

Event backgrounder: Information to support your meeting with Murray Strong, Chair, Te Pūkenga Council and Stephen Town, Chief Executive, Te Pūkenga, on 24 June 2021

To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive, Delivery Directorate
Date:	18 June 2021
Reference:	E-21-00287

Purpose

1. You are meeting with Murray Strong, Chair, Te Pūkenga Council, Stephen Town, Chief Executive, Te Pūkenga, and Marina Matthews, Chief Advisor to the Chief Executive, Te Pūkenga, on Thursday, 24 June 2021, from 3.30pm – 4.15 pm.
2. Te Pūkenga has provided the following agenda:
 - Transitional Industry Training Organisation (TITO) Transitions, including Competenz, welcome on Monday 2 August 2021 in Auckland
 - Operating model update:
 - i. eight service concepts
 - ii. feedback from 'Kōtui Kōrero – a conversation with Te Pūkenga
 - Second Quarterly Report, and other reporting
 - Subsidiary Board evaluations
 - Other matters
3. This backgrounder provides you with a brief summary of Te Pūkenga and information to support the discussion, including: 2021 enrolment data; the development of Te Pūkenga's operating model; progress on the transfer of arranging training activity from transitional ITOs to Te Pūkenga; and questions you might like to ask. Biographies of key attendees are attached as appendix A.
4. We recently provided our quarterly monitoring report on Te Pūkenga for the March 2021 Quarter (AM-21-00324 refers). This provides our latest comprehensive assessment of how Te Pūkenga is performing.
5. We recommend that this event backgrounder is proactively released with information withheld that is commercially sensitive and to maintain the effective conduct of public affairs through the provision of free and frank advice.

Most Te Pūkenga subsidiaries are reporting growth in domestic EFTS

6. Te Pūkenga’s 2021 Current Approved Allocation is \$653 million. This includes \$40.8 million of funding from the Targeted Training and Apprenticeship Fund (TTAF).¹ Te Pūkenga is funded to deliver approximately 55,950 equivalent full-time students (EFTS) in 2021.²
7. Te Pūkenga EFTS rose by 6.8 percent (3,135 EFTS) between the April 2020 and April 2021 Single Data Return (SDR). This was driven by a 19.2 percent increase (6,946 EFTS) in SAC and Youth Guarantee (YG) funded EFTS, which was partially offset by a 57.2 percent decline (4,100 EFTS) in full-fee international EFTS.
8. The TEC has recently provided an additional \$33 million in SAC funding to Te Pūkenga in response to the increased demand. Te Pūkenga will decide how it wishes to allocate this funding across its subsidiaries.
9. In addition to allocation of the \$33 million, Te Pūkenga can enrol students up to 103 percent of its funding allocation through utilising the flexible funding mechanism. Te Pūkenga is expecting to use all of the 3 percent flexible funding and has signalled that it may seek further additional funding later in the year. We have put a process in place for all providers which are seeking additional funding from the TEC.
10. Te Pūkenga will need to ensure that strong systems and processes are in place to support the increased number of learners to succeed, while also implementing its transformation programme and embedding its new operating model.

Financial performance

11. 9(2)(ba)(i)
[Redacted]
12. 9(2)(ba)(i)
[Redacted]
13. 9(2)(ba)(i)
[Redacted]
14. 9(2)(g)(i)
[Redacted]

¹ Note the quantum will increase as TITOs transition into Te Pūkenga from early August 2021 onwards.

² Data sourced from QI k as at 17 June 2021, My Commitments App, using the Summary sheet with filters for reporting year (2021), TEO type (Institute of Technology or Polytechnic).

Work on Te Pūkenga’s operating model is progressing

15. Te Pūkenga, together with Ernst & Young and Ernst & Young (Tahi), began working on its new operating model in November 2020. The operating model will cover all aspects of how Te Pūkenga operates and interacts with learners and stakeholders, including how it will give effect to its Charter.
16. The operating model is being developed using a co-design process. A co-design group has been formed which includes learners, employers, and thought leaders. Māori and priority learner group representation comprises 50 percent of the group. This group will play a core role in testing and deciding the direction of the operating model work. The co-design process has been designed to move beyond collaboration to power-sharing, meaning that decisions on design will be made between Te Pūkenga and its Te Tiriti partners.

