

TAIRĀWHITI POLYTECHNIC and EASTERN INSTITUTE OF TECHNOLOGY

Case for merger: consultation document

October 2010

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Executive summary

Decision in principle to merge

- The Councils of Tairāwhiti Polytechnic and the Eastern Institute of Technology (EIT) *have agreed in principle to merge the two institutions.*
- The proposed merger will lead to improved tertiary education outcomes for the Tairāwhiti and Hawke's Bay regions.
- With the proposed merger in place, EIT would take primary responsibility for tertiary education provision to the Tairāwhiti and Hawke's Bay regions.

Benefits of merging

- EIT offers a substantial portfolio of high level programmes that could be offered to the Tairāwhiti region, including a number of degrees.
- For Tairāwhiti stakeholders a merger is expected to deliver enhanced educational provision to the region.
- With the changes proposed at a management and administration level and some EFTS growth the Tairāwhiti campus would not require cross subsidisation from Napier and would in fact contribute to a surplus for the merged institution. This would provide a sustainable basis for future provision in the Tairāwhiti region without jeopardising the sustainability of provision in Hawke's Bay.
- For EIT and its stakeholders, the merger brings the opportunity for increased scale to lead to greater depth in education and applied research capability; enhanced use of educational technologies; and the ability to enter new fields of vocational education for the Hawke's Bay region.
- The merger would improve the efficiency of education development, management and delivery in both regions.
- EIT would also gain by improving the critical mass in its educational programmes. This would mean increased numbers of academic staff, capability and applied research capacity.
- To achieve the education and efficiency outcomes of this proposal, the academic portfolios of the two institutions would be merged, taking the best from each.

Moving towards a new institution

- In the initial merger phase two Councillors from Tairāwhiti will take their place on the Council of EIT. One position could occur January 2011 and the second position may not be possible until 1 May 2011 when four Council appointments need to be made.
- By May 2011 the Council will rewrite its constitution and the needs of the merged institution will be more permanently reflected in the new constitution.

- A Tairāwhiti Committee of Council will also be established with a larger membership to reflect and champion Tairāwhiti interests in the merged institution. The engagement of iwi with the Council will be part of these considerations.

Although structural decisions have not yet been made, some principles for the merged institution structure have been identified. The principles for the new organisational structure are the following:

- Facilitate the integration of respective campuses and encourage the development of a shared organisational culture as soon as possible;
- Encourage staff to work together towards an agreed set of outcomes;
- Encourage academic collaboration and build on disciplinary synergies;
- Encourage dynamic interdependence and discourage siloed and parochial thinking;
- Encourage consistent quality standards and avoid duplication;
- Facilitate effective decision making;
- If the merger proceeds EIT will establish a project team and transition manager to oversee the transition process and focus on a range of work streams critical to a successful merger; a Campus Director will be appointed.

Introduction

The councils of Tairāwhiti Polytechnic and the Eastern Institute of Technology have agreed in principle to merge the two institutions.

The proposed merger will lead to improved tertiary education outcomes for the Tairāwhiti and Hawke's Bay regions.

Tairāwhiti Polytechnic is the largest provider of vocational tertiary education and training to the Tairāwhiti region. It has struggled to maintain financial viability over much of the last decade. Over the past 11 years it has made a loss seven times – including a \$5M loss in 2007. While there were many reasons for these losses the fundamental issue has been one of size. There are too few students in the region to support the infrastructure of a stand-alone Polytechnic. The Council and management have tried to reduce costs, including reducing staff numbers by 50% and selling some land and buildings. Despite these recent efficiency gains it is clear that there are no more efficiencies to be gained in the current operating model and any further asset sales are too long term to be helpful now.

The council and management of Tairāwhiti Polytechnic have determined that a merger is necessary to ensure sustainability of tertiary provision in the region. Merging is the only option that allows Tairāwhiti people to have local access to Polytechnic-style education and is the only alternative to closing the institution altogether.

Eastern Institute of Technology (EIT) is the largest provider of tertiary education and training in Hawke's Bay. It has a history of strong financial and educational performance, but its medium size limits the opportunities to further increase its efficiency and effectiveness.

These ITPs are neighbours, have common interests and, in some areas, currently work together. EIT provides or supports some of Tairāwhiti Polytechnic's core infrastructure systems and programmes of study. Tairāwhiti Polytechnic delivers TOPs programmes into Hawke's Bay, and both institutions deliver education in Wairoa.

