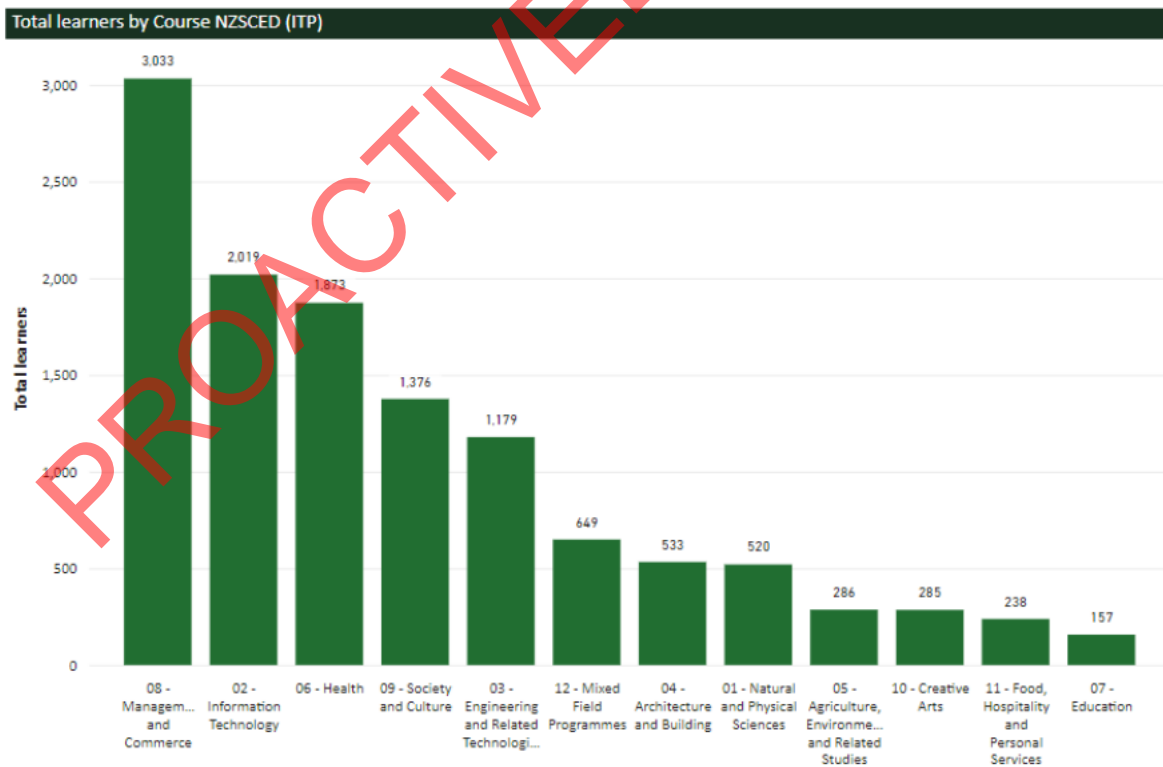


Figure 5: International enrolments in 2023 by subject areas (NSCED)



Supporting ākongā success

Drawing on best practice globally, we have developed our Equity and Ākongā Success Strategy, Te Pūkenga Learner Success Plan (LSP) and the National Disability Action Plan. They are designed to address the multitude of factors that undermine ākongā access, participation, and persistence. They apply internationally tested approaches to improving outcomes with particular value for learners who may not have been traditionally well served in tertiary education. Implementation began in 2023 and will progress through 2024 and beyond.

Benefits from the Equity and Ākongā Success Strategy and LSP to date include:

- *Tuākana / Teina and Peer Monitoring, and Whakawhanaungatanga initiatives*: 44 funded projects reaching nearly 4,800 ākongā across the motu (e.g., matching new with more experienced learners for learning pathway support and early support for ākongā and their whānau or community, creating a sense of belonging and tūrangawaewae)
- *Working with Te Whatu Ora* to provide mental health and wellbeing services to ākongā including free, unlimited Vitae tele health services, and Pacific and kaupapa Māori wānanga nationwide focusing on mental health and wellbeing.

The Education (Pastoral Care Code of Tertiary and International Learners) Code of Practice 2021 (the Code) sets the outcomes and requirements that we must meet to ensure the wellbeing and safety of all domestic and international ākongā. In response, we have developed and implemented a focused Te Pūkenga Pastoral Care Policy and Framework that allows for diversity in services and support as well as promoting the aspirational nature of the Code.

Employers

We work with 35,000 employers throughout New Zealand to provide work-based training to just under 100,000 of their employees (trainees and apprentices).

We operate with around 100 large nationwide employers – both government and private sector - including household names such as NZ Defence Force, Te Whatu Ora, Air New Zealand, McDonald's, Foodstuffs and Woolworths, Fonterra, and Mitre 10. We are in the process of building our account management approach and centralising strategic relationships in response to employer feedback on benefits of a single point of contact. We also believe we can significantly grow our business with these large organisations by packaging up the various products/services we now have access to, and meeting much more of their training and development needs, than just credentialed training. This is much more feasible with a joined-up network that can deliver nationally to our customers' work locations and, through our multimodal delivery, sees us becoming a "one-stop" learning and development centre.

We also work with a significant number of small enterprises across our regions, and our field force of industry aligned training advisors service these employers' needs while also providing pastoral care and support to our apprentices/trainees in their employ.

Regional focus

Reflecting our Charter requirement to focus on regional needs, we are a nationally enabled, regionally led network.

While we have a national leadership structure, our delivery network is organised across four Rohe aligned with the RSLGs. This is to ensure our delivery is regionally and locally responsive, providing the focus for our engagement with iwi and hapū, helping us to realise economies of scale where they are meaningful and focusing our local attention on what we need to deliver to meet local needs.

Key leadership roles and responsibilities exercised at regional and local level do so within national policies and financial performance targets. National enabling functions including finance, people, culture and wellbeing, communications, marketing and risk and assurance, are also aligned to provide business partner support to regional and local operations and have staff based within regions for this purpose.

The creation of WDCs and the key role they play in qualification development and standard setting has meant we must also be aligned and responsive to the industry groups represented in each WDC. We also need to translate qualifications and standards that they develop into programmes and courses. This has required us to establish six national ako networks aligned with the WDCs and a further two that enable us to address Foundation and Pathways and the way in which we respect and deliver Mātauranga Māori.

Our ako networks are:

- Community, Health, Social Services, Education
- Construction and Infrastructure
- Creative, Technology and Recreation
- Engineering, Logistics and Manufacturing
- Food and Fibre
- Foundation and Pathways
- Mātauranga Māori
- Services

Figure 6: Rohe Boundaries

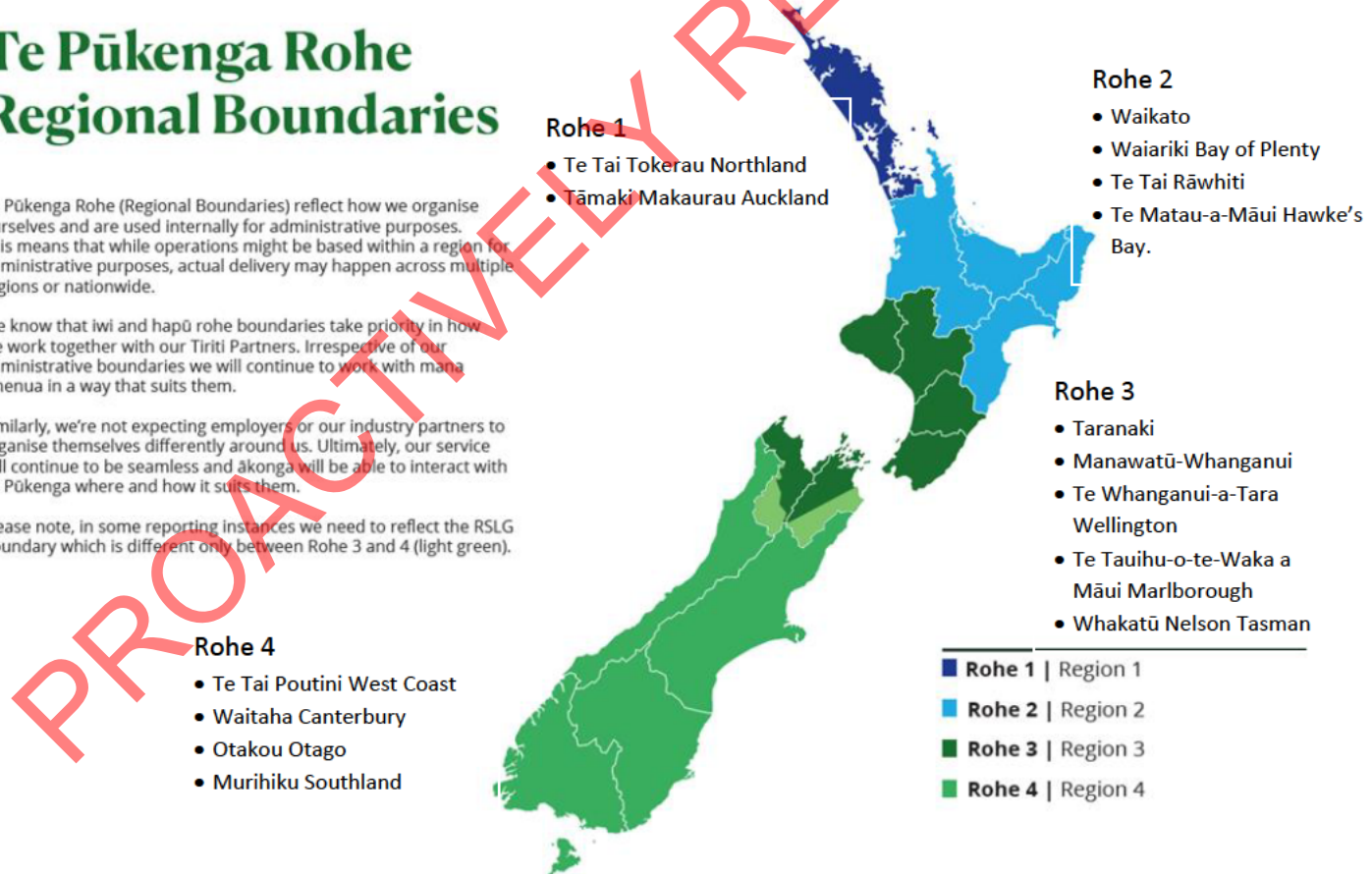
Te Pūkenga Rohe Regional Boundaries

Te Pūkenga Rohe (Regional Boundaries) reflect how we organise ourselves and are used internally for administrative purposes. This means that while operations might be based within a region for administrative purposes, actual delivery may happen across multiple regions or nationwide.

We know that iwi and hapū rohe boundaries take priority in how we work together with our Tiriti Partners. Irrespective of our administrative boundaries we will continue to work with mana whenua in a way that suits them.

Similarly, we're not expecting employers or our industry partners to organise themselves differently around us. Ultimately, our service will continue to be seamless and ākonga will be able to interact with Te Pūkenga where and how it suits them.

Please note, in some reporting instances we need to reflect the RSLG boundary which is different only between Rohe 3 and 4 (light green).



Key activities and decisions which remain locally and regionally focused include:

- relationships with RSLGs, local authorities and community leaders, employers and industry, iwi and hapū
- the choice of qualifications and the mix of provision that will be offered in each region / local area
- relationships with schools, trades academies
- scholarships
- learner support
- local events/sponsorships and marketing activity (within a national framework).

PROACTIVELY RELEASED

Products and programmes

Having inherited over 2,500 programmes, Te Pūkenga is developing a portfolio of integrated programmes and delivery approaches that remove duplication and excessive competition for the enrolment of the same ākonga, whilst reducing cost and improving quality and consistency for better outcomes for learners.

