

Hon Dr Michael Cullen

Minister for Tertiary Education



27 July 2006

Media Statement

Key decisions to improve tertiary performance

Tertiary institutions will be funded on the basis of three year plans outlining how they will meet the education and training needs of students, employers and communities under a package of measures aimed at improving quality in the sector.

Tertiary Education Minister Michael Cullen today unveiled the first set of decisions the government has made following extensive consultation with the sector and other interested groups over the past three months.

"I am pleased there has been such broad support for the direction and intent of the reforms.

"The tertiary sector has a vital role to play in improving the performance of the economy and contributing to New Zealand's social and cultural development. Enhancing its role is a priority for this government.

"What we are announcing today are the first steps in a new approach designed to ensure tertiary education has greater quality and relevance. We want a sector that produces higher numbers of skilled graduates in areas the economy needs, and that the government gets greater value for its investment in tertiary education," said Dr Cullen.

The changes are the first part of reforms that will see the new system introduced incrementally across the sector from 1 January 2008.

Dr Cullen said he was pleased with progress. "Clearly, more work needs to be done, but we are on track. Further consultation in the months ahead will ensure we are well on the way to establishing a robust funding framework that strikes a better balance between the choices of students and our economic and social priorities."

Contact: Mike Jaspers, press secretary, 04 471 9412 or 021 270 9013
mike.jaspers@parliament.govt.nz

Note: Dr Cullen is available at 12noon for brief comments following his speech at the Industry Training Federation Conference, Lambton Room, Intercontinental Hotel.

Appendix 1: Decisions on the next steps

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Overall Funding

The current demand-led approach has caused spending to be volatile. We need a new funding system that gives the government greater certainty. As a first step, public funding of tertiary education will be more controlled.

In future, a three year funding path will be set. This will be based on inflation pressures, expected demographic change, student demand and competing priorities within and outside the education sector.

The new policy is not about limiting access to tertiary education, but ensuring that tertiary education resources are focused towards courses that meet social and economic priorities.

Importantly, the new system will enable the government to make investments in priority areas, and shift money to education and training that better matches skill and learning needs.

Sub-sector funding

How much each part of the tertiary sector gets will be decided by the Tertiary Education Minister and Associate Finance Minister.

In making those decisions they will be:

- guided by education priorities set by the annual Statement of Tertiary Education Priorities (STEP) and analysis of skill and learning needs
- relative performance of different sub-sectors in achieving educational outcomes
- need to maintain and build capability in each sub-sector
- patterns of skill and learning needs across the sector – of employers, students and communities
- relative cost of different provision.

Once these decisions are made, the amount of funding that each tertiary education organisation gets will be based on the plan that it must agree with the Tertiary Education Commission (TEC).

Tertiary Education Organisations to invest in a plan

The TEC will periodically issue an investment strategy that identifies areas in which it is seeking greater commitments in line with the STEP.

Tertiary education organisations (TEO) will agree three year plans with the TEC that will determine funding over that period. These will:

- Cover the mix and level of services to be provided over the three years
- Provide agreed performance measures
- Reflect the needs of the region and stakeholders and detail how the plan contributes to government priorities as detailed in the investment strategy.

Where agreement cannot be reached over the plan the TEC will have the final say over the level of funding.

The requirements of the plan will differ according to the scale and scope of the TEO with a simpler process for smaller providers.

New funding mechanism

The current Student Component funding system will be replaced with two new components:

- A student achievement component covering the government contribution to the costs of teaching and learning
- A TEO component covering the government's contribution to costs associated with the organisation carrying out its distinctive role.

Student achievement component

This will be calculated on the basis of the nature of the programme, the volume of teaching and learning and the nature of the student. Existing funding categories will be maintained, but subsidy rates within categories may need to be changed:

- Through time as costs in the sector change
- To reflect any changes made to the level of the student achievement component resulting from a transfer to the TEO component

This component will use a volume based measure based on the number of students participating in each course and on the existing system of credit values.

The number of student will be measured twice; once at enrolment and again midway through a course to more accurately reflect demand.

