

University of Canterbury Futures Governance Oversight Group: Report to Ministers from the Chair

To:	Hon Chris Hipkins, Minister of Education
From:	Garry Wilson, Chair of the UC Futures Governance Oversight Group
Date:	19 March 2018
Title:	Report to Ministers from the March 2018 Governance Oversight Group Meeting

Purpose

1. This report summarises recent progress on the University of Canterbury's (UC's) Futures Programme following the UC Governance Oversight Group (GOG) meeting held on 2 March 2018. The report takes account of the UC quarterly monitoring report, papers received for the March meeting, and developments since that date.

Background

2. The GOG's terms of reference in the Funding Agreement between the Crown and UC set out that the GOG is required to meet four times each year and to report to Ministers following those meetings. You were last briefed on 19 December 2017, following the November meeting (B/17/00796 refers).

Enrolments – UC report another large increase for 2018

3. Preliminary enrolment data as at the end of February shows domestic enrolments at UC are up by 6% compared to a year ago while full-fee international enrolments are up by 24%. Total new-to-UC enrolments are up by 15% compared to a year ago. The growth in enrolments is across all areas with an increase recorded in all of UC's five colleges – the first time this has occurred since the earthquakes. There has also been an increase in both Māori and Pasifika enrolments.
4. A key driver of the growth has been due to more local school-leavers choosing to remain in Christchurch, although there has also been an increase in students coming to UC from other regions. Another key factor driving the increase has been the development of new qualifications that meet student demand. The Bachelor of Product Design, being offered for the first time in 2018, has more than 130 enrolments while the Bachelor of Criminal Justice, introduced in 2014, has also shown continued growth.
5. There is currently no direct evidence of whether the fees-free policy has had an effect on enrolments. However, UC will undertake a survey later in the year on why students chose to enrol at UC, which may provide some information on the impact of fees-free.
6. The strong growth in overall enrolments follows a 5% increase in each of 2016 and 2017. With another large increase in new-to-UC enrolments, it is a positive sign for future enrolment growth and signals UC is tracking well to recovering enrolments to pre-earthquake levels. Although we do not have finalised semester one enrolment numbers, I understand that UC has recorded the strongest growth rates for both domestic and international enrolments across the university sector.

UC Futures Programme Milestones

7. The UC quarterly monitoring report is attached and summarises progress across the UC Futures Programme for the December 2017 quarter.
8. On the whole, the UC Futures Programme is progressing well. Since the last meeting, UC has completed the engineering precinct as well as its main science building – the Ernest Rutherford building. Both were completed in time for teaching in semester one with the Prime Minister opening the Ernest Rutherford building on 15 February. The completion of these two complex projects is a major achievement for the University. They were the two biggest projects of its rebuild programme and will considerably help with UC's continued enrolment recovery.

The Canterbury Engineering the Future project (CETF) has now been completed

9. The \$163 million CETF project comprised a major modernisation and renewal of all engineering facilities. This was substantially a "brown fields" development which included a rebuild or refurbishment of all four wings damaged in the earthquakes. It also included the construction of a collaborative space located at the centre of the engineering precinct, known as the Core.
10. Tranche One of the CETF project was completed at the beginning of 2017. This included the opening of the chemical and process engineering wing, the electrical and computer engineering wing as well as the engineering Core area.
11. Tranche Two of the CETF project, which covered the construction of the mechanical and civil engineering wings, has recently been completed resulting in the full engineering precinct being ready for the start of the 2018 academic year.
12. Despite delays and various issues with the CETF project over its life, UC has worked hard to mitigate any negative impacts and the planned benefits of the project continue to be achieved. Enrolments in the College of Engineering have risen strongly over the past four years, and have increased again in 2018.

Rutherford Regional Science and Innovation Centre (RRSIC) – Stage One is operational, Stage Two is due to be completed in mid-2019

13. The RRSIC is a new build, multi-disciplinary innovative science research and teaching facility that will replace the earthquake-damaged old Rutherford and Von Haast buildings. The \$220 million project will provide 25,000 square metres of new accommodation for the College of Science across two buildings.
14. The main building, the Ernest Rutherford building, includes specialist teaching and research laboratories and was completed in time for teaching in semester one, 2018. It represents around 85% of the project cost.
15. Stage Two of the project has recently commenced, and involves the demolition of the existing Von Haast building before the construction of a multi-storey timber-framed building on the same site, which will be known as the Beatrice Tinsley building. Stage Two will hold office and study space as well as the College Office. This functionality supports Stage One which is largely research and teaching laboratories and the two buildings are linked via bridges.
16. The demolition of the Von Haast building has fallen under new legislation, which essentially does not allow for any presence of asbestos to be detected during demolition. As a result, the contractor (Dominion Constructors Ltd) has had to develop a new methodology for the asbestos removal and disposal. This has resulted in an additional cost of around \$2.3 million and a delay of around 15 weeks to the programme. UC will absorb this cost within its long-term capital plan.