We are developing a coherent portfolio of programmes with clear and meaningful pathways across all levels of the New Zealand Qualifications Framework (NZQF). This is intended to support robust workforce pipelines across all sectors, and to achieve a sustainable network of ongoing delivery. In general, we are working to achieve a future state of one programme per qualification, and to support seamless transition for ākonga and employers across a range of contexts, regions and delivery modes. Achieving this will require transformation across the entire vocational education ecosystem, including the introduction of Skills Standards and National Programmes, and the implementation of unified funding reporting systems.

Programme unification

In 2022, Te Pūkenga unified 30 percent of all programmes. In 2023, a further 350 programmes are being replaced by 51 unified programmes including in Agribusiness Management, Animal and Veterinary Technology, Apiculture, Applied Science, Barbering, Business, Construction, Forestry, Hospitality and Tourism, Hairdressing, Massage and Real Estate. Programmes are being unified through one of two pathways:

- Transition – all Business Divisions move to a ‘best of breed’ existing programme
- Transformation – all Business Divisions move to a new, replacement programme.

Programme unification has been prioritised to ensure maximum benefit realisation as early as possible, whilst balancing cost. This has led us to focus on the 200 programmes which contribute approximately 80 percent of total delivery volume (49 percent are at NZQF Levels 1-6, and 50 percent at Level 7 or above).

To support improved pathways for ākonga through industry qualifications at Levels 1-6 of the NZQF, Te Pūkenga is working closely with WDCs and RSLGs, to share data intelligence and insights. A key objective is managing pathways between Level 5-6 qualifications and Level 7 and above qualifications so that ākonga can readily progress from vocational to degree level study.

Programmes at Level 7 or above will be predominantly unified through a transformation process. Each of our current Level 7 or above programmes has a corresponding qualification listed on the framework, resulting in a higher rate of duplication. We estimate that the number of programmes will reduce from 678 to approximately 160 over approximately five years, whilst maintaining the existing breadth (disciplines) and depth (levels) of provision.

Programme unification will be fundamentally supported by our Learner Management System (LMS) consolidation down from 25 to a single LMS to enable quality and consistency of learning materials, flexibility for the learner, and better ability for staff to focus on learner support and success. The design, development and implementation work for a singular LMS will take place during 2024-2025.

Enriched work-based learning

Te Pūkenga is currently working to enrich work-based learning and the delivery of apprenticeships by:

- achieving an integrated network delivery model where every learner is a potential candidate for work-based learning, and for many that will include an apprenticeship pathway
- identifying and sharing best-practice across all work-based and campus-based delivery models for, and delivery of, apprenticeship training

- applying a greater focus on learner welfare and support for retention by enhancing and increasing the overall level of training advisor engagement, employer support, and pastoral care and support for ākongā within the apprenticeship framework
- working with WDCs on the approval and delivery of new apprenticeships.

Te Pūkenga is moving to a unified suite of apprenticeships through a two-stage approach:

- Stage One (ongoing from 2023): retain temporarily multimodal delivery of apprenticeships and finalise reporting requirements
- Stage Two: transition historic provider-based apprenticeship models via programme unification.

Benefits from unification and enriched work-based learning

The benefits that we anticipate from the unification of programmes and enriched work-based learning are:

- a suite of programmes focused on the future needs of ākongā, community and industry
- increased responsiveness to the needs of industry and regions through alignment to WDC priorities and RSLG plans
- greater retention and faster career progression for all apprentices
- greater flexibility for ākongā, improving programme completion rates as ākongā can switch modes and delivery locations to suit their circumstances
- increased options within study modes, providing greater access to ākongā and supporting more equitable enrolment opportunities for ākongā where traditional on campus study is not preferred
- programmes with a high level of embedded Mātauranga Māori are significantly increased to equip all ākongā with the capability to work safely and successfully with Māori clients, whānau and businesses
- single programmes reduce duplication within the programme lifecycle and significantly reduce the cost to serve across product development, and moderation and quality assurance activities
- single programmes enable benefits to be secured from increased productivity and workforce flexibility in both delivery and learner support
- additional flexibility to study in additional regions and modes results in revenue uplift following collaborative redevelopment
- the cost to maintain a unified programme portfolio is reduced, which we expect will be reflected in NZQA and regulatory authority fees over time.

PROTOTYPED RELEASED

From transition to transformation

Transformation Roadmap

The complex transformation required for the merger of 25 different entities with very different business models and cultures was and remains a significant challenge.

In Q3 of this year, we completed an initial Transformation Roadmap (attached at Appendix F). It sets out the key milestones necessary to shift Te Pūkenga to a steady state with the right mix of provision and modes of delivery that respond to the intent of the reforms, and with the right workforce, capability, capacity, and financial security needed to deliver.

We are continually refining the Transformation Roadmap to align it with the Digital Transformation programme (refer below) and to reflect decisions from our recent restructure. A significant number of the necessary transformation programmes are underway. Others are being scoped and resourced. We have recently established the core of an Enterprise Project Management Office (EPMO) to oversee the delivery of the transformation programmes.

Digital Transformation

Our programme of digital transformation is integral to our success. This scale of change has not been undertaken before in the tertiary education system and is a significant opportunity to ensure robust and quality infrastructure that supports delivery of consistent and relevant vocational across the country. Our vision is for vocational education that is digitally engaging to a global standard, highly secure, and leverages innovative technologies for learning and teaching that learners today expect.

The multi-year Digital Transformation programme (the programme) will help us meet our Charter obligations, establishing the key platforms to operate safely and successfully. Comprising two major streams of work (for enterprise corporate systems and to transform the ākonga experience), the programme will generate significant efficiencies and cost savings because of our national reach and the ability to pursue collective procurement agreements.

The legacy of the different business entities made for a complex and inconsistent digital landscape

Te Pūkenga inherited a digital landscape comprising 25 small to medium organisations. This included 25 versions of payroll and financials, student management, customer relationship management, learning management and delivery, hundreds of academic tools, multiple audio visual and printing systems, and multiple digital and operating service processes.

We inherited ageing networks and infrastructure, much of it beyond its useful life and a number of critical systems (including six student management systems) which were out of vendor support. We also inherited networks and systems with an alarmingly low level of cyber security protection and resilience. Significant investment is required to establish current enterprise grade operations and cyber security.

The landscape is more manual than automated, dependant on physical resource, with hundreds of suppliers at different price points and service and maintenance arrangements. Most major systems and platforms have been highly customised and modified, and not always upgraded to meet current technology and industry standard security practises.

The key elements of our programme have been built on the globally recognised higher education reference model and tested with TAFEs in Australia. For example, the programme is utilising globally recognised cyber security technology alongside a 24/7 detection and response service. Our national digital policy framework is now modern and secure with a national backup and recovery system in place. An enterprise grade server upgrade plan is also in development.

We have established a shared wireless network which once rolled out nationally, will be the single largest secure WiFi network in higher education in New Zealand, providing consistency and access to all our ākonga and kaimahi. In addition, our newly created Digital Policy supports and protects ākonga and kaimahi. We will soon launch programmes to upskill our kaimahi in cyber security awareness.

We are also establishing standard pricing and buying power which reflects our size and scale as a single entity. This will bring the same value and service to all network locations – regardless of whether they are a metropolitan centre. Our approach to national contracts for security services will save 9(2)(b)(ii)

We are better positioned for innovation and a modern vocational education system

By utilising modern technologies and practices common for an entity of our size and scale, Te Pūkenga can now access global innovation not previously available to the small to medium individual entities which impacted the ākonga experience. We now have the opportunity, for example, to provide access at speed to national, regional, and local data instead of relying on integration across multiple systems for content and data informed decisions. This will provide ākonga with the services and support they need when they need it. Tools such as Artificial Intelligence will drive automation and access will be the norm not the exception.

In Budget 2023, the Government approved a \$220 million Crown Loan to support digital transformation. The loan agreement was signed on 12 October 2023. Drawdowns are linked to the completion of business cases for each tranche of work, and delivery milestones which will be agreed with the TEC. We expect to pay back the Crown Loan through asset sales and future operating surpluses.

PROACTIVELY RELEASED

Our financial landscape

Financial sustainability remains a challenge in the short-term

Financial sustainability is a priority and we have put in place a range of measures to address it. Our most recent annual report recorded a deficit across the network of \$80.353 million. Collectively, campus-based and online delivery made a loss of \$118.8 million and work-based delivery made a net surplus of approximately \$52.9 million.

As shown in Appendix C, ITPs as a group were underperforming financially over several years prior to their integration into Te Pūkenga. Staff costs were not reduced as a consequence of declining student revenue over many years, and administrative costs in fact increased. This, together with a failure to align programmes with national skills needs, as well as bloated property portfolios added to cost pressures for most ITPs. Covid-19, prevailing economic conditions, and the impact of UFS has exacerbated this downtrend in revenue.

9(2)(b)(ii)

We have a plan in place to improve our financial sustainability

Te Pūkenga Financial Strategy (Appendix D) sets out our approach to manage this financial position and to guide the transition of Te Pūkenga from an unprofitable organisation with moderate to high financial risk to a low-risk organisation that best utilises financial resources. The Financial Plan (Appendix E) sets out actions for the next 12-24 months.

The focus to address financial performance in 2023/2024 is through cost control and securing significant revenue opportunities, combined with a focus on strong measurement and monitoring by Te Pūkenga governance and management.

We have a significant effort underway to address financial sustainability including increasing international enrolments, property rationalisation, tight management of vacancies and savings through attrition, greater efficiencies, reducing duplication, rationalising procurement, implementing the structural changes confirmed in September 2023, and right-sizing face-to-face delivery for 2024.

We have also focused on growing revenue through our partnerships with large employers and developing high quality products, leveraging our scale to secure customers such as NZDF, Air New Zealand, Te Whatu Ora, Metlifecare, Fulton Hogan and Corrections. As noted earlier, international revenue from students as well as other commercial partnerships are a key focus.

Key drivers that have contributed to the position that Te Pūkenga now faces are:

- the poor financial position that several former ITPs were in when they transferred to Te Pūkenga. NorthTec, Tai Poutini, WelTec / Whitireia and Unitec all came to Te Pūkenga with fundamental financial issues. Three of these ITPs were being run by appointed Commissioners at the time.
- the dramatic impact of the UFS on per-learner funding for both on campus (-16 percent) and online delivery (-39 percent). The rapid introduction and lead in time of the UFS has significantly changed cost structures.

- declining domestic enrolments, coupled with the loss of international students due to Covid-19 related border closures and the time it takes to rebuild the full earning potential associated with multi-year programmes of study. This impact has a lingering tail of approximately 2 to 3 years
- the previous Government’s decision not to separately fund any costs associated with transition or transformation other than the initial \$75.8 million appropriation for that purpose
- the previous Government’s decision to provide loan funding rather than grants to support the Digital Transformation necessary for Te Pūkenga. This means there is no corresponding revenue to offset Digital Transformation expenditure which is almost entirely operating expenditure related to software as a service. This decision essentially added the \$220 million of necessary Digital Transformation expenditure to future operating losses
- a more recent softening in the number of learners in in-work learning, partly related to the slow-down in parts of the economy (construction) and partly related to the withdrawal of TTAF and the removal and then reinstatement of Apprenticeship Boost.

The following tables set out our 2023 forecast financial position and compares that with 2018 and 2022 actual year end results. Equivalent 2018 financial information is not available for ITOs so only former ITP information is shown.

Figure 7: Summary of ITP and WBL revenue and costs 2018-2023



The table on page 23 shows in more detail the significant financial challenges facing eight of the ITPs in 2018. Without international revenue and with continuing declines in domestic enrolments, by 2022 all but two of the former ITPs were in significant financial difficulty. 9(2)(b)(ii)

That shift is almost entirely the result of the introduction of the UFS and the 39 percent reduction in the per learner funding for online and distance learning.