The councils of both institutions have determined that a merger is the best means to achieve high quality, relevant and sustainable tertiary education provision for the Tairāwhiti and Hawke's Bay regions.

With the proposed merger in place, EIT would take primary responsibility for publically owned tertiary education provision to the Tairāwhiti and Hawke's Bay regions.

Since the decision in principle to work together as partners, the two institutions have undertaken considerable work in preparation for the proposed merger.

This early collaboration has shown the strong potential for a merger to succeed, to solve the problem of high quality, relevant and sustainable provision in the Tairāwhiti region and result in EIT continuing to be a strong provider for Hawke's Bay.

This document summarises the proposal to merge, including reasons for merging, the expected outcomes of the merger, risks in merging and initial plans for implementing the proposed merger.

Submissions sought by Friday 12 November

The Minister of Tertiary Education intends to make a decision in November to inform planning by EIT and the Tairāwhiti Polytechnic for the 2011 academic year. Therefore, submissions should be received by the Tertiary Education Commission by Friday 12 November 2010.

Submissions should be addressed to Murray Johnson, Group Manager, ITP and Wānanga Investment Group, Tertiary Education Commission, PO Box 27048, Wellington, or may be submitted electronically to Murray Johnson murray.johnson@tec.govt.nz

Expected outcomes of the merger

The merger is expected to achieve ***a sustainable level and range of tertiary education provision, meeting the needs of the Tairāwhiti and Hawke's Bay regions.***

This is further described as tertiary education provision in these regions that is:

Educationally viable and sustainable. This means:

- education that delivers successful student outcomes
- education that creates better than average performance in the Education Performance Indicators
- provision that is appropriately quality assured
- achieving educational performance outcomes that meet or exceed the required levels
- provision that meets identified regional needs and makes a measurable positive contribution to both regions
- delivery by providers with the capability and capacity to meet the tertiary education needs of the region
- delivery by providers that is supported by key stakeholders in the region.

Financially viable and sustainable. This means:

- delivery by providers that is able to meet or exceed TEC financial requirements on an ongoing basis
- delivery that provides a net positive return to the providers on an ongoing basis.

In the tertiary sector's best interest. This means:

- delivery that contributes positively to the national network of applied and vocational tertiary education provision

- delivery that enhances the quality and reputation of the applied and vocational tertiary education sector.

In the nation's best interests. This means:

- delivering on the Tertiary Education Strategy objectives
- at a fair and reasonable cost to the tax payer.

The Councils of Tairāwhiti Polytechnic and EIT believe that these outcomes are best achieved in both regions by merging the two polytechnics.

Reasons for merging

1. EIT and Tairāwhiti Polytechnic are important in their regions

Both regions are a significant travelling distance from the main centres, particularly Tairāwhiti. This creates a level of geographical isolation for these communities and increases the importance of locally based tertiary education provision. This need extends to the higher levels of tertiary provision. EIT's significant degree portfolio provides an opportunity for increased local degree provision into the Tairāwhiti region.

Both ITPs are also among the largest employers in their respective regions and the direct and indirect economic impact of their presence is significant.

These factors make both institutions very important to their regions' infrastructure and to the regional economies of both.

One of the most pressing concerns driving the consideration of collaboration between the two ITPs is the threat of closure of Tairāwhiti Polytechnic. Such a closure, without a viable alternative, would lead to a loss of the majority of existing tertiary education provision in the region.

It would negatively impact on the industries and businesses in the region that rely on the Polytechnic to contribute to workforce development.

It would also be detrimental to a region that has a high level of young Māori, and that has iwi who are well poised to lead economic and social development for the region. Treaty of Waitangi settlements are due to be finalised shortly for both Ngāti Porou and Tūranganui-a-Kiwa. Publicly funded vocational education in the region will be critical to ensuring that these settlements have the social and economic impact they are intended to have.

2. Loss or weakened provision would negatively impact on the Tertiary Education Strategy

The loss of a polytechnic in Tairāwhiti would also threaten the achievement of the Tertiary Education Strategy (TES) objectives in this part of New Zealand, as would the weakening of provision in Hawke's Bay.

The table below shows the Government's tertiary education priorities for the next three to five years and the impact that a loss of tertiary provision in the Tairāwhiti region or a weaker provider in Hawke's Bay would have on those priorities.

