



## Event backgrounder: Ministerial visit to Unitec Institute of Technology on Tuesday, 3 September 2019

<b>To:</b>	Hon Chris Hipkins, Minister of Education
<b>From:</b>	Manager Delivery and Projects, Delivery Directorate
<b>Date:</b>	2 September 2019
<b>Reference:</b>	E-19-01158

### Purpose

1. You are scheduled to visit Unitec Institute of Technology (Unitec) on Tuesday 3 September 2019 from 3.00pm – 4.00pm.
2. You will meet with Murray Strong, Unitec Commissioner; and Merran Davis, Interim Chief Executive. Other attendees at the meeting will be Glenn McKay, Te Tumu and Executive Director, Student Success; David Glover, Executive Director, Partnerships and Student Recruitment; Mary Johnston, Executive Director, People and Infrastructure; and Lynnette Brown, Council Secretary.
3. General 2018 information about Unitec is attached as Appendix 1. This A3 summary sheet includes a short narrative; delivery enrolment, site and demographic data; financials; and educational performance indicator (EPI) information.
4. An overview of Unitec's current funding for 2019 is attached as Appendix 2.
5. On 23 July 2018, you appointed Murray Strong as Commissioner to act in place of the Council. In early July 2019 you extended this appointment (B-19-00861 refers). Biographies of the Unitec Commissioner, along with the Interim Chief Executive of Unitec, are attached as Appendix 3.
6. We recommend this event backgrounder is proactively released, with some information around current enrolments and Unitec's financial situation withheld.

### Current enrolments

7. s9(2)(ba)(i)  
[Redacted]
8. s9(2)(ba)(i)  
[Redacted]

### Unitec renewal plan

9. In mid-2018, Unitec developed a renewal plan to right-size the institution and re-engage with stakeholders. The renewal plan had four key areas of focus:

- To design a sustainable operating model and structure for a minimum of 6,000 EFTS for 2020 and beyond;
  - To realise overall cost savings of 20% across the organisation (\$25 million);
  - To engage effectively with its people and key stakeholders throughout the process; and
  - To enable Unitec to recover and grow in core areas of opportunity.
10. More recently, Unitec has developed key strategic priorities for 2019 – 2022 with a focus on the following:
- Building a financially sustainable organisation to invest in the future with an operating surplus by 2022;
  - Engaging and inspiring staff so they are proud to work at Unitec and are equipped with the capabilities to support quality learning;
  - Providing high quality learning, teaching and applied research to develop work-ready lifelong learners and return Unitec to a Category One External Evaluation and Review (EER) provider; and
  - Improving the success of all students, achieving parity for Māori, Pacific and Under 25s by 2022, enhancing International student success, and serving the educational needs of the West, Central & North Auckland communities.
  - Committing to provide what is needed in the West, Central and North Auckland communities and serving Auckland's future employment needs (maintain and expand Construction and Infrastructure, Health and Business, Professional Services in particular).

### **Staffing and restructuring**

11. Since 1 January 2018 Unitec has reduced staffing levels by approximately 200 FTEs. This reduction has been achieved through redundancies and, where possible, a conscious decision to not replace those leaving through natural attrition.
12. Despite these overall reductions, based on the development of its new Māori and Pacific Success Strategies Unitec has made a strategic decision to limit cost reduction in these priority areas and has made key staff appointments to support them.
13. Despite the changes, there has been a significant increase (from 2017) in all measures of its annual Staff Engagement Survey and interim Pulse Surveys. Recent results from August 2019 show a further increase. In addition, student satisfaction measures have also increased over this period. Throughout the past 18 months, Unitec's leadership have focused strongly on being completely open with staff and shifting the focus of Unitec to delivering for students and communities.
14. Ngā Tikanga Whakahaere, Unitec's new Code of Conduct developed by staff for staff, has been rolled out directly to 94% of all permanent and fixed term staff in workshop sessions with extremely positive feedback. Exceeding a 90% target for completion of individual performance plans has also been seen as another milestone in rebuilding staff trust and confidence and ensuring alignment with organisational goals.
15. Staff have been buoyed by the strong performance of Unitec in the 2018 Performance-Based Research Fund (PBRF) Quality Evaluation, with 124 of the 128 portfolios submitted achieving a fundable rating. This result saw Unitec top the ranking of the institutes of technology and polytechnics (ITPs) participating, and put them in ninth position overall in relation to all tertiary education organisations involved in the latest PBRF round.