Our monthly financial reports show the significant and on-going challenges in face-to-face delivery. Many programmes that were viable pre-UFS are no longer viable.

2018 Actual						2022 Actual (Management Report)							
	Total Revenue	Personnel Costs	Operating Costs	Depreciation and Amortisation	Net Surplus / (Deficit)	Notes		Total Revenue	Personnel Costs	Operating Costs	Depreciation and Amortisation	Net Surplus / (Deficit)	Notes
Ara	112,354	70,349	28,861	10,380	2,764		Ara	115,389	77,819	32,341	13,032	(7,803)	
EIT	68,116	42,449	18,838	6,761	68		EIT	68,599	45,203	20,058	8,703	(5,365)	
MIT	101,726	65,658	26,128	12,028	(2,087)		MIT	88,249	58,341	22,214	12,267	(4,572)	
NMIT	41,267	23,638	13,793	4,530	(694)		NMIT	38,563	27,037	11,684	4,770	(4,928)	
NorthTec	36,971	23,701	12,519	2,993	(2,243)		Northtec	29,286	23,311	11,462	2,772	(8,259)	
Otago	99,983	45,615	43,537	6,925	3,906		Otago	94,769	59,666	26,292	8,354	457	
SIT	61,597	28,084	24,310	6,424	2,779		SIT	56,967	31,223	20,950	8,492	(8,698)	
TPP	6,918	8,650	5,027	1,150	(7,909)		TPP	5,945	6,886	4,455	862	(6,258)	
Open	58,762	26,301	24,938	6,490	1,033		Open	95,653	59,061	18,034	16,450	2,107	
Unitec	124,173	86,669	36,869	17,728	(17,092)		Unitec	99,012	70,970	23,398	11,139	(6,495)	
UCOL	48,527	28,295	15,289	3,518	1,425		UCOL	46,562	35,765	14,397	4,405	(8,005)	
Toi Ohomai	92,209	61,711	25,684	8,096	(3,282)		Toi Ohomai	71,435	56,554	22,226	9,599	(16,944)	
Wintec	108,673	67,142	34,455	7,326	(250)		Wintec	86,909	64,503	28,951	10,036	(16,581)	
Whitireia & WelTec	105,811	63,467	48,689	10,504	(16,849)		Whitireia & WelTec	75,236	49,710	41,335	8,491	(24,299)	
WITT	20,941	12,544	7,201	2,116	(920)		WITT	24,113	18,832	11,198	2,284	(8,201)	
Te Pūkenga							Te Pūkenga	11,970	32,022	(5,720)	107	(14,440)	
WBL Headoffice						1	WBL Headoffice	4,603	4,700	1,099	0	(1,196)	
Competenz						1	Competenz	46,440	19,571	18,670	1,434	6,764	
Connexis						1	Connexis	34,475	7,346	14,872	79	12,178	
BCITO						1	BCITO	97,372	40,480	29,153	1,507	26,232	
MITO						1	MITO	27,289	9,330	10,637	613	6,709	
ServiceIQ						1	ServiceIQ	7,677	4,377	2,580	111	609	
Careerforce						1	Careerforce	10,872	5,888	4,846	150	(12)	2
HITO						1	HITO	1,895	677	979	0	239	2
PrimaryITO						1	PrimaryITO	11,616	6,304	6,608	382	(1,678)	2
EarnLearn						1	EarnLearn	12,116	2,587	5,647	789	3,092	2
WBL Sub Total							WBL Sub Total	254,355	101,262	95,090	5,065	52,938	
TOTAL	1,088,029	654,273	366,138	106,968	(39,351)		TOTAL	1,263,011	818,167	398,363	126,828	(80,348)	

9(2)(b)(ii)

Note 1: Data for the financial performance of Industry Training Organisations prior to the them joining Te Pūkenga is either incomplete or not available.

Note 2: Not a full financial year because of transfer into Te Pūkenga * not full year during 2022.

PROACTIVELY REVIEWED

Pricing and fees

Te Pūkenga has been undertaking work on fee unification across the network to bring consistency and equity to the charging of programme fees. The fees and charges applied by the former institutions vary greatly, and because of the application of fee maxima regulations, they have considerable variability for the provision of what is ostensibly the same service in different parts of the country. Across work-based learning there are diverse pricing models, and major client discounting. Te Pūkenga has developed pricing principles to ensure consistency. As programmes and qualifications are unified these principles will be applied.

Te Pūkenga is committed to continue existing network fee strategies throughout 2023. In 2024, the SIT Zero Fees scheme will continue to apply to those ākonga residing in the Southern regions and those studying at the Invercargill, Gore, Telford (Balclutha) and Queenstown campuses.

The scheme will also apply to SIT2LRN ākonga with residential addresses in the Southern region but not to those with addresses outside the region or SIT ākonga studying at the Christchurch campus. Zero Fees will continue for ākonga enrolled in multi-year programmes while they complete their current programmes.

Network pricing decisions for 2025 and beyond have not been determined but are intended to be communicated in the first half of 2024. It is important that all local fee strategies are financially viable and meet employer and regional needs.

Ring-fenced funds

As part of the establishment of Te Pūkenga, the then Minister of Education committed to ring-fencing funds held by ITPs for use for the benefit of the region which had accumulated the retained earnings.

Following the adoption of policy by the Council of Te Pūkenga, ring-fenced funds were identified and established as specific reserves across several ITPs. Not all ITPs had funds ring-fenced because a number had significant debt at the time.

Of the \$79.5 million of funds ring-fenced in 2020, NorthTec and Toi Ohomai have spent all ring-fenced funds, and \$100,000 of NMIT funds have been spent.

In addition to the ring-fenced funds protected in relation to former ITPs, there are some reserves set aside within the former TITOs for specific purposes.

Breakdown of ring-fenced funds:

	Original Value	As at 31 August 2023
Ara Institute of Canterbury	29,672,120	29,672,120
Eastern Institute of Technology	14,672,833	14,672,833
Nelson Marlborough Institute of Technology	11,702,000	11,602,000
Northland Polytechnic	4,691,187	-
SIT	15,174,787	15,174,787
The Open Polytechnic	3,167,925	3,167,925
Toi Ohomai	439,797	-
	79,520,649	74,289,665

Fit for purpose property and high priority buildings

Te Pūkenga has a large and complex property portfolio across the country. This includes state of the art facilities as well as buildings that are past their useful life and are no longer fit for purpose, or are earthquake prone buildings (EPB). There are campus-based facilities that are poorly utilised. We also have a considerable number of commercial leases. We are currently actively reviewing and consolidating commercial leases in Wellington and Auckland and have this year realised savings of 9(2)(b)(ii)

9(2)(b)(ii)

We are also progressing work on the identification and possible sale of surplus land and buildings. Asset realisation is on track to achieve the targets in our Financial Plan 9(2)(b)(ii). The 2024 divestment is likely to increase as the current divestment planning and initiatives in progress solidify. This is a key part of paying back the Crown Loan for Digital Transformation.

PROACTIVELY RELEASED

Working with you

You have responsibility for Te Pūkenga as a Crown entity under both the Education and Training Act 2020 and the Crown Entities Act 2004. Your role as Minister includes appointing Te Pūkenga Council members, participating in setting the strategic direction and performance expectations, and monitoring and reviewing expectations.

We will work with you to give effect to government policy and aspirations for vocational and higher education and training. We take a “no surprises” approach to working with you. Te Pūkenga Chair and Chief Executive met with the previous Minister fortnightly or monthly and we would like to continue this with you. We provide regular written updates to you through our fortnightly report including ākonga enrolments, our financial position, emerging issues and risks, highlights and opportunities. We also keep you informed of any significant matters in your tertiary education portfolio relating to Te Pūkenga, our kaimahi and our ākonga.

Te Pūkenga also assists your office with OIA requests, written and oral parliamentary questions, official correspondence, and media requests where relevant to Te Pūkenga and required.

Accountability arrangements

As Minister, you are accountable for the performance of Te Pūkenga, presenting its annual report, SOI and SPE to Parliament.

You are also accountable for our performance through Parliamentary debates and questions, and direct to the public through official correspondence and Official Information Act (OIA) 1982 requests.

Two additional key documents that sit alongside our strategic accountability documents (such as the Statement of Intent - SOI, Statement of Performance Expectations - SPE, Mahere Haumi Investment Plan and Whiria Te Ako - the learning and teaching framework) are:

- Te Pae Tawhiti: Te Tiriti o Waitangi Excellence Framework – to ensure Te Tiriti o Waitangi excellence is embedded into all policies, processes, systems and practices, consistent with the requirements of our Charter
- Equity and Ākonga Success Strategy – a 10-year road map setting out how Te Pūkenga creates equitable access and participation for all ākonga and increases responsiveness of learning and support practices.

Your expectations of Te Pūkenga

Te Pūkenga operates in line with expectations set by you as Minister of Education. We welcome a new letter of expectation that reflects your priorities. The Tertiary Education Commission prepares the letter of expectation for Te Pūkenga with support from the Ministry of Education.

Monitoring of Te Pūkenga

TEC leads the monitoring of Te Pūkenga finances and performance on your behalf, ensuring your priorities and direction for the vocational and higher education sectors are given effect.

Te Pūkenga provides quarterly reporting to you against our SPE on financial, strategic and operational progress over the quarter.

2022 Audit findings

Reflecting the scale of the new organisation, this year’s audit process involved significant complexity, with 17 subsidiaries each requiring two separate audits to account for their activity prior to and after their

disestablishment date, year-end audit of Te Pūkenga Group (the parent of the subsidiaries), as well as challenges with the timeliness of third-party verification of revenue and revenue recognition.

This also resulted in a qualified opinion from the Office of the Auditor General on the financial statements of Te Pūkenga in relation to the parent statement of cashflows which delayed the annual report beyond its intended release date of early May 2023.

Te Pūkenga received an unmodified opinion on the Performance Information.

Te Pūkenga received a qualified opinion on the financial statements of Te Pūkenga only in relation to the parent statement of cashflows. This limitation arose due to the complexity of the 16 ITPs, which were disestablished and amalgamated at non-standard year ends and were then required to include their results in the parent column of the statement of cashflows after they were disestablished. In all other material respects, the financial statements of Te Pūkenga and the Group presented fairly:

- the financial position as at 31 December 2022
- the financial performance and cash flows for the year then ended
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

We have been embedding improved information systems and controls for the coming year to ensure a smooth and timely audit process.