TES priority	Impact of loss of or weakened provision in Tairāwhiti and Hawke's Bay
1. More young people achieving qualifications and levels four and above	Tairāwhiti has been successfully shifting its provision to younger students, with 48% of its students being under 25 years. Without collaboration, Tairāwhiti Polytechnic's ability to

	<p>offer education and training at level four and above is compromised. A merger with EIT would provide the opportunity to extend higher level programmes in Tairāwhiti and also to strengthen provision at this level in Hawke's Bay, as these programmes would be stronger with scale. An indication of these higher level programmes is provided on page 13.</p> <p>The additional EFTS from Tairāwhiti Polytechnic would help underpin diploma and degree numbers in Taradale.</p>
2. More Māori students enjoying success at higher levels	<p>Māori would be more affected by loss of provision in Tairāwhiti than any other group of students.</p> <p>Tairāwhiti Polytechnic has approximately 70% Māori students. Many of these students have been studying at levels 1–3. Tairāwhiti Polytechnic is building capability in Māori to enable them to staircase to higher levels of study.</p> <p>EIT's statistics for progression of Māori onto higher levels of education are nearly double the sector average rate.</p> <p>If Tairāwhiti Polytechnic provision is lost, or if EIT is weakened, the programmes that these students need to progress on to may be lost.</p>
3. More Pasifika students achieving at higher levels	<p>Not a significant impact due to the relatively small numbers in the population. However, they would be affected, along with the rest of the population, should Tairāwhiti Polytechnic not be able to deliver.</p>
4. More young people moving successfully from school into tertiary education	<p>Both Tairāwhiti Polytechnic and EIT have developed strong linkages with secondary schools and are important destinations for local school leavers. They both have strong programmes aimed at youth (including those in the Youth Guarantees portfolio), which, if lost or weakened, would remove the ability for many young students to move into tertiary education.</p> <p>As with other regions, the most able students with the funds and whānau backing to travel for tertiary education will do so. That, however, is not the majority in either of these regions and strong provision aimed at local youth is critical to both regions. The merger with EIT will provide a greater range of programmes suitable for young people in the Tairāwhiti region than is currently possible.</p>
5. Improved literacy, language and numeracy, and skills outcomes from levels 1-3 study	<p>Both Tairāwhiti and Hawke's Bay have high levels of their populations with no or low school qualifications. Tairāwhiti Polytechnic and EIT have both built up their capability and capacity over the current investment plan period to deliver</p>

	<p>increased levels of foundation education and pre-employment skills education at levels 1–3.</p> <p>These programmes have been designed to embed literacy and numeracy skill development and the staff at each institution have gone through an intensive training programme in delivering these skills.</p> <p>The loss of Tairāwhiti Polytechnic would compromise this capability in the Tairāwhiti region and set back the regional improvement in each of these areas. This gap would not be able to be filled to the same degree by other providers. A merger with EIT will, however, ensure that the progress already made is maintained.</p>
<p>6. Improved educational and financial performance of providers</p>	<p>Tairāwhiti Polytechnic and EIT have both been improving educational and financial performance. Each has something to offer the other in terms of educational strengths. Tairāwhiti Polytechnic cannot survive financially on its own, but, by merging with EIT, its provision and educational capability can be retained and built on.</p> <p>For EIT, the reduction in nominal and real funding levels to the institution creates challenges in the medium term to continually increase efficiency levels. One of the compromises that EIT may be forced to make without a merger is to drop programmes that have low financial returns to remain sustainable.</p> <p>This provision would be the least likely for any other TEI to pick up and is generally the high capital or staff intensive delivery.</p> <p>What is clear is that the merged institution would be financially viable bringing stability to education provision in the region.</p>
<p>7. Strengthening research outcomes</p>	<p>If EIT is weakened over time, its ability to continue to develop and strengthen its applied research programmes and outputs would be diminished. Programmes with a strong applied research underpinning, particularly undergraduate and post-graduate degrees, need scale to build a community of researchers.</p> <p>This would be compromised over time without the increased critical mass that a merger would provide.</p>

Benefits of merging

For Tairāwhiti Polytechnic stakeholders a merger is expected to deliver enhanced educational provision to the region. This would be measured in terms of the range of vocational qualifications offered, the National Qualifications Framework (NQF) level of provision available and the volume of provision.

For EIT and its stakeholders the merger brings the opportunity for increased scale to lead to greater depth in education and applied research capability; enhanced use of educational technologies; and the ability to enter new fields of vocational education for the Hawke's Bay region.

Both institutions expect the merger to provide improvements in the efficiency of education development, management and delivery. These would be realised initially in terms of reduced average cost for academic management and programme coordination.

EIT would also gain by improving the critical mass in its educational programmes. This would mean increased numbers of academic staff, capability and applied research capacity.