TEO component

This will be made up of two funds:

- A core component supporting the costs associated with the organisation's role and distinctive contribution
- A strategic fund that promotes innovation (based on competitive proposals) and contributes to the cost of making major changes (negotiated from within a fixed pool)

Further work is to be done on the relative size of the two components and the implications of that for existing funds including existing subsidy rates.

Information on the performance of tertiary organisations will be publicly available.

The new system aims to ensure stakeholders have a far greater influence on the education and training that is provided. This will be achieved through their input into the STEP and TEC's investment strategy as well as the planning process.

TEOs will not be funded unless they can demonstrate that they have analysed, and are consistently meeting, specific stakeholder needs; and are achieving the outcomes sought.

Distinctive Contributions

The competitive funding model has spread expertise in the tertiary sector too thinly, and not always in the areas of greatest need. Under the new approach tertiary education organisations will be expected to play to their strengths and reduce undesirable overlaps. There needs to be greater differentiation to ensure a diversity of education and the development of critical mass and expertise within organisations.

Role of Universities

Universities will continue to provide research-led degrees and post-graduate education, undertake research, disseminate knowledge and promote learning. The TEC will work with the universities to support this with a focus on differentiation between universities and on developing a suite of common indicators for the university sector.

Role of Institutes of Technology and Polytechnics

These will have three roles:

- To act as a regional facilitator
- To provide skills for employment and productivity
- To provide foundation education

Care will need to be taken on the implementation of the regional facilitator role to ensure that the interests of employers, industry, communities and other education organisations are taken into account. Regional and national perspectives will need to be balanced. There will be further work on this issue.

Role of Industry Training Organisations

The role will continue to be qualification design, arranging for the delivery of training and providing leadership within industries on skill and training needs. The leadership role of the ITOs will be critical to identifying regional and national priorities within the new approach.

Role of Wananga

The government is working with wananga to define their distinctive contribution. This will be completed by the end of 2006 in time for inclusion of changes alongside those for Institutes of Technologies and Polytechnics during 2007.

Role of Private Training Establishments

Following the consultation two options have emerged for the role:

1. Maintain the current role "offering niche education and training that augments and complements the provision of public providers"

Or

2. Seek to directly define roles such as offering provision to specialised industry areas, or meeting the needs of particular community groups.

Further consultation will occur with decisions at the end of the year.

Ensuring Greater Quality

As the investor in tertiary education on the government's behalf, the TEC is responsible for ensuring public money is being properly spent. The TEC will want to know that the organisations receiving funding are high performing. A robust quality assurance and monitoring system is therefore being developed to ensure goals are being met and performance maintained.

This system should include:

- All tertiary organisations funded through the TEC being required to undertake a self-assessment
- A system of external validation being developed that includes a regular review cycle as well as scope for reviews when risk or performance issues are identified

The existing standards used in the quality assurance system will be reviewed in consultation with the sector and where change is required a further plan will be developed.

A common set of benchmarks and performance indicators will be developed in consultation with the sector, for use in performance monitoring.

The quality assurance function should be independent from the purchase and monitoring function and the function of monitoring performance of tertiary publicly funded tertiary education organisations will remain with TEC.

As a first step, the government has asked the TEC, Ministry of Education and New Zealand Qualifications Authority to consider how the TEC could discharge its responsibility for ensuring public money is being well spent, through a commissioning process. This could involve the TEC commissioning NZQA to undertake the quality assurance function for the sector, with the exception of the universities.

The full set of decisions is available at: <http://www.tec.govt.nz/>

Appendix 2: Questions and answers

What is happening?

The government is implementing a new investment system for tertiary education that will make sure the sector produces higher numbers of skilled graduates in needed areas, and the government gets greater value for its investment in tertiary education.

The new investment system will align planning, funding, quality assurance and monitoring in a way that will ensure the system delivers for stakeholders – especially students, employers, communities and regions.

Why the need for further reform?

Reform since 2000 has helped the sector to start heading in the right direction and build up expertise and capability. In addition, industry training has been revitalised, more money has been invested in research, and limits have been placed on courses that are of poor quality and lack successful outcomes for students.

However, further more fundamental change is necessary to ensure that funding, and quality assurance and monitoring systems are aligned and support a focus on the quality, relevance and value for money of education and training.