## Financial matters

16. The Renewal Plan is currently on track with cost savings of around \$15 million achieved in 2018 and a further \$15 million budgeted for 2019 (and on track to be achieved). Over this period, Unitec's academic portfolio has been rationalised by around 15%.
17. Despite meeting its financial targets, Unitec remains in a poor financial position. Unitec reported a \$29 million deficit in 2018 s9(2)(g)(i) & s9(2)(ba)(i)  
[REDACTED]  
[REDACTED]  
[REDACTED] It has complied with the terms and conditions of the loan agreement, including meeting all reporting requirements. Unitec is generally meeting, or is on track to meet, the performance targets agreed with the TEC.
18. We have recently agreed the Crown loan repayment conditions and approach with Unitec as required by the loan agreement. As part of its Renewal Plan, Unitec also finalised its property strategy in early 2019, which is Unitec's strategy for disposing of property assets and the key contributor to Unitec's ability to repay the Crown loan.

s9(2)(a)  
[REDACTED]

Manager, Delivery and Projects  
Delivery Directorate  
Tertiary Education Commission  
2 September 2019

**Hon Chris Hipkins**

Minister of Education

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## Appendix 1: Key facts – Unitec

### TEI PROFILE: **Unitec Institute of Technology**

Commissioner: Murray Strong Chief Executive: Merran Davis

**Key narrative:** Unitec Institute of Technology (Unitec) is a category 3 EER provider and the largest polytechnic in the ITP sector. Major provision is in architecture and building subjects, engineering and related technologies, management and commerce and health subjects. Unitec also partners with MindLab to develop digital capability and collaborative teaching methods for teachers to use in the classroom.

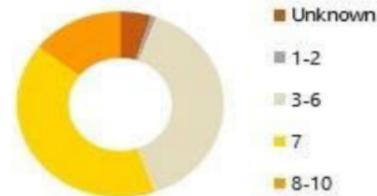


Delivery sites	
Town/city	All EFTS (2018)
Auckland City	6,361
Waitakere City	769
Other sites	767
<b>Total</b>	<b>7,897</b>

#### Top five qualifications by enrolment

Qualification	All EFTS (2018)
Postgraduate Certificate in Applied Practice	551
NZ Diploma in Construction	303
Bachelor of Construction	298
Bachelor of Architectural Studies	289
Bachelor of Computing Systems	312

#### Delivery by NZQF level (all EFTS) for 2018



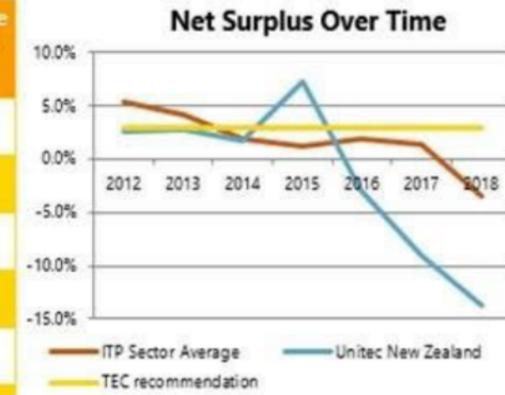
#### Recent delivery data and demographics

	2016	2017	2018
All EFTS	9,100	8,442	7,897
All learners	17,701	17,018	16,883
% Māori learners	11.0%	11.3%	12.1%
% Pasifika learners	12.3%	12.7%	13.4%
% learners 25 and over	55.5%	58.0%	59.9%
International full-fee delivery:			
EFTS	2,045	1,989	1,617
As % of all EFTS	22.5%	23.6%	20.5%

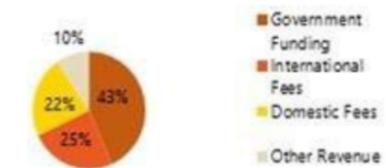
### Financial commentary:

Unitec posted a group deficit of \$29.1 million (-23.4%). This is similar to its 2017 result (deficit of \$30.7 million). [redacted] and currently has a Commissioner in place. Net operating cash flows is negative (\$19.4 million).