Consultation on high-level service design concepts will take place over June/July 2021

17. Te Pūkenga has recently developed draft service concepts – which are new or different services that could transform the experience of employers and outcomes for learners currently underserved in the system. This will feed into the high-level conceptual design of the operating model, which was due to be completed and signed off by Council at the beginning of June 2021. Te Pūkenga are currently undertaking stakeholder engagement on the high-level conceptual design as part of a wider engagement roadshow. You may wish to ask what stakeholder reaction has been to these roadshows.

Challenging timelines and interdependencies between deliverables

18. A draft of the full operating model is due to be completed at the beginning of September, which will be consulted on before being finalised over November and December 2021. The operating model design does not include detailed organisational design, organisational structure, roles and responsibilities, or a strategy/business plan.
19. Te Pūkenga had originally planned to develop a new organisational strategy based off the operating model by the end of the year. However, it has now brought this timetable forward and expects to have a draft strategy completed by the end of June 2021. You may wish to ask how the organisational strategy is interlinked with the development of the operating model, as well as the implementation timeline for the operating model.

20. 9(2)(ba)(i)

[REDACTED]

Four TITOs are due to transfer arranging training to Te Pūkenga in 2021

21. Four TITOs are seeking to transfer their arranging training function into Te Pūkenga in 2021. Te Pūkenga has agreed term sheets with three TITOs - Competenz, Connexis and BCITO. Subject to TEC Board approval of the transition plans, these TITOs will transition the large majority of their arranging training activity into Te Pūkenga between August and October 2021. Collectively they hold 45 percent of the 2021 TEC allocation to TITOs for trainees and apprentices. Further work is being undertaken with MITO, with a target transition date of 31 December 2021.

22. The Kompetenz and Connexis transitions plans were approved by the TEC Board at their 17 June meeting.
23. The arrangements between the three early mover TITOs and Te Pūkenga will essentially result in the 'lift and shift' of arranging training capability and systems from the TITO into Te Pūkenga's Work-Based Learning subsidiary (B-21-00074 refers). Each TITO will be a separate business unit of Work-Based Learning.
24. 9(2)(g)(i)

An MOU has been signed between Te Pūkenga and Te Wānanga o Aotearoa

25. In early May 2021, Te Pūkenga and Te Wānanga o Aotearoa (TWOA) signed a Memorandum of Understanding to work together to deliver vocational education. This could potentially mean any arranging training functions transferred from TITOs to Te Pūkenga be delivered by the two organisations together or transferred to TWOA to deliver at a later date. You may wish to ask how this relationship is progressing.

The remaining TITOs will submit their final transitional plans to TEC in September 2021

26. The remaining TITOs are required to submit their final transitional plans to the TEC by the end of September 2021 for approval. These may include a proposed transition to Te Pūkenga, a PTE or wānanga. Service IQ and the Skills Organisation have signed partnership agreements with Te Pūkenga which outline (at a high level) how the TITOs will work collaboratively with Te Pūkenga to plan their transition pathway.³

The capital asset strategy work stream is progressing well

27. An interim capital asset management strategy, focussed on the next one to three years, is currently being finalised. This is expected to identify a list of high-priority short-term projects by the end of July 2021. These projects will be prioritised based on three criteria – compliance issues (e.g. seismic or legislative), network optimisation (taking a network view of existing assets and expected future demand), and collaboration (prioritising investment based on the use of partner facilities to deliver outcomes for learners).
28. The interim strategy also identified two projects to implement in the short-term to lift asset management capability. This included an investment governance framework to guide future capital investments and a portfolio seismic strategy to provide consistent, network-wide policies.

³ These TITOs are due to deliver draft transition plans to TEC by the end of June 2021, which will provide TEC with more information on TITO intentions regarding the destination and timeframes for transitioning arranging training.