Although the benefits described above are key factors for both EIT and Tairāwhiti Polytechnic and their stakeholders, both councils are mindful to ensure that the merger would also improve regional delivery of the Tertiary Education Strategy and be in the national interest. In terms of education provision, the merged institution would be expected to deliver:

- more blended learning and degree provision
- strong combined programme offerings
- Improved educational performance.

These are summarised in the sections below.

1. Merging will bring more blended learning and degree provision

One of the advantages of the merged institution will be the capability and capacity to offer higher level programmes in Tairāwhiti by linking students from the region into classes in Napier. This allows small groups of students to study higher level learning that would not otherwise be possible.

This process is already well tested with the current degrees which Tairāwhiti offers in partnership with UCOL, Wintec and the University of Waikato in Nursing, Social Work and Te Reo Māori respectively. Depending on the merger date, arrangements will be made with these institutions to transition these degrees to EIT delivery to ensure minimal disruption to student learning.

In addition, other degrees and higher level programmes will be offered using blended learning options. This includes video conferencing using the new ultra high speed internet linkage through KAREN (Kiwi Academic and Research Education Network).

This will be available at both the Gisborne and Taradale campuses. It also includes more extensive use of online learning options supported with local facilitators.

A considerable investment will be made by the merged institution in fast tracking development in state of the art programmes and support mechanisms using blended learning.

2. Merging will bring strong combined programme offerings

To achieve the education and efficiency outcomes of this proposal, the academic portfolios of the two institutions would be merged, taking the best from each.

The aim in developing a combined programme is to:

- provide a broader range of education opportunities (both in discipline areas and qualification levels) to the people of Tairāwhiti and Hawke's Bay than is currently available
- increase the quantity of available provision into Tairāwhiti, particularly to young Māori
- extend the offering of existing provision to Wairoa
- extend the development and delivery of blended learning delivery offered at both institutions
- blend the best of learner support mechanisms and systems offered by Tairāwhiti Polytechnic and EIT.

The project team is considering how the academic portfolios could be merged, if the merger proceeds.

Should a merger take place on 1 January 2011, Tairāwhiti programmes and accreditation for all sub degree provision will become part of the merged institution. During the later part of 2010 and during 2011 arrangements for multi site delivery for degree programmes will be negotiated with the appropriate quality assurance body. Those EIT programmes offered in 2011 in Tairāwhiti would be used to introduce and improve systems to support students and staff for multi-campus delivery.

EIT and Tairāwhiti will consider any new programmes at Tairāwhiti and EIT in the context of decisions made on the merger and future Investment Plans.

New programmes planned for delivery in Tairāwhiti

An immediate benefit of the merger will be new high quality programmes being made available to Tairāwhiti students.

Programme/qualification	2011	2012
National Diploma in Mental Health Support (L6)	✓	

Certificate in Health and Fitness (L4)	✓	
Certificate in Fashion Apparel (L4)	✓	
National Certificate in First Line Management (L4)	✓	
Certificate in Tourism and Travel (L3)	✓	
Bachelor of Computer Systems (L7)		✓
National Certificate in Computing (L2)		✓
National Certificate in Computing (L3)		✓
Bachelor of Business Studies (L7)		✓
Bachelor of Teaching (ECE) (L7)		✓
Diploma in Adult Teaching (L6)		✓
Bachelor of Applied Social Science (Social Work) (L7)	✓	✓
Certificate in Applied Social Science (L5)		✓
Certificate in Sport and Health Massage (L4)		✓
Bachelor of Nursing (L7)	✓	✓
Bachelor of Arts (Māori) (L7)	✓	✓
National Certificate in Animal Care (L2)		✓

Note: For the Bachelors of Nursing, Applied Social Science (Social Work) and of Arts (Māori) the date of transition will be agreed with current providers.

3. Merging will deliver improved educational performance

EIT has a substantially larger educational capability and capacity in terms of vocational education and training provision than Tairāwhiti Polytechnic. To determine whether merging with EIT would bring improvements in the key Education Performance Indicators, these were calculated for EIT and Tairāwhiti Polytechnic and then combined for the two as if they had been merged.

Although this is merely a desk exercise it reflects that EIT's is achieving high quality educational outcomes through quality systems and process that are working well in the Hawke's Bay. These systems and safeguards will be brought to the Tairāwhiti region through the merger and are expected to have a real and positive impact on the education performance of the campuses in the region, raising overall EPI levels.