Will this mean more centralised control by the Tertiary Education Commission (TEC)?

Stakeholders – such as students, employers and communities – will have a far greater role to play in deciding what education and training is provided, as the new system requires Tertiary education organisations to find out what stakeholders need and develop education and training that meets those needs.

The TEC's role is to work in partnership with tertiary education organisations and their stakeholders to ensure this happens, and that the system as a whole is focused on achieving national and regional goals, and government priorities.

What is happening with quality assurance and monitoring?

Robust quality assurance and monitoring is a way of providing government and the public with confidence in the tertiary education system, as well as enhancing the reputation of tertiary education in New Zealand.

Building on work since April, the TEC, Ministry of Education and New Zealand Qualifications Authority will be discussing with the sector and its stakeholders how a quality assurance and monitoring system could deliver that confidence.

Quality assurance and monitoring must:

- Ensure accountability and transparency, which will give the government, public, students and other stakeholders greater confidence that the money invested is being well spent.
- Ensure tertiary education organisations are focused on building their capability in order to ensure continuous improvement takes place.

Quality assurance and monitoring is just as important for students, parents and other stakeholders. They will be able to use the information about the performance of individual institutions and courses in order to make good choices.

What is the TEC's role in quality assurance and monitoring?

The TEC has a new role to play in terms of making investment decisions and monitoring tertiary education organisations' performance. It needs to ensure government money is being well spent and that there is a network of high quality providers. The TEC needs greater access to accurate and timely quality assurance and performance information if it is to make sound investment and capability development decisions.

By investing in a plan, monitoring, and through regular dialogue with education organisations, the TEC will have greater confidence that the organisations receiving funding are performing well.

Is the TEC solely responsible for quality assurance and monitoring?

No. The government has asked the TEC, Ministry of Education and New Zealand Qualifications Authority to consider how the TEC could discharge its responsibility for ensuring public money is being well spent, through a commissioning process. This could involve the TEC commissioning NZQA to undertake the quality assurance function for the sector, with the exception of the universities.

A separate relationship would be established with the New Zealand Vice-Chancellors Committee to ensure that the TEC has the information and processes it needs for quality assurance in universities.

What will the reforms mean for universities?

The main focus of universities will be on research and research-led teaching. They will continue to share the knowledge they gain from research with other Tertiary Education Organisations and the wider community.

There will be a renewed focus on moving students from undergraduate to postgraduate qualifications. The government wants to see a continuation of New Zealand's tradition of a broad and inclusive university sector, with a continued focus on quality outcomes.

What about the idea of separating research from teaching?

Officials have been asked to provide advice on what needs to underpin high quality undergraduate degrees, offered by institutions other than universities.

What will this mean for Wānanga?

The nature and role that Wānanga will play is the subject of discussion with the three wānanga and Te Taihū o nga Wānanga.

The government is committed to ensuring a sustainable future for wānanga in the tertiary education system. It will be important for wānanga to continue to play a pivotal role in providing foundation learning and encouraging second chance learners back in to the education system, as well as continue to offer a wide range of other provision.

What will this mean for PTEs?

The government recognises the diverse role that PTEs play. PTEs are integral to the system and the reforms provide an opportunity to be clear about the important role they play. This will be the subject of consultation over the next few months.

What will this mean for ITOs?

ITOs have a key role to play in identifying the skill needs of their industries and finding ways to meet them.

Feedback during recent consultation raised issues to do with the funding differential between industry training and the Student Component funding system, and overlapping provision between Industry Training and Student Component funding provision. These issues will be examined and reported back to Cabinet in early 2007.

Will institutions close?

The reforms aim to promote a sustainable network of provision and there is no decision that providers should close.

What happens next?

The government wants to have key parts of the reform in place by early 2008. There are several transition matters to be discussed and worked through over the coming months.

The consultative approach adopted in April when the reforms were first signalled will continue. The TEC will lead the consultation to take place over the coming months on the reforms, in conjunction with the Ministry of Education and NZQA.

The Ministry of Education expects to begin consultation on the next Tertiary Education Strategy and Statement of Tertiary Education Priorities in mid-August.