PROACTIVELY RELEASED

Governance and senior leaders

Te Pūkenga Council

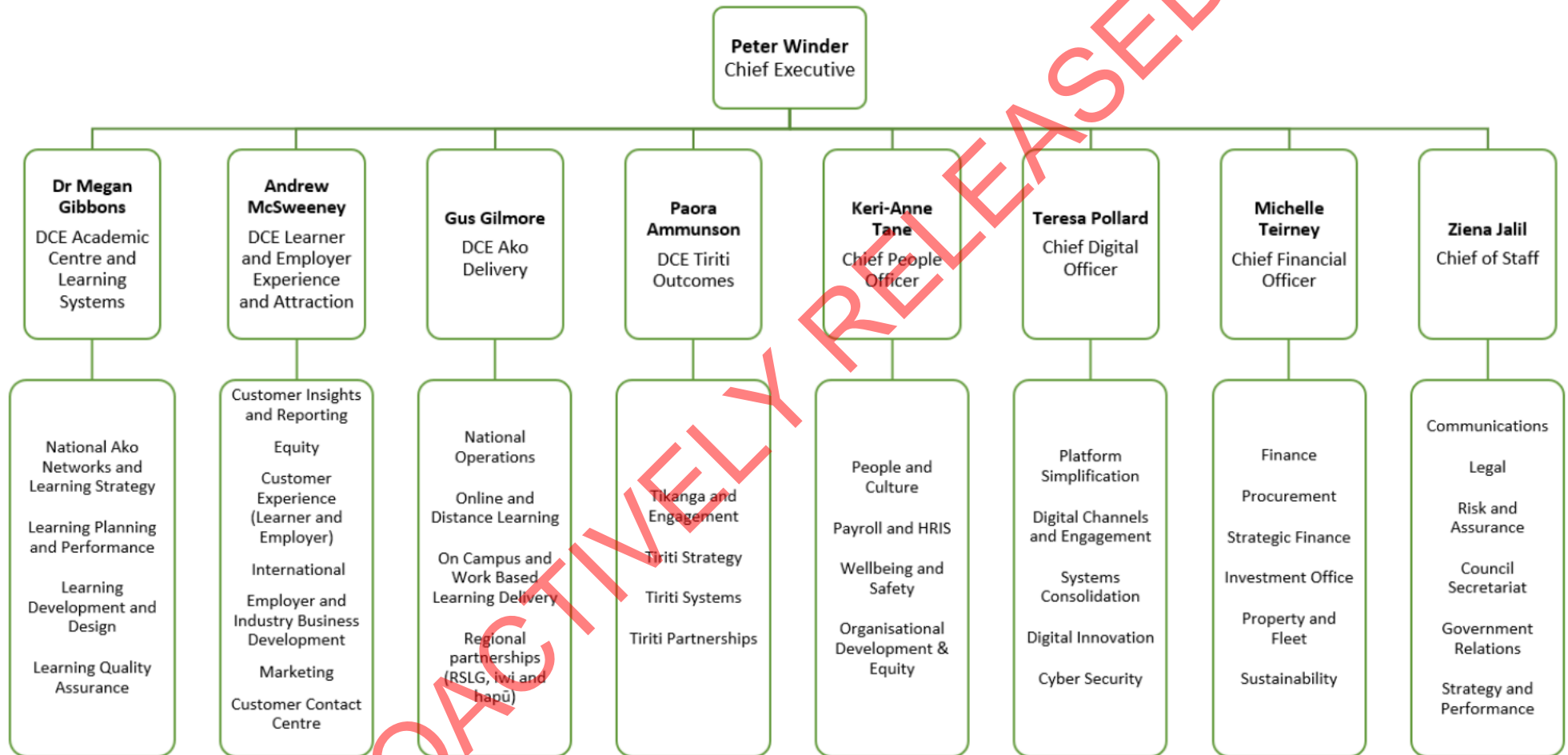
Te Pūkenga is governed by a Council which currently has nine members. Council members are appointed by you as Minister. A further three members are elected from the Council’s staff, learner and Māori advisory committees, which are approved by Council in accordance with legislation.

Further information about our Council members can be found on our website: [Governance – Te Pūkenga](#)

Council Members – Ministerial Appointments		
 <p>Murray Strong, Chair Appointment expires 31 March 2024.</p>	 <p>Sue McCormack, Deputy Chair Chair, Appointment and Remuneration Committee Appointment expires 31 March 2027.</p>	
 <p>John Brockies Chair, Risk and Audit Committee Appointment expires 31 March 2024.</p>	 <p>Sam Huggard Chair, Health, Safety and Wellbeing Committee Appointment expires 31 March 2026.</p>	 <p>Jeremy Morley Chair, Finance and Capital Investment Committee Appointment expires 31 August 2025.</p>
 <p>Kim Ngārimu Appointment expires 31 March 2024.</p>	 <p>Tagaloatele Peggy Fairbairn-Dunlop CNZM Appointment expires 31 March 2025.</p>	 <p>Bill Moran Appointment expires 31 March 2027.</p>
Council Members – Advisory Committee representatives		
 <p>Heath Sawyer, (Interim Staff Advisory Committee representative)</p>	 <p>Jordan Gush, (Interim Learner Advisory Committee representative)</p>	 <p>Dr Teorongonui Josie Keelan, (Komiti Māori representative)</p>

Our Executive Leadership Team

Further information about our Executive Leadership Team can be found on our website: [Executive Leadership – Te Pūkenga](#).



Appendices

PROACTIVELY RELEASED



Appendix A: Te Pūkenga Charter

Te Pūkenga exists to perform the functions set out in section 315 of the Education and Training Act 2020.

Te Pūkenga is to be responsive to the needs of all regions of New Zealand and their learners, industries, employers, and communities.

To meet the needs of regions throughout New Zealand, Te Pūkenga must—

- offer in each region a mix of education and training, including on-the-job, face-to-face, and distance delivery that is accessible to the learners of that region and meets the needs of its learners, industries, and communities; and
- operate in a manner that ensures its regional representatives are empowered to make decisions about delivery and operations that are informed by local relationships and to make decisions that meet the needs of their communities; and
- ensure that international learners are attracted to train and study in regions throughout New Zealand; and
- ensure that there is collaboration across its national network; and
- maintain a high-quality, coherent network of infrastructure that meets regional skills needs.

Te Pūkenga must operate in a way that allows it to—

- empower students and staff on academic, non-academic, and wellbeing matters and matters relating to the organisation's practices and services; and
- develop meaningful partnerships with—
 - Industry across the country, including Māori and Pacific employers, smaller employers, and those operating in niche sectors; and
 - communities at a local level, including hapū and iwi, and Pacific communities; and
- use the insights gained through partnerships to—
 - develop and provide vocational education and training that meets short-term and long-term skills needs; and
 - expand industry training into smaller employers and niche sectors; and
 - align education and training delivery to support the unique social and economic goals of local communities; and
 - work towards equity for learners and staff of different genders, ethnicities, cultures, and abilities; and
- reflect Māori-Crown partnerships in order to—
 - ensure that its governance, management, and operations give effect to Te Tiriti o Waitangi; and
 - recognise that Māori are key actors in regional social, environmental, and economic development; and
 - respond to the needs of and improve outcomes for Māori learners, whānau, hapū and iwi, and employers; and
- hold inclusivity and equity as core principles, recognising and valuing the diversity of all of its learners, and providing the unique types of support different learners need to succeed; and
- meet the needs of all of its learners, in particular those who are under-served by the education system, including (without limitation) Māori, Pacific, and disabled learners; and
- promote equitable access to learning opportunities for learners across all regions; and

- have culturally responsive delivery approaches, whether on campus, in the workplace, online, or otherwise; and
- work collaboratively with schools, wānanga, and other tertiary education organisations (including workforce development councils) to improve the outcomes of the education system as a whole, including the transition of learners into employment.

In giving effect to clause 4, Te Pūkenga must ensure that—

- students and employers can transition seamlessly between delivery sites and educational modes, including between workplaces and other forms and places of learning; and
- programmes of study and qualifications are portable and consistent, yet flexible enough to meet local needs; and
- the academic integrity of the education and training programmes it delivers is protected; and
- New Zealand’s reputation as a quality study destination for international learners is sustained; and
- the range of education and training options available to learners and employers is appropriately broad and current; and
- future skill needs are anticipated and quickly responded to; and
- teaching and learning are supported by research, evidence, and best practice; and
- learning pathways provide learners with a range of opportunities to progress to higher levels of education and training, and also into employment; and
- the needs of adult and second-chance learners are afforded high priority.

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Appendix B: Key Milestones

The following key milestones highlight the process of transition.

Date	Key Milestone
April 2020	Te Pūkenga was established. First Council meeting held during Covid-19 lockdown.
	As required by the transition provisions for the Education and Training Act 2020, all polytechnics became subsidiary companies of Te Pūkenga. Company constitutions were put in place and boards of directors were appointed. The new boards were inducted during Covid-19 lockdown.
	First Chief Executive appointed, commencing work on 6 July 2020.
May 2020	Te Poari Akoranga, the Academic Board, was established.
November 2020	Te Pae Tawhiti: Te Tiriti o Waitangi Excellence Framework launched.
	Fixed term Leadership Team appointed and in place.
Quarter one 2021	The Council, inaugural CEO and fixed-term leadership team meet face to face for the first time since Te Pūkenga was created in April 2020. Negotiations in relation to Transitional Industry Training Organisations (TITOs) transition agreements with Te Pūkenga commenced. TEC was the approving body for the transition arrangements for each TITO.
April 2021	Te Pūkenga entered into a Health and Disability Services Agreement with Te Whatu Ora on Tertiary Student Wellbeing (Primary Mental Health and Addiction) Services.
20 April 2021	Te Pūkenga Work Based Learning (WBL) established, following Ministerial approval, as a subsidiary for all TITOs transitioning their arranging training functions to Te Pūkenga.
2 August 2021	Competenz first TITO to transition into Te Pūkenga.
1 September 2021	Connexis transitioned into Te Pūkenga.
4 October 2021	BCITO transitioned into Te Pūkenga.
December 2021	Agreed operating model, following extensive consultation, for how we deliver education and training for our ākonga.
1 January 2022	MITO transitioned into Te Pūkenga.
February 2022	International Education Strategy approved by Te Pūkenga Council.
March 2022	‘Whiria Ngā Rau – ‘progressing from student voice to partnerships’ adopted as the formal position on how best to ensure learners are treated as partners in their learning and able to take part in decision-making.
June 2022	Waikato Institute of Technology (Wintec) and Toi Ohomai Institute of Technology were the first subsidiaries to become business divisions of Te Pūkenga.

Date	Key Milestone
June 2022	Te Pūkenga brand launched overseas, and an international study guide and promotion video developed.
	Equity and Ākonga Success Strategy adopted.
1 July 2022	ServicIQ transitioned into Te Pūkenga.
July 2022	First CE departs – Acting CE appointed, followed by a reset of the transition and transformation approach.
1 September 2022	Careerforce transitioned into Te Pūkenga.
	Wellington Institute of Technology (WelTec) and Whitireia Community Polytechnic became a business division of Te Pūkenga.
19 September 2022	NZ Hair and Beauty Industry Training (HITO) transitioned into Te Pūkenga.
1 October 2022	Primary ITO and a part of Skills Org (EarnLearn) transitioned into Te Pūkenga.
	Unitec New Zealand, Manukau Institute of Technology (MIT), Nelson Marlborough Institute of Technology (NMIT), Northland Polytechnic (NorthTec), and Tai Poutini Polytechnic became business divisions of Te Pūkenga.
October 2022	Te Pūkenga leadership structure confirmed.
1 November 2022	Southern Institute of Technology (SIT), Ara Institute of Canterbury (Ara), Eastern Institute of Technology (EIT), Open Polytechnic of New Zealand, Otago Polytechnic, Western Institute of Technology at Taranaki (WITT), and Universal College of Learning (UCOL) became business divisions of Te Pūkenga.
November 2022	Te Matarau Whānui, the Ethical Framework for Te Pūkenga, approved.
8 December 2022	Acting Chief Executive appointed into Chief Executive position.
December 2022	Te Kawa Maiooro - the Educational Regulatory Framework for Te Pūkenga, approved.
	Quality Management System approved.
December 2022 – March 2023	Executive Leadership Team (ELT) appointments in place.
31 December 2022	Disestablishment of WBL and ITPs; transfer of all employees to Te Pūkenga; Te Pūkenga priorities reset, including a focus on financial sustainability; appointments to executive structure underway and; organisational change process underway.
1 January 2023	Te Pūkenga became a single tertiary education institution (TEI).
April - June 2023	Regional Executive Directors for the four Rohe appointed to oversee regional delivery including our relationship with Regional Skills Leadership Groups (RSLGs); eight National Ako Network Directors appointed to manage relationships supporting delivery of vocational and on-the job training in their

Date	Key Milestone
	domain ² ; national structures confirmed for three enabling functions: Digital, Finance and Property, and People, Culture and Wellbeing.
June 2023	Consultation with kaimahi on the five remaining business divisions (Academic Centre and Learning Systems, Ako Delivery, Learner and Employer Engagement and Attraction, Tiriti Outcomes, and Office of the Chief Executive).
	2022 Te Pūkenga Pastoral Care Code of Practice self-review report published marking implementation of the new Code.
31 July 2023	First version of the new Transformation Roadmap and the Financial Strategy presented to the Minister of Education and TEC.
13 September 2023	Vendor for new single Financial Management Information System (FMIS) identified and implementation contract signed.
20 September 2023	Organisational structure consultation outcome announced following analysis of over 8,000 pieces of feedback with significant changes made to ensure we meet the objectives of Te Pūkenga. Structure decisions welcomed by staff and unions.
September 2023	Te Pae Ora, a digital wellbeing hub for ākonga went live.
October 2023	100 separate library subscriptions representing 1000s of individual items incorporated into 11 separate contracts, resulting in increased equitable access to ākonga across the network as well as cost savings.