It would therefore be the goal of the merged institution to improve educational performance further in the future.

A summary of the analysis is presented in the following two tables:

- Education Performance Indicators for all students for EIT, Tairāwhiti Polytechnic (alone and merged) compared with the ITP sector as a whole.
- Education Performance Indicators for Māori students at EIT, Tairāwhiti Polytechnic (alone and merged) compared with the ITP sector as a whole.

EPI	Sector average 2008	EIT 2008	TP 2008	Merged 2008	EIT 2009	TP 2009	Merged 2009
Successful course completion	68%	67%	53%	63%	67%	59%	65%
Student Retention	31%	48%	31%	42%	49%	43%	47%
Qualification Completion	47%	48%	42%	46%	47%	44%	44%
Student Progression	21%	34%	26%	32%	34%	18%	29%

Levels 1 -3

Successful course completion		49%	56%	51%	46%	58%	51%
Student Retention		39%	20%	31%	34%	27%	32%
Qualification Completion		30%	23%	28%	33%	28%	31%
Student Progression		47%	42%	46%	49%	42%	47%
Proportion		30%	34%	31%	31%	40%	34%

Levels 4 - 6

Successful course completion		70%	52%	62%	69%	60%	65%
Student Retention		42%	46%	43%	47%	60%	52%
Qualification Completion		41%	55%	47%	45%	57%	50%
Student Progression		37%	17%	30%	37%	9%	22%
Proportion		36%	63%	43%	36%	56%	42%

Levels 7+

Successful course completion		81%	31%	80%	85%	50%	83%
Student Retention		77%	62%	76%	80%	55%	79%
Qualification Completion		70%	0%	67%	53%	23%	52%
Student Progression		3%	0%	3%	8%	0%	8%
Proportion		34%	3%	25%	33%	4%	25%

Maori Students							
EPI	Sector average 2008	EIT 2008	TP 2008	Merged 2008	EIT 2009	TP 2009	Merged 2009
Successful course completion	58%	57%	48%	53%	60%	56%	58%
Student Retention	39%	49%	36%	41%	43%	45%	44%
Qualification Completion	28%	37%	45%	41%	39%	45%	42%
Student Progression	24%	45%	23%	34%	49%	13%	29%
Proportion	19%	28%	69%	40%	31%	71%	43%
Levels 1 -3							
Successful course completion		57%	48%	40%	60%	56%	43%
Student Retention		34%	25%	29%	30%	29%	30%
Qualification Completion		27%	25%	26%	25%	27%	26%
Student Progression		58%	37%	48%	68%	29%	52%
Proportion		10%	20%	13%	12%	27%	16%
Levels 4 - 6							
Successful course completion		61%	47%	52%	64%	56%	59%
Student Retention		55%	46%	49%	46%	59%	54%
Qualification Completion		38%	57%	50%	45%	58%	53%
Student Progression		46%	14%	28%	42%	7%	18%
Proportion		10%	46%	20%	11%	41%	20%
Levels 7+							
Successful course completion		74%	31%	69%	81%	49%	77%
Student Retention		71%	63%	69%	76%	54%	73%
Qualification Completion		48%	0%	47%	49%	25%	45%
Student Progression		5%	0%	3%	8%	0%	8%
Proportion		8%	3%	7%	9%	3%	7%

Summary of benefits

Benefit type	Expectation
Direct, monetary and quantitative	<p>Lower average total costs per student compared with the current Tairāwhiti provision.</p> <p>Increased scale of EIT would reduce average total costs per students for EIT, once transition processes are completed.</p> <p>Reduced requirement for additional funding support to sustain providers in Tairāwhiti outside of the normal investment plan processes.</p>
Non-monetary and quantitative	<p>Increase in the level and range of qualifications and courses available in the Tairāwhiti region.</p> <p>Access to education options not currently available in the region.</p> <p>Retention of existing core education provision in the region.</p> <p>Increased scale for EIT qualifications offered in both Hawke's Bay and Tairāwhiti.</p>
Non-monetary and qualitative	<p>Retention of academic capability in both regions.</p> <p>Support for tāngata whenua development in both regions through access to relevant tertiary education.</p> <p>Support by tāngata whenua in both regions for the tertiary education provider delivering this provision.</p>
Indirect, quantitative and qualitative	<p>Improvement in delivery of tertiary education strategy outcomes.</p> <p>Strengthening the New Zealand network of tertiary education providers.</p> <p>Strengthening of tertiary education provision in the regions will benefit economic and social development of the two regions. This would be reflected, over time, in average wage increases, levels of qualifications in the adult population and in improved social outcomes.</p>

Moving towards a new institution

Governance issues and options

As the proposed merger would result in a single entity by disestablishing Tairāwhiti Polytechnic, its council would also be disestablished. One of the success factors identified as critical for the merger by the two councils is maintaining stakeholder support, particularly from the local communities. In the initial merger phase two Councillors from Tairāwhiti will take their place on the Council of EIT. One position could occur January 2011 and the second position would occur by 1 May 2011 when Council appointments need to be made.