29. 9(2)(g)(i) [REDACTED]

TEC has identified several risks to Te Pūkenga’s work programme

30. It is clear that activity has ramped up over 2021 and that change is occurring across a number of areas. Progress is being made on the transition of arranging training functions from the early mover TITOs while work on the operating model is progressing and early concepts are about to be consulted on. There are also early signs of increased collaboration occurring across the network. This is all occurring while Te Pūkenga continues to manage a significant increase in enrolments this year.

31. 9(2)(g)(i) [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

32. We have engaged with Te Pūkenga on the above issues and senior management have noted that plans are in place to address them. However, you may wish to ask Te Pūkenga how these issues are being addressed.

Questions you may wish to ask

33. We have drafted a number of questions you may wish to raise at the meeting:

Capability and governance

- Are you confident you have sufficient capacity and capability to deliver both business-as-usual and the transformation? Are you leveraging off the sector enough? In which areas does capability/capacity need to be lifted?

- Are you confident as to how Te Pūkengā’s work programme is being delivered and governed? Are there areas where improvements are needed?
- How is the Council performing? I understand Council will be undertaking a self-review at some stage – do you have a timeline for this?
- I note that there remains three empty seats on the Council for the elected representatives of staff, students and Māori. It is important that these groups have a voice as part of the decision-making process. When does Te Pūkengā expect to fill the remaining vacant seats on the Council?

9(2)(g)(i)

- [REDACTED]
- How are you ensuring the nine work streams of your work programme are being brought together as part of a wider, integrated work plan?

Development of the operating model and programme business case

- 9(2)(g)(i) [REDACTED]
- What will the programme business case be seeking from the Government?
- 9(2)(g)(i) [REDACTED]

Network collaboration

- How are you ensuring greater collaboration across the current network? How are you beginning to drive a change in the culture across subsidiaries?
- Do you believe that the subsidiaries are supportive of Te Pūkengā’s vision and are clear on the changes that will occur over the next 18 months?
- How have the roadshows across the country gone? How are stakeholders responding to the service concepts for the operating model?

The transfer of arranging training

- How have the negotiations with Competenz, Connexis and BCITO gone?
- Are you confident that the transitions will occur smoothly?
- 9(2)(g)(i) [REDACTED]

Educational and financial performance

- What actions are you taking to improve the overall financial performance of the current network?
- Will financial sustainability be a key consideration of the new operating model?
- How is the network handling the significant increase in domestic enrolments? In what areas are you seeing the strongest growth?



Gillian Dudgeon

DCE, Delivery Directorate,
Tertiary Education Commission

22 June 2021

Hon Chris Hipkins

Minister of Education

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Appendix B: Biographies of key attendees

Chair – Te Pūkenga: Murray Strong



Murray Strong is an independent Director and Chair, and a member of the Institute of Directors in New Zealand. He has governance and senior management experience across many sectors including tertiary education.

He was the Institute of Skills and Technology (IST) Establishment Unit Executive Director, and was closely involved with all workstreams, key stakeholders, and direction setting therein.

He is also the chair of the Centre of Digital Excellence in Dunedin.

Chief Executive – Te Pūkenga: Stephen Town



Stephen Town has held executive positions for over 20 years in tertiary education, local government, and transport. He is a former Chief Executive of the Auckland City Council.

Previous roles include leading the Franklin District and Tauranga City Councils, and being the Regional Director of the NZTA in Northland/Auckland.

His first Chief Executive role was at Wanganui Regional Community Polytechnic in 1994, making him the youngest CE in New Zealand at the time.

Chief Advisor to the Chief Executive – Te Pūkenga: Marina Matthews



Marina Matthews was appointed Chief Advisor to the Chief Executive, Te Pūkenga in June 2021. She has nearly 20 years' experience providing legal and public policy advice. Her areas of expertise include: education statutory, regulatory and funding requirements for early childhood, schooling and tertiary education sectors; Māori medium education requirements; and public policy frameworks and machinery of government processes.

Previous roles include Special Counsel for public law firm Chen and Palmer, CEO of Superdiversity Institute, and eight years working at the Tertiary Education Commission – during which time she was tertiary education advisor to several Education Ministers.