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² A group of similar or related programmes and products.

Appendix C: Financial challenges for ITPs

The financial challenges faced by the ITP sector are not new. The following figures demonstrate the long-term trends in ITP performance that RoVE and the establishment of Te Pūkenga sought to address. They come from the most recent sector benchmarking assessment undertaken by Tribal.

In the period since 2013, universities have been more resilient to changing patterns of enrolment in tertiary education than other sectors. As figure 1 shows, since 2013 EFTS at universities have increased by 3,400, whilst EFTS at ITPs (Te Pūkenga and its predecessor ITPs), Private Training Establishments (PTEs) and Wānanga have decreased by 18,800, 14,300 and 7,050 respectively. Over the decade, total EFTS delivered by the polytechnic sector has reduced by 37,000 with half of that decline across what is now Te Pūkenga network. Over that decade, ITPs lost market share in a falling market.

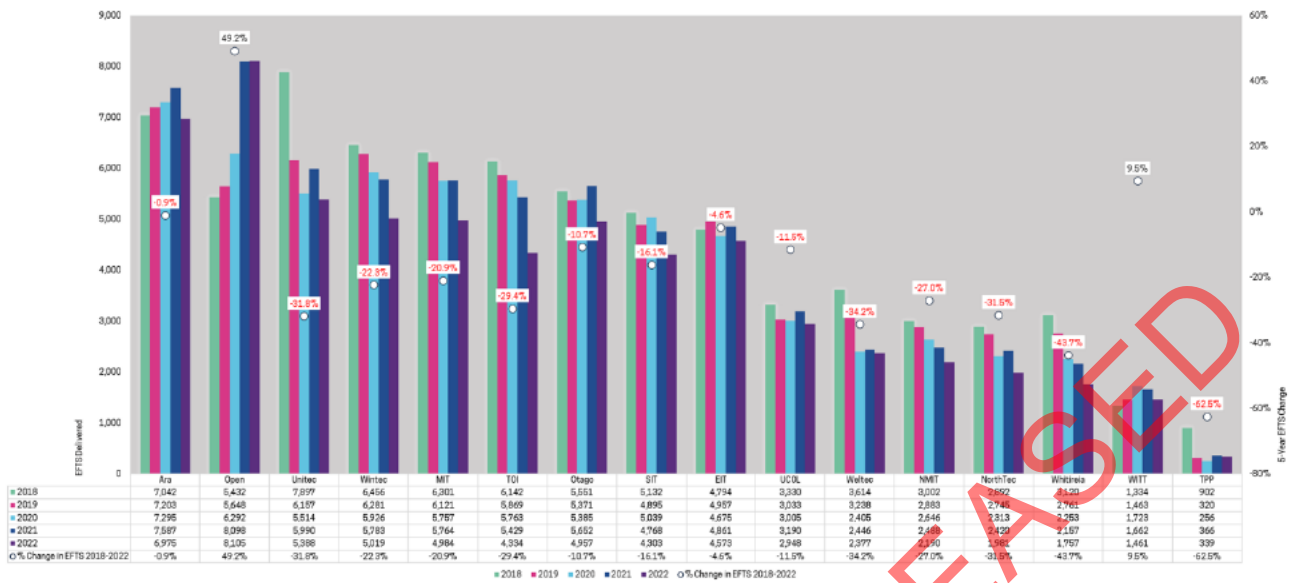
Figure 1: EFTS Delivered by Sub-Sector 2013-2022



Source: Tribal Benchmarking Report for 2022.

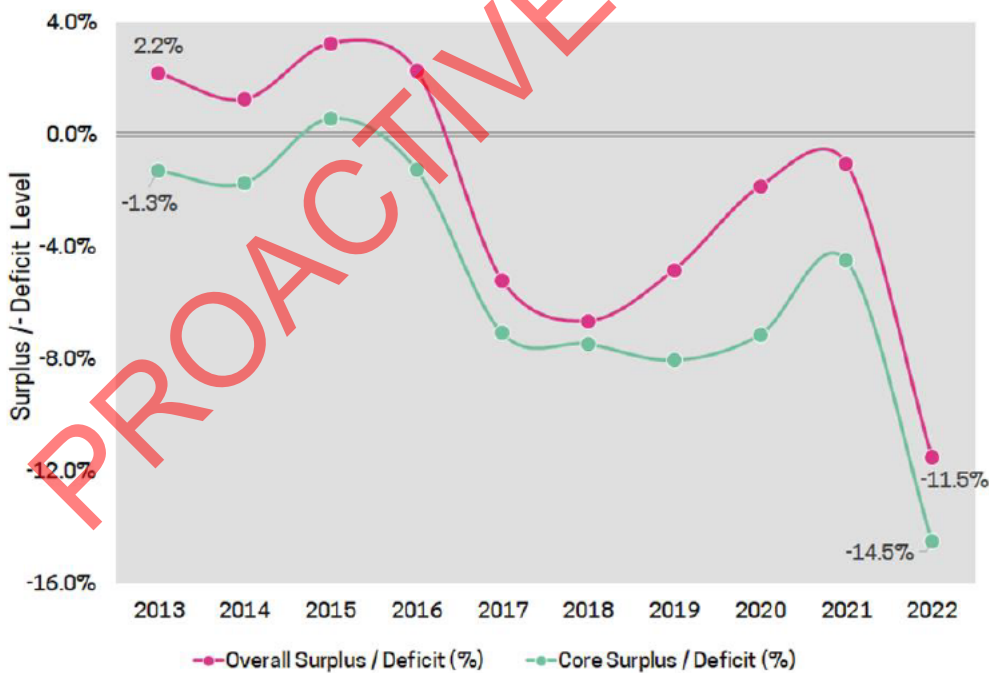
As Figure 2 shows, whilst not uniform, the decline in EFTS has, with one exception, been a consistent feature of all ITPs between 2013 and 2022. The exception is the Open Polytechnic, which has had a 49.2 percent increase.

Figure 2: EFTS Volume Change by Division 2018-2022



The financial performance of ITPs that are now part of Te Pūkenga has been in decline since 2016 when they last (collectively) posted a surplus of +2.3 percent. As Figure 3 shows, what Tribal would term the core financial performance, there has been a decline since 2015 at an average of -5.2 percent per annum. Whilst there was a sharp uptick in 2021 reflecting the decision post Covid-19 not to claw back for under-delivery and the impact of TTAf, the full effect of border closures on international revenue and the reinstatement of clawbacks is reflected in the very sharp decline in 2022.

Figure 3: Sector Financial Performance 2013-2022

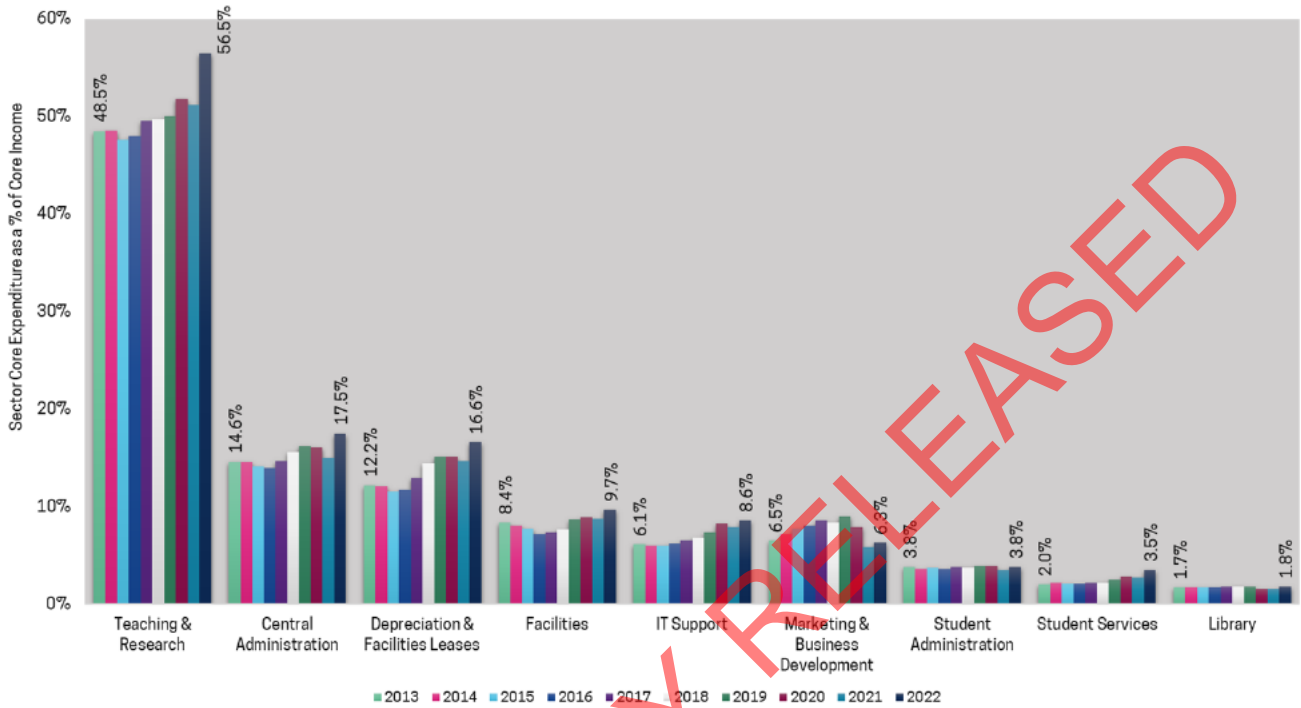


Source: Tribal Benchmarking Report for 2022.

Over the same decade, overall core expenditure by ITPs increased by \$68.3 million. Teaching costs increased by \$25.0 million (5.8 percent), Depreciation and Facilities Leases increased by \$30.4 million (28.4 percent), IT

Support increased by \$17.7 million (32.1 percent), Marketing and Business Development expenditure fell by \$14.1 million (-22.8 percent), and total pay costs increased by \$69.8 million (12.0 percent). Figure 4 shows this core expenditure as a proportion of Core Income by each major group of activities for each year.