By May 2011 the Council will rewrite its constitution and the needs of the merged institution will be more permanently reflected in the new constitution.

A Tairāwhiti Committee of Council will also be established with a larger membership to reflect and champion Tairāwhiti interests in the merged institution. The engagement of iwi with the Council will be part of these considerations.

Iwi Māori engagement

In order for the proposed merger to build on the success and skill of each institution – and to be seen as successful by external stakeholders – it is critical that the new entity incorporates high levels of engagement with Māori stakeholders.

Key performance indicators

The point of increased Māori engagement is to support, empower and assure Māori student success. The setting of key performance indicators (KPIs) for Māori students will allow internal and external stakeholders to measure the success of the merged institution in this area.

The table below sets out some student achievement EPIs and KPIs for the new merged institution. Some indicators would apply across all sites of the merged institution and some would be regionally specific given the different regional contexts (such as proportion of population).

By 2015 the merged institute aims to achieve the following student EPI targets:

Performance indicator	Target
Successful Māori course completion	65%
Qualification Māori completion	60%
Māori student progression	50%
Māori student retention	50%
Māori students – Hawke's Bay	40%

Māori students – Tairāwhiti	60%
Māori staff (across the merged institution)	40%

Note: The 2009 performance of Māori students at EIT is considerably above the 2008 (latest available) sector averages for Māori students. The targets for the four performance indicators for Māori students are aimed at raising performance close to or above the sector median for all students.

Iwi engagement

Some local iwi have already indicated interest in meeting their educational aspirations in partnership with the proposed merged polytechnic. This interest is across the board in academic subject matters and levels (from forestry, marine science, soil science, tikanga and Te Reo at all levels). This relationship requires dedicated attention in order for the merged institution to support good regional outcomes as a result of current and pending treaty settlements. The aim would be for a partnership that reflects engagement, dynamic and educational excellence.

To this end the recommendation is to “reserve” up to 50 EFTS for the meeting of specific training needs for local iwi and make their successful uptake a performance indicator for the success of the newly merged institution. The “reserved” places would be bookmarked for use by iwi under a memorandum of understanding.

Toihoukura

Toihoukura is a well-regarded and successful Māori visual arts programme that has a special operating ethos, both from an artistic development pedagogy and from an iwi-based kaupapa. Toihoukura’s success is in the development of Māori artists who are knowledgeable, competent and engaged in a Tairāwhiti-based tikanga.

There are a number of options for including Toihoukura in the proposed new institution which can be further explored.

Initially it is proposed that Toihoukura be identified as a separate stand alone ‘School of Māori Arts’, based and led from Tairāwhiti, situated academically within a wider Faculty of Māori studies.

With a 1 January 2011 merger date to allow time for careful consideration of options it is proposed that Toihoukura report to the Director Maori initially, who reports directly to the CEO.

Toihoukura could be supported by a School Advisory Committee (SAC), based at Tairāwhiti, which aligns with what other schools and faculties have in place. The SAC would ensure that Toihoukura maintained its academic, artistic and cultural merit and would work with staff to expand the programme and ensure that it remained current, relevant and world leading.

Engagement with Business, Land-Based Industries and Other Stakeholders

The merged institution will continue to develop and expand relationships with business, land-based industries and other stakeholders who are interested in employing graduates with competencies that fit their needs.

The process of Advisory Committees, which is currently in place in both regions, will continue, as will the development of applied research which identifies specific industry and regional needs.

Implementation following a Merger decision

In the event that a merger is recommended by the Councils, and subsequently approved by the Minister, all Tairāwhiti positions would be disestablished effective from the date the merger takes effect. The current timeframe suggests that this is likely to be 31 December 2010.

Transfer of Tairāwhiti Staff

Tairāwhiti has discussed options with EIT for the transfer of Tairāwhiti staff to EIT. What is proposed reflects the terms of the Employment Protection Provisions of the respective collective and individual employment agreements, and takes into account the interests of staff, the unions and the two institutions.