Unitec New Zealand	2015 Audited (\$000)	2016 Audited (\$000)	2017 Audited (\$000)	2018 Audited (\$000)	Change 2017-2018
Total Income	154,317	141,000	130,603	124,173	↓
Total Government Funding	69,342	62,259	55,500	53,886	↓
Total International Income	33,308	34,111	34,992	30,494	↓
Total Domestic Fees and Charges	35,099	31,232	27,881	27,758	↓
Net surplus before unusual items	11,169	-4,079	-11,862	-17,092	↓
Net surplus (before unusual items) ratio	7.2%	-2.9%	-9.1%	(13.8%)	↓
Net surplus after unusual items	3,038	-24,400	-24,483	-29,059	↓
Net surplus (after unusual items) ratio	2.0%	-17.3%	-18.7%	(23.4%)	↑
Total Liquid assets	14,582	1,941	535	14,225	↑
Total Debt including Finance Leases	3,079	43,398	-	25,944	↑



#### 2018 Revenue Sources



### Educational Performance (Cohort EPIs)



#### Unitec – Māori and Pasifika EPI rates benchmarked against non-Māori/non-Pasifika, 2018

Non-Māori and non-Pasifika	Māori	Pasifika									
85.1%	72.4%	69.6%	57.2%	46.4%	43.3%	30.3%	36.0%	37.9%	75.6%	62.0%	56.0%

#### ITP sector – Māori and Pasifika EPI rates benchmarked against non-Māori/non-Pasifika, 2018

Non-Māori and non-Pasifika	Māori	Pasifika									
84.1%	71.5%	72.2%	53.9%	49.2%	48.4%	32.4%	35.9%	38.7%	65.0%	56.2%	58.7%



Data reviewed: 21 June 2019

**Appendix 2: Unitec’s funding for 2019**

Final allocation	Amendments	Current approved allocation
\$61,272,294	\$0	\$61,272,294

**Allocations by fund: 2019**

Fund	Indicative allocation	Final allocation	Amendments	Current approved allocation
<b>Totals</b>	<b>\$68,305,269</b>	<b>\$61,272,294</b>	<b>\$0</b>	<b>\$61,272,294</b>
ACE in TEIs	\$486,640	\$486,640	\$0	\$486,640
Engineering Education to Employment	\$0	\$67,440	\$0	\$67,440
Equity Funding	\$0	\$424,598	\$0	\$424,598
ESOL - Refugee English Fund	\$337,246	\$337,246	\$0	\$337,246
Fees-free Payments	\$6,124,000	\$6,124,000	\$0	\$6,124,000
MPTT (Brokerage)	\$0	\$110,400	\$0	\$110,400
MPTT Fees Top-Up	\$0	\$540,000	\$0	\$540,000
Performance Based Research Fund	\$3,571,704	\$3,571,704	\$0	\$3,571,704
Student Achievement Component Levels 1 and 2	\$560,757	\$504,400	\$0	\$504,400
Student Achievement Component Levels 1 and 2 (Non-compet)	\$74,060	\$74,060	\$0	\$74,060
Student Achievement Component Levels 3 and above	\$56,755,115	\$48,670,995	\$0	\$48,670,995
Youth Guarantee	\$395,747	\$360,810	\$0	\$360,810

Data sourced on 30/08/19 from Qlik App “My Allocations and Payments” – Summary Base sheet (Allocation year: 2019; TEO: 6004 – Unitec New Zealand).

## Appendix 3: Biographies

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### Commissioner: Murray Strong



Murray Strong was appointed as Unitec's Commissioner on 23 July 2018, to act in place of Unitec's Council. He has also recently been announced as the Executive Director of the New Zealand Institute of Skills & Technology Establishment Unit as part of the wider Reform of Vocational Education (RoVE).

Murray is an independent Chair and professional director, and a Chartered member of the Institute of Directors of New Zealand. He has a long-term involvement with the TEC and the ITP sector and is also the Crown Manager for Tai Poutini Polytechnic.

He holds governance and advisory roles in both the public and private sector including the New Zealand Qualifications Authority, Canterbury Earthquake Recovery Authority, the Ministry of Education and the TSB Trust, as well as being actively involved in the Christchurch rebuild. Murray has held a variety of Crown appointed senior roles over the last 15 years, including Crown Commissioner, and has worked in governance and senior management roles across the education, aviation, professional services, tourism, and sport sectors.

### Interim Chief Executive: Merran Davis



Merran Davis was appointed Interim Chief Executive in June 2018. She continues her role as Executive Dean, with oversight of Unitec's academic quality, delivery, and capability development. Her current contract ends in December 2019.

Merran has a diverse academic and industry background including public and private sector experience in teaching, research, physiotherapy, executive management, complex stakeholder collaboration, technology commercialisation, consulting and governance.

She is a former dean at Wintec, a role she resigned from in 2014.