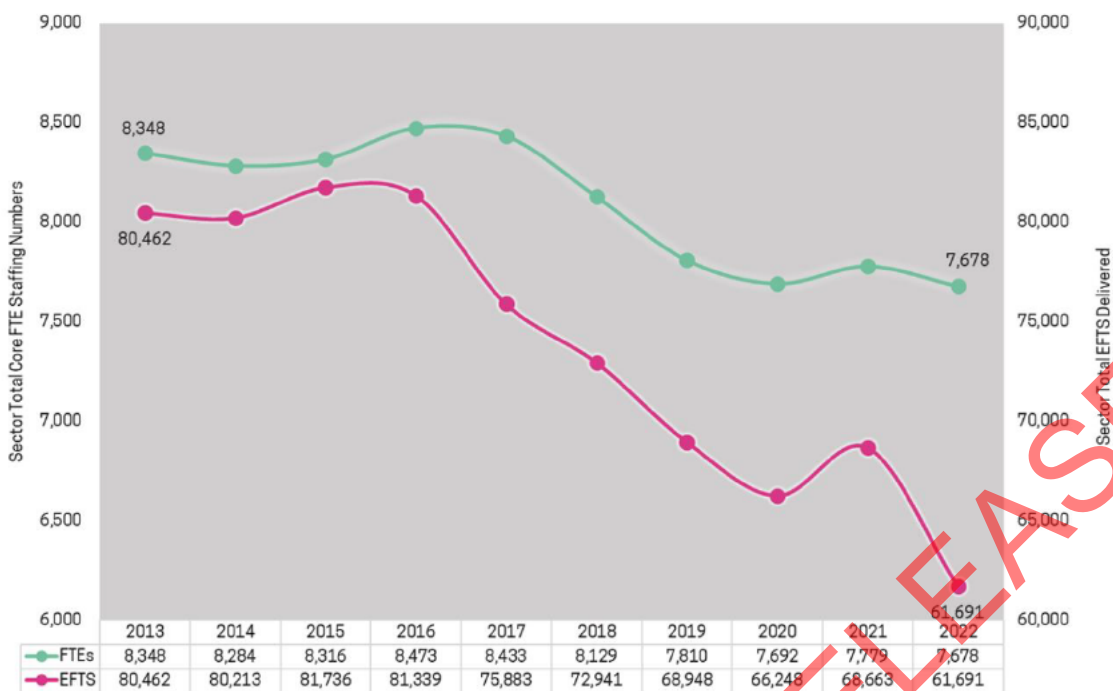
Figure 4: Sector Core Expenditure 2013-2022



Source: Tribal Benchmarking Report for 2022.

Staffing numbers have fallen over the decade, but at nowhere near the rate of decline in EFTS. Figure 4 shows that EFTS fell by 18,771 (-23.3 percent) while FTEs decreased by around 670 (-8.0 percent). This is critical because kaimahi are by far the largest cost across the ITPs that are now part of Te Pūkenga. The largest single year decrease in FTEs took place in 2022.

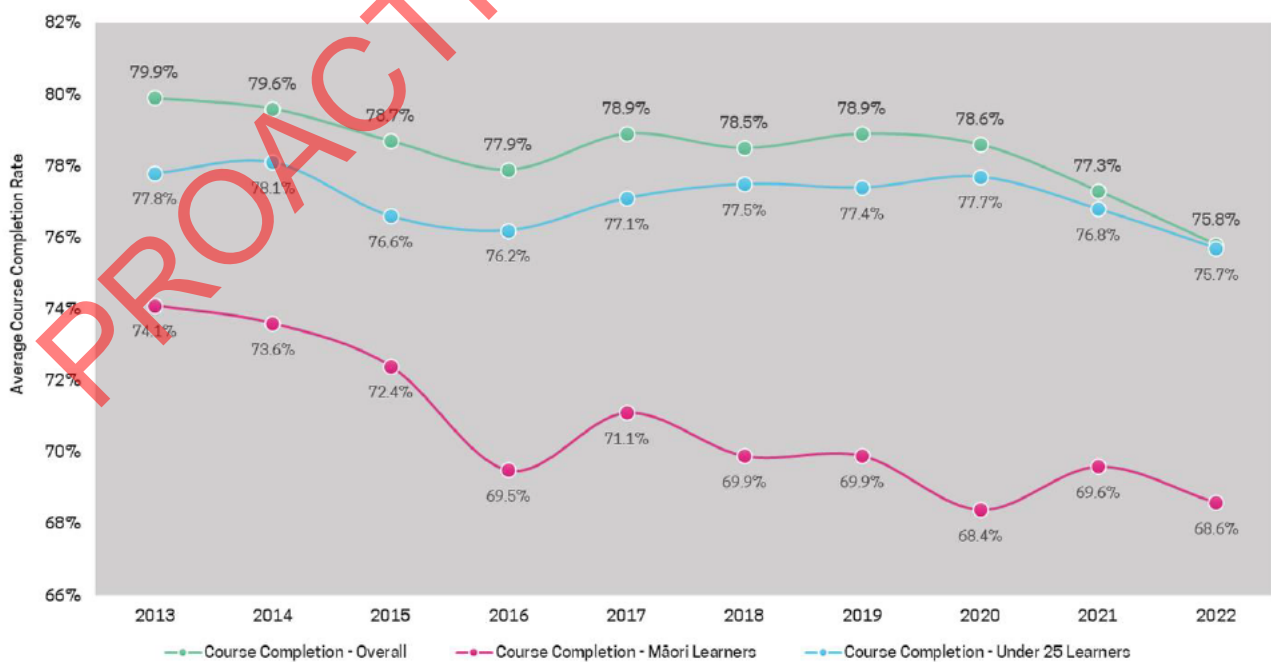
Figure 5: EFTS Vs. Staffing FTE Volume Change 2013-2022



Source: Tribal Benchmarking Report for 2022.

Compounding the financial challenges of the ITPs over the last decade is their collective educational performance which has also declined. As Figure 6 shows, overall course completion rate declined by 4.1 percent between 2013 and 2022. Course completion rates for under 25-year-old learners declined by 2.1 percent and course completion rates for ākonga Māori declined by 5.5 percent to be 7.0 percent lower than the overall completion rate.

Figure 6: Sector Course Completion Rate 2013-2022



Source: Tribal Benchmarking Report for 2022.

Collectively, the ITPs were underperforming when they were brought into Te Pūkenga network in April 2020, as the first Covid-19 lockdown started. In contrast, the ITOs were in a much better financial situation. However, it is not possible to build the same long-term trend analysis for the ITO sector prior to its integration because as non-Crown entities, they were not subject to the same level of scrutiny and reporting that ITPs experienced. There is no equivalent to the Tribal benchmarking across former ITOs. What is clear is that over the period 2013 to 2022, the number of learners - measured as Standing Teaching Measures (STMs), increased from 36,405 to 51,377.

In the absence of meaningful competition for arranging training, the ITOs were financially sound. In most years they generated operating surpluses sufficient to support the development of new qualifications. The profitability of arranging training increased significantly with the introduction of TTAF and Apprenticeship Boost. This was further reinforced by the introduction of the UFS. However, with the softening in the economy, the end of TTAF and uncertainty over the continuation of Apprenticeship Boost, the number of learners engaged in work-based learning has softened through 2023. From 2024 the arranging training function is also subject to competition from other providers as there has been significant investment in building the capability and capacity of some PTEs to compete with Te Pūkenga.

Appendix D: Financial Strategy (attached)

Appendix E: Financial Plan (attached)

Appendix F: Transformation Roadmap (attached)

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Te Pūkenga

Finance Strategy

June 2023

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Te Pūkenga



Ngā ihirangi | Contents

Ngā ihirangi Contents	2
Introduction What is the Finance Strategy?	3
Purpose.....	3
Financial Aspiration What is the future we want?	5
Overview.....	5
Background.....	5
Current state.....	6
Financial improvement initiatives	8
Transformation affordability	12
Performance metrics	15
Te Pūkenga future state	16
Internal Economy How will Financial Management be structured to perform?	17
Internal economy	17
Financial support and Governance oversight	17
Appendix A: Financial monitoring	19

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Introduction | What is the Finance Strategy?

Purpose

The Finance Strategy forms part of a wider suite of strategic and operational documents currently being finalised and is an enabling document for Te Pūkenga to achieve the wider organisational strategy. There is a reliance on strong financial performance to achieve the aspirations around ākonga success, employer partnership, and equity outcomes. The Finance Strategy seeks to outline the plan to transition from an unprofitable organisation with moderate to high financial risk to a low risk organisation which best utilises financial resources.

The document is strategic in nature and will be supplemented by a Financial Plan which will prioritise activities and clearly outline the actions that will be undertaken in the short term (12-24 months) and set realistic targets for success. This Financial Plan is intended to provide the detail on 'how' and 'when' the aspirations will be achieved, measured and managed, and is scheduled to be completed by 31 August 2023.

Ultimately the Finance Strategy and the Financial Plan currently represent a "mid-term view" of the organisation and once completed and combined, they will aim to achieve on a dynamic basis, the following.

- Enable the wider strategic and other objectives of Te Pūkenga to be achieved, including those outlined in the Letter of Expectation from the Minister of Education.
- Transition Te Pūkenga from an unprofitable organisation with moderate to high financial risk to a low risk organisation, and thereby restore financial viability and sustainability.
- Identify the strategies and actions to achieve that transition, viability, and sustainability.
- Allow for efficient and effective use of financial and other resources.
- Commence work to achieve a targeted future state for Te Pūkenga.
- Establish realistic KPIs and other targets for success and the accountability and responsibility for these.
- Develop a timeline as to when Te Pūkenga will aim to achieve the strategic and other objectives.
- Define how the strategic and financial plans will be measured, managed, reviewed, and iterated.

A cornerstone of the Review of Vocational Education (RoVE) is the design and implementation of a longer-term operating model for Te Pūkenga to create a sustainable, national network of regionally accessible vocational education and training, which is responsive to the needs of all regions of New Zealand, their learners, industries, employers and communities. The operating model will achieve significant social and cultural benefits, and operational efficiencies across the network.

As a Crown Entity, and to achieve the objectives of the RoVE programme and the Minister's expectations, Te Pūkenga must operate in a financially responsible manner. This means that Te Pūkenga needs to ensure long-term financial sustainability.

The Finance Strategy deals with the availability of resources, usages, and management of funds. It outlines the plan to improve the financial outcomes of Te Pūkenga, by optimising revenue and



minimising costs, and outlines how Te Pūkenga financial management will be structured in a way that aligns with the Te Pūkenga objectives:

1. A relentless focus on equity and ensuring participation – we honour and uphold Te Tiriti o Waitangi in all we do.
2. Delivering customised learning approaches that meet the needs of learners and trainees wherever they are.
3. Using our size and scale to strengthen the quality and range of education delivery throughout Aotearoa.
4. Excellence in educational provision for all.
5. Services that meet the specific regional needs of employers and communities.

Te Pūkenga Council holds the Chief Executive accountable for the outcomes highlighted in the Finance Strategy, and the Chief Financial Officer is responsible for the delivery of the Finance Strategy and achievement of the outlined measures and Key Performance Indicators (KPIs). The Chief Financial Officer and Chief Executive will report to the Finance and Capital Committee (FinCap) of Council which will provide the Governance oversight for the implementation and achievement of the Finance Strategy. It is proposed that the Finance Strategy and Plan will form a regular agenda item at the FinCap and be reviewed and updated at least annually to ensure the document remains fit for purpose and relevant. The Terms of Reference of FinCap Committee will be changed to reflect these oversight and review functions.

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Financial Aspiration | What is the future we want?

Overview

Te Pūkenga recognises the unique social and economic goals of communities and regions, along with the need for the network to respond to these goals through decision making informed by regional engagement and representatives including iwi, hapū and Māori. Te Pūkenga understands the regional differences and their respective needs and will deliver vocational education and training through a unified, sustainable network of regionally accessible provision.