17. The only remaining major risk for this project, both in terms of time and cost, is around finding the foundations are less fit-for-purpose than investigations to date would suggest following the demolition of Von Haast. I will keep you updated on this risk as the project progresses.

Rehua building project – continues to experience delays

18. The \$78 million Rehua building project involves a major strengthening and rebuild of the former Commerce building to accommodate the College of Education and a section of the College of Business and Law.
19. The Rehua project has experienced a series of repeated delays after issues developed during 2017. Section 9(2)(b)(ii) and 9(2)(g)(i)
[REDACTED]
As a result, the project did not meet its scheduled completion date of November 2017.
20. The contractor's latest estimate for practical completion is June 2018. Section 9(2)(b)(ii) and 9(2)(g)(i)
[REDACTED]
21. UC is working to mitigate the impact of the delays on the College of Education, Health and Human Development, which will simply stay in its current location. The College has experienced a significant increase in enrolments this year adding pressure to interim space use. This will be compounded by the upcoming loss of the Dovedale village in the middle of the year when its lease ends. Section 9(2)(b)(ii) and 9(2)(g)(i)
[REDACTED]
22. At the recent GOG meeting, UC outlined the wide range of actions it has taken to attempt to ensure the building was completed on time. The GOG is comfortable that UC is putting significant effort into resolving the delays. It agreed that UC has used its best endeavours to meet the funding agreement milestone of being ready for semester one, 2018, even though this milestone has been missed. Section 9(2)(j)
[REDACTED]
23. Despite the delays, the key benefits of the project are still being achieved with enrolments up in both of the two colleges impacted. Section 9(2)(j)
[REDACTED]

UC's recovery – what has been achieved and what remains

24. UC has made considerable progress over recent years as it recovers from the 2010 and 2011 earthquakes. Three-quarters of its buildings have now been remediated, while major projects such as CETF, the Structural Engineering Laboratory and Stage One of the RRSIC project have been completed. Combined, these projects have cost around \$350 million.
25. After declining between 2011 and 2015, enrolments began to recover in 2016 and have now increased strongly for three consecutive years. Growth in full-fee international students has been particularly robust, and UC exceeded pre-earthquake levels last year – a major achievement for the University. Good progress has also been made on the introduction of an institution-wide graduate profile, with more than three-quarters of undergraduate programmes having been reviewed, revised and updated to increase their relevance and appeal to students.

26. While UC has made good progress, a number of key elements remain for UC to complete its recovery. These include:
- Decommissioning the Dovedale and Kirkwood temporary villages, which were set up following the earthquakes for temporary accommodation (due to occur in mid-2018);
 - Completion of the Rehua building project (due to be completed later in 2018);
 - All undergraduate programmes reviewed as part of the introduction of the institution-wide graduate profile (due to be completed by the end of 2018);
 - Remediation of the Locke and Logie buildings (Arts precinct) (due to be completed in early 2019);
 - The rebuild of the new UC Students' Association building (due to be completed in early 2019);
 - Completion of RRSIC Stage Two (due to be completed in mid-2019);
 - The return to an operating surplus (forecast to occur in 2019); and
 - The recovery of student numbers to pre-earthquake levels (forecast to occur in 2020).
27. By 2019, UC will have completed all of its rebuild projects and, based on current performance, are on track to complete a full financial and enrolment recovery by 2020.
28. The final \$50 million of the Crown's \$260 million contribution to UC's recovery is also due in 2018/19 while the SAC recovery exemption, which has been in place since the earthquakes, will finish at the end of 2018. UC will then be funded as per any other tertiary education institution.

Key risks

29. The following outlines the key risks related to the UC Futures Programme:
- Domestic and international EFTS growth being lower than forecast. UC noted that it is closely watching any potential changes to immigration settings which may impact the international student market;
 - Not having enough money to remediate all of the larger buildings and also maintain adequate BAU investments. The likelihood of this risk is reducing as the major projects come to an end; and
 - Risk of further delays to the Rehua building project.
30. From my point of view, the GOG appears to be working well with UC providing high quality information and actively raising any issues regarding the UC Futures Programme.

Search for a new Vice-Chancellor

31. Dr Rod Carr announced late last year that he would not seek re-appointment as the Vice-Chancellor of UC when his contract ended in February 2019. Dr Carr has been UC's Vice-Chancellor since 2009.

32. UC began an international search for a high quality candidate to replace Dr Carr at the end of last year and are hopeful of announcing an appointment in April/May. The GOG has been well briefed on this process as it has developed.

The GOG's future focus

33. The next GOG meeting will be held in May 2018. At this meeting, the GOG will receive an update on finalised semester one enrolments and UC's updated financial position. The GOG will also receive an update on the Rehua building project and the updated forecast completion date. I will update you following the meeting.



Garry Wilson

Chair, UC Futures Governance Oversight Group

19 March 2018