Organisational Structure

As a first step following a merger decision EIT would establish a new Campus Director position with day to day responsibility for academic matters in Tairāwhiti for the merger transition period, expected to be two years in duration.

As noted above it is proposed that Toihoukura report initially to the Director Maori.

It is proposed that service areas would report to the EIT Hawke's Bay Campus Managers.

During 2011 EIT would decide on the most effective organizational structure. This process is likely to begin around March of 2011 and any changes proposed would be fully consulted on at that time. The organizational structure should:

- Facilitate the integration of respective campuses and encourage the development of a shared organisational culture;
- Encourage staff to work together towards an agreed set of outcomes;
- Encourage academic collaboration and build on disciplinary synergies;

- Encourage dynamic interdependence and discourage siloed and parochial thinking;
- Encourage consistent quality standards and avoid duplication;
- Facilitate effective decision making.

Planning and Implementation

If the merger proceeds EIT will establish a project team and appoint a transition manager to oversee the transition process and focus on a range of work streams critical to a successful merger. As part of this transition process the following steps are likely.

2011

- Consult over and implement a new management structure.
- Integrate staff across all campuses and build a single organisational culture.
- Review and integrate systems and processes.
- Review all core services and consolidate as many back-room services as possible to EIT Hawke's Bay.
- Put in place all degree-level accreditations, programme development and transition agreements with other TEIs.
- Provide staff training to support blended delivery across campuses for programmes to be offered post merger. Commencing work on the merged academic portfolio.
- Prepare a capital development plan.

Long-term milestones

The project team has considered the long-term milestones that stakeholders could expect from the merged institution, if the merger proceeds.

By the end of 2013 stakeholders should expect:

- improved performance in the Education Performance Indicators
- increased ratio of higher level education provision
- a range of relevant degree programmes offered in Tairāwhiti
- governance that reflects the two regions being served
- a shared set of programmes across the two regions

- a shared culture across the institution
- a broader and deeper range of curriculum offered in Tairāwhiti
- operating surpluses and positive working capital
- increased tertiary education participation in Tairāwhiti
- a 10-year capital development plan for the merged institution
- a high level of regional acceptance from iwi and from the community
- a shared brand with regional identification
- improved capability and effectiveness of services
- improved critical mass in programmes and services across the institution
- target financial contribution margins achieved across the institution
- progress towards a single organisational culture that respects regional differences and identities
- positive staff morale and attitude
- relationships with universities, other ITPs and Wānanga that add value to both regions.

By the end of 2016 stakeholders should expect:

- continued financial and educational viability and sustainability
- substantial rationalisation and campus renewals underway in Tairāwhiti
- course and programme completions that are better than the ITP average
- high levels of satisfaction in both regions across all stakeholders.

Merger risks and mitigations

Although the proposed merger is between two willing parties who have already shown that they can work together, the challenges facing a successful implementation are not underestimated. Below are some of the risks to a successful outcome, and mitigations for each risk.

Transition costs compromise EIT's cash position

- Some risk to the cash position of EIT in short term due to transition costs.
- Mitigation: councils have applied to TEC for financial support and EFTS growth.

Enrolments do not meet expected levels

- Enrolments may not meet the expected levels, particularly in the first two years.
- Mitigation: quick decision on merger will provide certainty about future and give community and students confidence to enrol.

Loss of stakeholder support

- Continued stakeholder support is critical to the success of the merged institution.
- Mitigation: ensure merger arrangements support active engagement.

Loss of support from iwi in Tairāwhiti

- Significant governance and management changes challenge relationships.
- Mitigation: ensure merger arrangements support iwi Māori engagement.

Failure to develop a shared culture

- Difficulties in establishing and embedding a sense of shared vision and purpose.
- Geographic distance between major campuses in Gisborne and Taradale.
- Mitigation: use 2011 as a transition year to allow time to bed in culture and engagement.

Transition of students from articulated degrees to merged institution

- As articulated degree programme students are transitioned into EIT degrees they may become unsettled.
- Mitigation: carefully plan and communicate articulation and accreditation process to ensure a smooth transition for students.

A drop in performance of EIT Taradale

- Demands are likely to be greater on management based in Hawke's Bay.
- Mitigation: appoint dedicated expertise to manage implementation and provide support.

Background on the process to date

In 2009 the Tairāwhiti Polytechnic Council concluded that the institution would be unable to continue provision in the Tairāwhiti region in its current form and level beyond 2011, based on new funding parameters.