Te Pūkenga transformation will bring our people together across the country to integrate teaching and learning within the workplace, on-line, within the classroom, and other settings. It will honour and give effect to Te Tiriti o Waitangi – at all levels – improving Māori-Crown education and employment partnerships, and prioritising Māori economy and business needs. It will also enable new and strengthened functions that drive strong collaboration across the network, which will uplift our cultural, teaching and learning capabilities, provide clear strategy and direction, and be responsive to the needs of our kaimahi, our different communities, regions, and ākonga. For the transformation to be successful it needs to be resourced effectively and needs to be affordable without putting too much further financial pressure on the organisation.

Te Pūkenga has faced significant financial challenges with declining ākonga numbers, COVID-19 related issues, cost pressures, and the complexity associated with transition and transformation from a large number of stand-alone institutions to a single Te Pūkenga.

Te Pūkenga aspires to become financially sustainable in the medium term. To achieve this aspiration, Te Pūkenga plans to return to operating surpluses in 2026. Once the aspiration has been achieved, the organisation will be in a position to further prioritise resources to achieve the wider aims of the RoVE reforms in a meaningful way. This will see further support provided to employers, ākonga, and Te Tiriti partners.

Background

The creation of Te Pūkenga was one of seven key changes brought about by RoVE – a sector wide reform which aims to create a strong, unified, sustainable vocational education system that can support and deliver the skills necessary for employers, industry, learners and Aotearoa New Zealand as a whole. As one of these seven key changes, Te Pūkenga work programme is aligned to and informed by the wider reform of the vocational education and training system.

As outlined in the foundation documentation, a key aspect of RoVE was to move from a vocational education system which was primarily split between eleven industry training organisations (ITOs) supporting work-based training, and sixteen institutes of technology and polytechnics (ITPs) delivering provider-based training, to an integrated model where vocational education is primarily delivered or supported by a single institution which covers work-based, campus-based, online, and future delivery modes for vocational education. A key driver of the RoVE reforms is to achieve efficiencies across the Te Pūkenga network and to lift a number of small ITPs facing considerable financial stress into a large diversified and resilient Te Pūkenga.



Aligned with the intended outcome of the RoVE reforms, Te Pūkenga is aiming to transition the organisation to be financially viable and sustainable with prudent management of financial resources to ensure the objectives can be achieved in a timely manner.

Te Pūkenga is in the early stage of transformation which will enable new and strengthened functions that drive strong collaboration across the network. This will uplift our cultural, teaching and learning capabilities, provide clear strategy and direction, and be responsive to the needs of our kaimahi, our different communities, regions, and ākonga. It will focus on removing unnecessary duplication of functions and delivery via consolidation, driving efficiencies, improving cost controls and capital management within the sector, and sharing accountability through the entire network by providing an inclusive, accessible and equitable teaching, learning and working environment.

To achieve the transformation, Te Pūkenga needs to prioritise resources towards the key transformation activities including IT system integration, academic programme unification, organisational re-design, and programme management. With the focus on financial improvement and cost constraint, there is a risk that transformational activities are delayed. Capacity and resource tension will be carefully managed to ensure that the risk is mitigated as best possible.

Over the six year period from 2017 to 2022, total ITP Equivalent Full Time Students (EFTS) decreased by approximately 20%. During this time, half of the ITPs experienced greater than 25% reductions in EFTS. Over the period, total revenue fluctuated caused by decreases in international ākonga revenues and temporary increases in domestic ākonga revenues relating to COVID.

The ITPs collectively made deficits each year over the period 2017 to 2022. The deficits were relatively low in 2020/2021 caused by additional domestic revenues and Crown support, reduced operating expenses, and constrained personnel costs. However, the majority of the ITPs still reported significant net deficit levels for 2022 as they returned to “business as usual” post COVID, and this trend has continued into 2023.

Counter to the performance of the ITPs, the numbers of Work Based Learning (WBL) ākonga have increased in recent years and good levels of profitability have been achieved. This has been assisted by the Apprenticeship Boost and Targeted Training and Apprenticeship Fund (TTAF), Government policies and economic conditions. ITOs and ITPs coming together provides diversification to perform well under different economic and employment cycles into the future.

Current state

9(2)(b)(ii)

The 2023 Government Budget announced a \$220m interest-free Crown loan to support Te Pūkenga to implement the digital transformation programme. Although the announcement is welcomed, funding through Crown loans puts further pressure on the net deficit levels, as this funding cannot be recognised as revenue and the corresponded expenditure must be expensed under International Accounting Standards for purchases of Software as a Service (SaaS).

9(2)(b)(ii)

9(2)(b)(ii)

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Financial improvement initiatives

The immediate focus to address financial performance in 2023/2024 is through cost control, combined with a focus of strong measurement and monitoring by Governance and Management. The key current cost control initiatives are:

Table 1: Immediate cost control measures

9(2)(b)(ii)



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The current performance of the various modes of delivery differs considerably across the network. Understanding the performance through detailed cost to serve analysis, driving revenue opportunities, and gaining productivity, flexibility and workforce integration is fundamental to financial performance.

9(2)(b)(ii)



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Performance metrics

Te Pūkenga has four main financial objectives under the Finance Strategy.

1. Te Pūkenga will return the operating performance of the organisation to a surplus in the medium term.
2. Te Pūkenga will maintain cash balances as much as possible to prioritise resources towards the transformational efforts required over Horizon 2 (2023 – 2026) and to ensure overall affordability is maintained.
3. Te Pūkenga will dispose of property to assist with the funding of transformation and reduce depreciation and operating costs.
4. Te Pūkenga will integrate its workforce to deliver flexibility, productivity and improve the ratio of personnel costs to revenue ratio.

To assist with decision making against the main objectives, Te Pūkenga will govern, measure, monitor and manage financial performance under the following and initial Key Performance Indicators (KPIs).

Table 3: KPIs

	KPI driver	Notes
Ākonga numbers and associated revenues	Enrolment strategy and activities, mix of provision, revenue, operating performance and cash flows	The number of enrolled and pipeline of potential ākonga will be reported to track performance against growth aspirations. This will be broken into ākonga mix with emphasis on priority learners (Māori, Pasifika and disabled learners).
Education Performance Indicators (EPis)	Enrolment strategy and activities, mix of provision, revenue, operating performance and cash flows	EPis around retentions, completions, staircasing, graduate outcomes etc are key drivers of ākonga based revenue.
Contribution drivers	Enrolment strategy and activities, mix of provision, revenue, operating performance and cash flows	Key measures will be implemented around programme numbers, mix of delivery modes, and delivery site characteristics to ensure contribution margin targets can be achieved.
Kaimahi productivity	HR and organisational structure, rightsizing of functions and roles, staff satisfaction, operating performance and cash flows	Total number and mix of FTEs between academic and allied alongside Student Staff Ratios by discipline and delivery mode will be reported to ensure a productive and sustainable operating model is achieved.
Balance Sheet indicators	Capital Plan structure and usage, debts levels, interest and investment income, cash flows and liquidity	Key balance sheet related measures will be reported against to show perform and against outlined targets to ensure planned progress towards sustainability is achieved. Metrics will be focused around debt, equity, fixed assets, intangibles, capital expenditure, depreciation, and investment portfolio attribution.



Alongside the KPIs there are other, less financially dependent, performance indicators which need to be reported against more broadly to achieve the overarching Te Pūkenga strategy. Among others, these include measures around the number, strength and benefit of partnerships, and digital indicators around systems, portals, users and usage.

The achievement of the outlined KPIs will ensure the path back to lower risk under the FMF (see Appendix A) under the following performance objectives. Note that these performance objectives are quantified for the Mid Scenario. These performance objectives will need to be revised in future iterations of the Finance Strategy and Plan based on revised EFTS and other forecasts. The aforementioned KPIs and other performance indicators are the initial benchmarks for measurement of this Finance Strategy and are currently being developed further with the Council and management teams. The final metrics will be incorporated in the Finance Plan that completes this Finance Strategy by 31 August 2023, and will be continuously iterated. The Finance Plan will also include a more detailed timeline as to when the targets need to be met along with a RASC outlining responsibilities and accountability for these targets.

Table 4: Performance objective targets

9(2)(b)(ii)

9(2)(b)(ii)

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Internal Economy | How will Financial Management be structured to perform?

Internal economy

An internal economy should give regions, networks and departments and their respective functions the ownership of their costs and revenues, allowing them to direct efforts and resources to increase ākongā numbers and research activities, ensuring a more sustainable institution for the long-term. The internal economy needs to achieve efficient and effective resource management, quality and timely financial information, and transparency and accountability.

Te Pūkenga is in a transitional phase with a detailed work programme required to ensure Te Pūkenga has fit-for-purpose infrastructure, information systems, a digital ecosystem, unified academic programmes, cultural competencies, and capabilities required to deliver on Te Pūkenga objectives and the intentions of RoVE. Therefore, given the extent of change, an initiation phase will support the organisation as it defines itself. During the initiation phase, a cost management approach will be adopted including a top-down budgeting approach. The focus in this phase is to embed the new Finance team structure and functions, improve financial systems, information and forecasting, and move away from a “use or lose it” culture in terms of the application of resources.

Following the initiation phase, Te Pūkenga will implement an internal economy giving Regions, Ako networks and Departments ownership of costs and revenues, allowing the functions to direct efforts and resources to increase ākongā numbers and research activities, and manage costs thereby ensuring a more sustainable institution for the long-term.

Financial support and Governance oversight

For the internal economy to be successful, a culture that recognises and supports the importance of financial management will be embedded across Te Pūkenga. Finance needs to be visible and informative to enable and empower business leaders. Transparency and access to data and insights is essential for business leaders to make informed evidence based decisions. Alongside the information, Finance will partner with business leaders to provide advice, challenge and insight to ensure all managers have the necessary support to be successful in the role.

Finance will transition to a true enabling function where the transaction services are delivered efficiently assisted through technology, effective treasury management and procurement are achieved, and business partnering finance capabilities are prioritised to provide information and advice to the business. Supplementing the capabilities, Finance will embed the necessary systems, processes, and controls required to ensure the business can achieve the Te Pūkenga objectives.

Accurate, timely and insightful financial reporting is essential for leadership to understand the current and future financial situation allowing for evidence based decisions to be made. Therefore, Te Pūkenga will embed an annual long-term strategic forecasting exercise which will set the parameters for annual budgeting. Rolling forecasting will occur as part of the month-end processes and formal quarterly re-forecasts will be undertaken once key enrolment information is known during the year.



With recent changes to the Council of Te Pūkenga and its sub-committees, it is proposed there will be an increased and dedicated level of oversight and monitoring of the Finance Strategy and Plan. These will form a standing item on the agenda of FinCap, with reports required from management on performance against the strategy and plan, which will be elevated to the full Council as determined by this committee, with a particular focus on exception based reporting. Regular reviews of the strategy and plan will be incorporated and the Terms of Reference of Fincap will be changed to reflect these functions.

The terms and conditions of the proposed Crown loan also contains covenants around the financial strategy and performance of Te Pūkenga, although these terms and conditions are still to be agreed and the loan drawn down. Nonetheless, once these matter are resolved, then it proposed that the Finance Strategy and Plan will be changed to acknowledge the levels of compliance required.

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Appendix A: Financial monitoring

One of the Tertiary Education Commission (TEC) core functions is to monitor tertiary education institutions (TEIs) and report to the Minister responsible for Tertiary Education on the financial performance of the tertiary sector (section 405 Education and Training Act 2020).

The Financial Monitoring Framework (FMF)¹ is a tool used to monitor TEIs' financial performance. The FMF sets transparent benchmarks around financial performance but the outputs of the tool are taken into consideration alongside other data points and information specific to the organisation under assessment. As highlighted below, Te Pūkenga has determined a set of relevant KPIs and other measures which are in-line with the FMF expectations but tailored to specific projected financial performance of the organisation.

The FMF is split into financial viability and financial sustainability measures. Should one of these categories be considered high risk then the institution is deemed to be high risk.

