

## Tertiary Education Report: Draft Cabinet paper on supporting the rebuild of Lincoln University's science facilities and reallocation of funding to Tai Poutini Polytechnic

|                        |                   |                              |            |
|------------------------|-------------------|------------------------------|------------|
| <b>Date:</b>           | 19 September 2019 | <b>TEC priority:</b>         | Medium     |
| <b>Security level:</b> | In Confidence     | <b>Report no:</b>            | B-19-01211 |
|                        |                   | <b>Minister's office No:</b> |            |

| ACTION SOUGHT                                     |  |                        |
|---|--|------------------------|
|   | Action sought  | Deadline               |
| <b>Hon Chris Hipkins</b><br>Minister of Education | <p><b>note</b> that we have drafted a Cabinet paper on providing Crown capital support of up to \$80 million to Lincoln University to help rebuild its science facilities for you to consult with your Ministerial colleagues on; and</p> <p><b>agree</b> to seek Cabinet's agreement to reallocate the remaining \$5 million of capital funding in "Support for Lincoln University" to "Support for Tai Poutini Polytechnic" to ensure it remains viable in 2020.</p> | As soon as practicable |
| <b>Enclosure:</b> Yes                             | <b>Round Robin:</b> No   |                        |

| CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED) |                                   |                 |             |
|--|-----------------------------------|-----------------|-------------|
| Name   | Position                          | Telephone       | 1st contact |
| Section 9(2)(a)                                | Principal Advisor                 | Section 9(2)(a) | ✓           |
| Gillian Dudgeon                                | Deputy Chief Executive – Delivery |                 |             |

| THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT |   |
|--|---|
| <input type="checkbox"/> CERA                            | <input type="checkbox"/> DPMC           |
| <input type="checkbox"/> ENZ                             | <input type="checkbox"/> ERO            |
| <input type="checkbox"/> MBIE                            | <input checked="" type="checkbox"/> MoE |
| <input type="checkbox"/> MFAT                            | <input type="checkbox"/> MPP            |
| <input type="checkbox"/> MSD                             | <input type="checkbox"/> NZQA           |
| <input type="checkbox"/> NZTE                            | <input checked="" type="checkbox"/> TEC |
| <input type="checkbox"/> TPK                             | <input type="checkbox"/> Treasury       |

**Minister's Office to Complete:**

|   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

**Comments:**

## Recommendations

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**Hon Chris Hipkins**, Minister of Education

*It is recommended that you:*

1. **note** that we have drafted a Cabinet paper for you to consult with your Ministerial colleagues on regarding providing Crown capital support of up to \$80 million to Lincoln University to help rebuild its science facilities, following your recent consideration of Lincoln's *Moving Forward* Programme Business Case (B-19-01065 refers);
2. **agree** to seek Cabinet's agreement to reallocate the remaining \$5 million of capital funding in "Support for Lincoln University" to "Support for Tai Poutini Polytechnic" to ensure it remains viable in 2020; and

**AGREED / NOT AGREED**

3. **agree** that the Tertiary Education Commission releases this paper proactively once the Cabinet decision is made.

**AGREED / NOT AGREED**



**Gillian Dudgeon**

Deputy Chief Executive – Delivery

Tertiary Education Commission

19 September 2019

**Hon Chris Hipkins**

Minister of Education

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## Purpose

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1. The purpose of this briefing is to provide you with a draft Cabinet paper:
  - confirming up to \$80 million in Crown capital funding to support the rebuild of Lincoln University's (Lincoln's) science facilities; and
  - recommending you seek Cabinet's agreement to reallocate the remaining \$5 million of capital funding initially appropriated for the rebuild of Lincoln's science facilities to support Tai Poutini Polytechnic's (TPP's) viability in 2020.

## Supporting the rebuild of Lincoln's science facilities

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2. You recently agreed to support Lincoln's Programme Business Case, *Moving Forward*, and provide a Crown capital contribution of up to \$80 million to support the rebuild of Lincoln's science facilities (B-19-01065 refers). The Minister of Finance also agreed to an \$80 million capital funding envelope. You requested that we draft a Cabinet paper to give effect to this decision.
3. We have attached a draft Cabinet paper which seeks Cabinet's agreement to reduce and re-phase capital funding from \$85 million over three years to \$80 million over five years to support the rebuild of Lincoln's science facilities.

## Reallocating funding to support Tai Poutini Polytechnic

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4. Given your decision to reduce the Crown's capital investment from \$85 million to \$80 million, you asked for options from officials for reprioritising the balance. We note that, since the funding was appropriated as capital expenditure, it is not available to invest as operating expenditure.
5. The Ministry of Education and the Tertiary Education Commission (TEC) consider that the best option is to reprioritise this funding to support TPP to remain viable in 2020. The Treasury recommends returning the funding to the centre.
6. As previously signalled, the most recent capital injection of \$2.25 million which was paid to TPP in August 2019, only ensures TPP can meet its operating commitments until the end of 2019 (B-19-00882 refers). The latest cashflow forecasts we have from TPP suggest that it will start entering cash flow issues almost immediately in 2020. To ensure TPP can remain viable over 2020, **S 9(2)(g)(i)**
7. Therefore, as part of the Lincoln Cabinet paper, we recommend that you seek Cabinet's agreement to reallocate the \$5 million from "Support for Lincoln University" to "Support for Tai Poutini Polytechnic" for this purpose. We also recommend seeking delegated authority for the Minister of Finance and yourself to authorise the payment(s). Before payment is made, we want to obtain greater certainty on TPP's cash flow forecasts, the level of Crown support required, and the proposed timing and transition plans relating to TPP transferring into the New Zealand Institute of Skills and Technology. We currently have PwC undertaking an external review of TPP's financials, cash flow forecasts and the level of Crown support required.
8. We would likely seek Ministerial decisions on payment of the Crown support to TPP later in 2019.
9. We also note that you have received advice on potential interventions to support at-risk Institutes of Technology and Polytechnics (ITPs) [METIS 1204468 refers].

## **Next steps**

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10. The draft paper can be used to consult with your Ministerial colleagues, and we will update the paper in consultation with your Office as needed. We can provide you with talking points for Cabinet if required.
11. We have consulted with the Ministry of Education, the Ministry of Primary Industries, the Ministry for Business, Innovation and Employment and the Treasury on the draft Cabinet paper, and their comments have been incorporated. The Department of Prime Minister and Cabinet (Policy Advisory Group) have also been consulted.