



7 December 2006

Tertiary Reforms Update

Dear Colleagues

As you know, the Tertiary Education Commission (TEC) has been leading work in a number of areas to do with the design and implementation of a new investment system for tertiary education.

The purpose of this letter is to update you on this work and inform you of recent Cabinet decisions to do with design of the investment system and changes to the way Tertiary Education Organisations (TEOs) are funded.

Design of the investment system

To re-cap, Cabinet agreed in July that each TEO would develop a plan that outlined the education and training it would provide over a three-year period, and how that education and training would meet the needs of stakeholders and reflected government priorities.

In November, Cabinet agreed on the set of requirements for the three-year plans, including the timeframes for the different types of TEO to move onto plans from 2007 onwards.

Cabinet also agreed to streamline the existing strategic documents – Tertiary Education Strategy (TES) and the Statement of Tertiary Education Priorities (STEP) – by merging them into a single document that outlines the government's priorities for tertiary education.

In addition, Cabinet agreed to replace the existing Charter and Profile planning documents with a single plan. That plan will encompass aspects of both the Charter and Profile. This shift will need to be supported by legislative change during 2007.

Both these changes will streamline the system and reduce the sector's compliance costs.

November's Cabinet decisions will enable the new investment system to operate in the following manner:

- The government will produce a single document that sets out the long term strategic direction of, and the short to medium term priorities for tertiary education
- The TEC will provide investment guidance to the sector

- Each TEO will respond with a plan, taking into account its stakeholders' needs. These plans will be negotiated, agreed and then funded by the TEC
- The TEC will monitor each TEO against the outcomes agreed in its plan

Prior to the legislation changes taking effect, introduction of the new system will be managed using existing legislation. The TEC will continue to work through the implications of these changes with the sector and stakeholders, and prepare for transition to the new environment.

Changes to funding to support the new tertiary investment system

Cabinet has made a series of decisions relating to how TEOs will be funded. These include determining mechanisms to support the delivery of plans and enable funding to be tailored to suit the different roles and circumstances of TEOs, thus ensuring quality and relevant provision is delivered within the network of provision.

To re-cap, Cabinet agreed in July that the Student Component Fund would be redesigned, and that two new components will be established: the Student Achievement Component and the TEO Component. Cabinet also agreed that these changes would take effect from 1 January 2008.

In November, Cabinet agreed in principle what the proportions of the two components would be, as well as how some existing funds could be integrated into the new TEO Component. Please note that the final decisions will be made in March 2007, after further consultation has taken place with the sector.

Cabinet agreed in principle that for universities, Institutes of Technology and Polytechnics (ITPs), and Wānanga the funding proportions will be 70% for the Student Achievement Component and 30% for the TEO Component.

Depending on individual TEIs' circumstances, however, particular TEIs could receive greater or less than 30% of their funding through the TEO Component.

In addition, Cabinet confirmed that the majority of Private Training Establishments' (PTEs') would be funded through the Student Achievement Component, although Cabinet has yet to consider the composition of TEO Component funding for ITOs.

Introduction of Plans

To re-cap, Cabinet agreed in July that all TEOs would move onto Plans, but asked for more work to be done on how the transition from Profiles would occur.

Cabinet has now agreed that all TEOs will move onto Plans. The nature and scale of these Plans will depend on the type of organisation and its circumstances.

The initial focus will be on moving Tertiary Education Institutes (TEIs), Industry Training Organisations (ITOs), some Other Tertiary Education Providers (OTEPs) and larger private providers onto Plans by the end of 2007. The TEC will consult on arrangements for other providers.

For non-Student Component Funded providers, current funding arrangements will continue.

Where to next

The three papers upon which Cabinet based its decisions will be published on the TEC website - www.tec.govt.nz I encourage you to read the papers and associated Cabinet minutes as they will give you a good understanding of where current thinking is at.

Further Cabinet decisions will be made in December on the Government's strategic direction document (the combined TES and STEP), the distinctive contributions of Wānanga and PTEs, and on quality assurance and monitoring. In March 2007, Cabinet will make further decisions relating to funding and other matters.

The TEC will continue to provide you with opportunities to keep up-to-date on current thinking and provide input.

If at any time you have questions or comments, please send them to the tertiary reforms email address – tertiaryreforms@tec.govt.nz

TEC structure review

I will write to you within the next week updating you on progress with the review of the TEC's structure.

Yours sincerely



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