Financial viability

Viability focuses on the shorter-term financial performance. This enables judgements to be made about the ability, or otherwise, of the institution to meet its financial obligations as they fall due. The measures included within this dimension look at earnings, liquidity, cash flow and short-term debt servicing.

Table 1: viability scoring table

Measures	Definition / calculation	Scoring table performance bands (a score of 3 and above is considered low risk)					
		-2.0	0.5	2.0	3.0	4.0	5.0
Profitability							
Operating surplus/deficit	Operating surplus/deficit before unusual and non-recurring items to total income	< -4%	-4% to 0%	0% to 3%	3% to 5%	5% to 7%	7% +
Core Earnings	Earnings before interest, tax, depreciation and amortisation (EBITDA) to total income	< 3%	3% to 7%	7% to 9%	9% to 11%	11% to 13%	13% +
Net cash flow from operations	Cash inflow (receipts) from operations to cash outflow (payments) from operations	< 104%	104% to 108%	108% to 111%	111% to 113%	113% to 115%	115% +
Liquid funds ratio (liquidity)	Liquid resources less short term overdrafts to cash outflow (payments) from operations	2%	2% to 5%	5% to 8%	8% to 12%	12% to 15%	15% +
Ability to service debt (interest coverage ratio)	Earnings before interest paid and abnormals to Interest paid	< 1.0:1 x	1.0 to 1.5:1x	1.5 to 3:1 x	3 to 6:1 x Or no interest and core earnings ratio less than zero	6 to 12:1 x Or no interest and core earnings ratio 0% - 10%	>12:1 x Or no interest and core earnings ratio > 10%
Quick ratio	Readily liquefiable resources divided by current liabilities likely to result in cash outflows	0 to 0.5 x	0.5 to 1.0 x	1.0 to 1.5 x	1.5 to 2.0 x	2.0 to 2.5 x	2.5+ x

¹ <https://www.tec.govt.nz/assets/Publications-and-others/d1b9a656a9/Financial-Monitoring-Framework-TEIs-July-2016.pdf>

Financial sustainability

Sustainability provides a longer-term view. This provides analysis of the financial performance, position and cost structures of the institution, and whether these are enduring. The measures within this dimension look at the balance sheet structure, return on assets, the longer-term picture presented by the viability measures, and a key revenue driver measure which looks at whether TEIs are achieving the funding delivery close to levels as agreed with the TEC.

Table 2: sustainability scoring table

Measures	Definition / calculation	Scoring table performance bands (a score of 3 and above is considered low risk)					
		-2.0	0.5	2.0	3.0	4.0	5.0
Debt equity ratio	Total debt to total debt plus equity	25% +	15% to 25%	7.5% to 15%	0 to 7.5%	0%	0% to 10%+ Core Earnings
Achievement of domestic funded allocation (\$)	Actual delivered domestic SAC funding as a percentage of original SAC domestic funded allocation as agreed with TEC at beginning of year	0 to 85%	85 to 94%	94 to 97%	97 to 98% or 103%+	98 to 99% or 101 to 103%	99 to 101%
3-year average viability	Viability is calculated for 3 years and the average of these is taken as the score value	As the scores are already calculated on a scale of -2 to +5 no further adjustments are required. This score is taken from the overall average viability score on the FMF output report					
3-year average return on property, plant & equipment employed	The ratio EBITDA to end of year property plant & equipment is calculated for 3 years and the average of these is taken as the ratio value	< 0%	0 to 2.5%	2.5 to 4.5%	4.5 to 6.5%	6.5 to 8.5%	8.5% +
Debt repayment	Total debt less any surplus liquidity to 3-year average surplus/deficit before abnormals	Average deficits and net debt or a ratio of >1,000%	500 to 1,000%	200 to 500%	100 to 200%	< 100%	No net debt
Trends and variability in financial viability indicators	Comparison of long term trend in financial viability over a five year period	Very high variability and downward trend	High variability and downward trend	Some variability and upward trend or Previously high score, some variability and negative trend	Low variability and upward trend	Very low variability and upward trend	Previously high score, low variability and upward trend

Te Pūkenga Financial Plan – Q3 2023

Overview

The Financial Plan Q3 2023 prioritises activities and outlines the actions that will be undertaken in the short term (12-24 months) with realistic targets for success. This Financial Plan, as an appendix to the Financial Strategy, is intended to provide the detail on 'how' and 'when' the aspirations will be achieved, measured and managed.

Ultimate success is measured by Te Pūkenga returning to an operating surplus in the medium term and achieving a low-risk position for financial sustainability. A key enabler to the success of the Financial Plan and Finance Strategy is the implementation of the integrated FMIS by Q3 2024 which will provide more accurate and timely information for monitoring and decision making.

Approach and Review

The Financial Plan Q3 2023 has been developed to sit alongside the Transformation Roadmap. It is the initial plan of actions intended to show how the Financial Strategy will be implemented. The ability to deliver the elements of the Financial Plan Q3 2023 is closely linked to the execution of the Transformation Roadmap. The primary audience for the Financial Plan is Te Pūkenga Council.

Like the Transformation Roadmap Q3 2023, the Financial Plan will need to be further developed and revised over time. We expect to report progress against the Financial Plan monthly and to revise it quarterly in response to progress with both the Financial Plan and Transformation initiatives, market conditions, any policy or funding changes.

The first update of the Financial Plan will be a Q4 2023 update that will reflect progress against forecast for 2023 and the first refinement of the Transformation Roadmap.

Underlying Short-Term Assumptions in Financial Forecasts

9(2)(b)(ii)



9(2)(b)(ii)

PROACTIVELY RELEASED

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KPIs

9(2)(b)(ii)



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Te Pūkenga Transformation Q3 2023

Hōngongoi | July 2023

PROACTIVELY RELEASED



Te Pūkenga

Purpose

The purpose of the Transformation Roadmap Q3 2023 is to set out the programme of work and the key steps that are required to move from our current state to a steady future state where Te Pūkenga:

- is one organisation, centred on **inclusivity** and **equity** for all learners, with Te Tiriti o Waitangi partnerships guiding the decision-making process, with a clear and strong culture, with one ecosystem of systems and tools,
- has designed a new mix of provision and new modes of delivery that responds to the intent of the RoVE reforms and is responsive to the needs to ākonga and employers,
- has brought together, and realigned its workforce and the way in which kaimahi work to support the new mix of provision and new modes of delivery,
- has the capability, capacity and financial security to continue to evolve, transform and change in order to best serve ākonga, employers and the government of the day.

This activity is guided by the goal statement:

Ka whai huarahi whakahirahira te katoa o ngā ākonga me ngā pūkenga e tika ana, ngā tohu e tika ana, ka rapa te whai, ā, ka iti iho te noho nama | All learners into great mahi, with the right skills and qualifications, faster, and with less debt.

Transition complexity: creating Te Pūkenga

Creating Te Pūkenga required the bringing together of 25 organisations into one legal entity.

Transforming Te Pūkenga requires us to become one organisation and an approach centred on **inclusivity** and **equity** for all learners, with Te Tiriti o Waitangi partnerships guiding the decision-making process.



25 Entities and Organisations with their own systems (payroll, HR, enrolment) and 12,000 staff (dimensions of change)

becoming

One organisation with one ecosystem of systems and tools

All learners into great mahi, with the right skills and qualifications, faster, and with less debt.

Overview of Transformation Roadmap Q3 2023

Approach

The Transformation Roadmap Q3 2023 is the first version of the Roadmap. It is high level and marks the transition from the MVP oriented transition plan into the full multi-year transformation programme.

The elements of the Roadmap comprise a portfolio of initiatives that include:

- Major programmes that will be managed as Transformational and/or Financial Plan initiatives and overseen by the ELT via the EPMO. Some of these are so large they have their own PMO ensuring that detailed planning and execution is in place.
- Programmes that are significant for Transformation and/or Financial Plan initiatives, but which will be managed as BAU initiatives reported through the EPMO to ensure that interdependencies and milestones are met.
- Activities that are important for transformation and/or the Financial Plan but are managed as BAU and for which Deputy Chief Executives will have specific KPIs for each year.

The current version of the Roadmap sets out the portfolio of activity that is required for transformation. Some parts of the current version are already in flight. Others are in the development and scoping phase. This version of the Roadmap will need to further evolve quite quickly. Several of the projects still need to be fully scoped, resourced and planned in detail. Other key elements still need to be fully aligned. Most significantly, the Digital workstreams need to be further reworked to ensure that the timing interdependencies and sequencing fits with the other transformation initiatives.

Overview of Transformation Roadmap Q3 2023

Presentation

The Transformation Roadmap Q3 2023 is presented as a summary Gantt chart. This demonstrates:

The elements of the Roadmap comprise a portfolio of initiatives that include:

- the breadth of the portfolio and the scope of the programmes that are required
- the high-level interdependencies between the elements of the portfolio
- the timetable for transformation.

Future versions will be reported as both Portfolio and Project summaries, as well as in Gantt chart form. Progress will be tracked both in individual programmes and projects and through the interdependencies between them. The presentation of the Roadmap will evolve and change as the EPMO matures and through feedback.

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Overview of Transformation Roadmap Q3 2023

Governance and Oversight

The Council of Te Pūkenga will oversee the delivery of the Roadmap through the Finance and Capital Investment Committee with escalation of issues to Council as necessary. This will be done through a cycle of regular monthly reporting on progress, issues and risks. The Council will also undertake quarterly reviews of the Roadmap and progress with transformation.

Leadership and Direction

The Chief Executive is responsible for the leadership and direction of the portfolio of work that is reflected in the Roadmap. The portfolio will be coordinated through the Te Pūkenga EPMO. Te Pūkenga ELT will act as the programme board for the Roadmap, resolving resourcing issues, ensuring integration, managing risks and ensuring delivery. Each of the programmes in the Roadmap has its own sponsor(s) and some are large enough to have their own PMO (i.e. Property and Digital).

The EPMO will engage with the Digital Governance Committee as necessary to ensure alignment and that their advice and assurance is passed on to the Council and the Chief Executive and ELT.

The initiatives that are part of the Financial Plan will be managed and overseen using the same framework as the Transformation Roadmap. This is essential to ensure that we operate an integrated programme and to reduce duplication in both oversight and delivery.

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Expected Refinements for Transformation Roadmap Q4 2023

The Q3 2023 Roadmap is the starting point for the journey. It will be reviewed in each quarter to ensure that it reflects the current and best view of the work that is required.

The Q4 version will be refined to:

- Complete the scope of the Big Rock programmes and further refine the detailed programme of work in each element.
- Complete and confirm the alignment of the digital programme with both the other elements of the Roadmap and the proposed cashflow from the concessionary loan.
- Adjust the Roadmap to reflect the timing, impact and agreed transition pathway to implement decisions on the current round of consultation with staff.
- First version of reshaped Transformation Roadmap risk register and risk assessment.
- Changes to reflect initial approach to the budget for 2024.
- Adjustments to reflect decisions with respect to LMS and other systems / delivery partners and the confirmed ability to deliver – along with interdependencies.

It is expected that the Q4 2023 version of the Roadmap will be the basis of the next Gateway Review.

In time the Transformation Roadmap will be an essential communications tool with our kaimahi, with partners and with stakeholders. Some elements of the Roadmap have already been shared with kaimahi at a broad high level. However, the Q3 2023 version is the starting point for the journey and will be quickly refined to become the Q4 2023 version. Accordingly, it is not proposed that the detailed Roadmap will be shared with all staff. Rather it is intended that a very high-level summary of the Roadmap will be used in kaimahi and public communications.

The full version will remain confidential.

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Pages 10-19 redacted in full under section 9(2)(b)(ii)

The Transformation Roadmap Q3 2023

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