It was concerned that unless firm action was taken the polytechnic might have to close its doors and significant education opportunities would be lost to the Tairāwhiti community.

As the result of this assessment it initiated a process to identify options to ensure that essential tertiary education provision to the Tairāwhiti region was not lost.

The options that were tested are:

- status quo (Tairāwhiti Polytechnic to continue as an autonomous tertiary education institution, with further cost cutting in light of future funding levels)
- shutdown of Tairāwhiti Polytechnic
- merger of Tairāwhiti Polytechnic with another tertiary education institution
- merger of Tairāwhiti Polytechnic specifically with EIT.

Tairāwhiti Polytechnic's considerations

In considering the status quo, the Council of Tairāwhiti Polytechnic considered the potential for continued cost cutting to maintain the viability of the institution. The option of further cost cutting was considered to be unrealistic given the cuts and efficiency gains made over the previous three years (for example staff had already been reduced by 50%). The level of further savings required to return a minimum level of operating surplus beyond 2010 was not possible under the current independent operating model (or any realistic alternative model).

The second option considered by the Tairāwhiti Polytechnic project team was shutting down the polytechnic. This option was not recommended as the negative impacts were deemed to be too high, particularly compared to other more positive options such as merging.

The third option considered was to work with a preferred partner on closer collaboration and possible merger that would lead to sustained tertiary education provision to meet the needs of the region.

This resulted in the investigation of potential partners for Tairāwhiti Polytechnic to work with in achieving this outcome.

EIT's considerations

At that time, the Council of the Eastern Institute of Technology (EIT) saw the potential collaboration with Tairāwhiti Polytechnic as an opportunity to create a greater critical mass for the institution.

While EIT is in a sound position financially and educationally, and is rated as “low risk” by TEC, the direction of policy and funding shifts are such that achieving greater critical mass will be important for EIT to secure an ongoing, strong and viable future. Council and management also considered that the potential collaboration provides an opportunity to make a step change and accelerate development in a number of areas such as in organisational capability around blended learning.

Existing collaboration projects with Tairāwhiti, around human resources systems and timetabling have created sufficient scale to justify staffing levels to provide backup expertise for key staff at EIT. Historically this has been an area of risk for EIT given its medium size. These projects have demonstrated that efficiencies around those activities have been achievable, and that the experiences of working together are positive and constructive.

Furthermore and importantly, given the strategic synergies between the two neighbouring regions, the potential collaboration provides an opportunity to build more cohesive and comprehensive education provision to the East Coast communities of Hawke's Bay and Tairāwhiti. It will also create an increased richness in culture and diversity in both institutions.

EIT therefore expressed its interest in becoming a possible partner for Tairāwhiti Polytechnic.

The expressions of interest process

A long list of TEIs was invited to participate in a contestable process for expressing interest in working on partnership opportunities. Four TEIs expressed interest in entering into a formal process of working on partnership options. These were EIT, Te Wānanga o Aotearoa, Wintec and UCOL.

A working group from Tairāwhiti Polytechnic conducted due diligence on each organisation and assessed their capabilities and capacity for partnership.

The assessment of each of the TEIs included the level of educational capability and capacity to enhance the existing applied and vocational education to the region; the financial stability and strength of the TEI; and “fit” with Tairāwhiti Polytechnic and its stakeholders. The working party concluded that each organisation had the capability of successfully working with Tairāwhiti Polytechnic.

It was therefore clear that the key to choosing a successful partner organisation came down to “best fit”. This fit was assessed through face-to-face presentations made by the institutions to the Tairāwhiti Polytechnic Council, management team and stakeholders.

In making its decision on the preferred partner, the Tairāwhiti Polytechnic Council considered the approach that each institution would take in partnership.

Selecting EIT

EIT was selected as the preferred partner for Tairāwhiti Polytechnic for a number of reasons:

- It is an academically and financially robust tertiary education organisation.
- It offers a substantial portfolio of high level programmes that could be offered to the Tairāwhiti region, including a number of degrees.
- It was a near neighbour and was close in size, providing the potential for a relatively more even partnership.
- EIT expressed a desire to work in true partnership to create a new merged institution. This was more attractive to Tairāwhiti stakeholders than an assimilation model.

Since agreeing in principle to collaborate, a project team from the two institutions has worked together to consider different approaches.

This process has identified that a merger is the most likely mechanism to achieve sustainable vocational education provision in Tairāwhiti and greater critical mass in Hawke's Bay. The project team then looked at all aspects of merging including staff and structure, infrastructure, systems, and community engagement.