

TR19.9950

Tertiary Education
Commission
Te Amorangi Mātauranga Matua



Aide-Memoire: Meeting with the Chancellor and Vice-Chancellor of the University of Canterbury

To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive – Delivery Directorate, Tertiary Education Commission
Date:	28 January 2019
Reference:	AM-19-00063

Purpose

1. The purpose of this aide-memoire is to provide you with information to support your meeting with the new University of Canterbury (UC) Chancellor Sue McCormack, and Vice-Chancellor Professor Cheryl de la Rey at the Ara Manawa Campus on 31 January 2019. Biographies are provided in Appendix 1.
2. We recommend pro-actively releasing this aide-memoire following your meeting with sections relating to the UC/Lincoln University partnership proposal withheld, given it is still under active consideration.

The purpose of this meeting is to 'meet and greet' Professor Cheryl de la Rey

3. In September 2017, Dr Rodd Carr announced that he would step down when his contract as Vice-Chancellor ceased at the end of January 2019. Dr Carr's expertise in business, finance and risk has been invaluable in leading UC through its successful earthquake recovery programme. This included an extensive rebuilding together with initiatives to grow student numbers and expand the academic and research capabilities of the institution.
4. In June 2018, UC announced that Professor Cheryl de la Rey would take over as the new Vice-Chancellor in February 2019. She has extensive experience having been Vice-Chancellor and Principal of the University of Pretoria and deputy Vice-Chancellor of the University of Cape Town.
5. Professor de la Rey has also developed a reputation for opening university pathways to priority and less-able learners. This fits well with UC's plans to improve outcomes for its Māori and Pasifika learners.
6. You will meet Professor de la Rey together with Sue McCormack, who took over as Chancellor when Dr John Wood stepped down from the role at the end of 2018. It is noted that this is the first time in UC's history that the institution will be led by two women.
7. Ms McCormack has been UC's Pro-Chancellor since 2013 and a member of the UC Council since 2009. She also chaired the Vice-Chancellor Employment Committee and led the search and appointment process for Professor Cheryl de la Rey.

Background information about UC

UC's recovery from the earthquakes continues to progress well

8. UC has made considerable progress over the past five years as it recovers from the effects of the 2010 and 2011 Canterbury earthquakes. The large majority of its buildings have now been remediated with major projects such as Canterbury Engineering the Future (CETF), the Structural Engineering Laboratory and Stage One of the Rutherford Regional Science and Innovation Centre (RRSIC) completed and operational. The Rehua building project has recently opened for the 2019 academic year. The Governance Oversight Group Chair provided an update to you on UC's Futures Programme and its wider recovery on 21 December 2018 (B-18-00969).
9. UC will have completed all of its major rebuild projects by mid-2019 and is on track to complete a full financial and enrolment recovery by 2020. The final \$50 million of the Crown's \$260 million capital contribution to UC's recovery from the earthquakes was paid in October 2018 (B-18-00629 refers).

Enrolments continue to grow strongly

10. Total equivalent full-time student (EFTS) at UC rose by 7% in 2018. This was driven by domestic EFTS growth of 6%, while full-fee international EFTS rose by 20%. These are by far the strongest growth rates recorded across the university sector in 2018.
11. Over the past three years total enrolments have risen by between 5% and 7% per annum at UC. Given the strong growth in enrolments over recent years, combined with a 14% increase in new-to-UC enrolments in 2018, UC is expected to continue to report strong growth in coming years.
12. Early indications for 2019 enrolments suggest that UC will record another strong increase in EFTS with applications-to-enrol up by more than 20% compared to a year ago. The increase has been in both domestic and international students.

UC/Lincoln partnership proposal

13. UC and Lincoln submitted a partnership proposal to you on 21 December 2018. The TEC provided you with some initial advice on the proposal in late 2018 (AM-18-00968 refers).
14. Instead of a full merger, Lincoln and UC have proposed a partnership structure. The key elements of the proposed partnership are:
 - to create a new entity with a single governance structure, i.e. one Council;
 - one Vice-Chancellor and senior management team;
 - a single balance sheet and profit and loss statements;
 - combined back-office and student support services;
 - ability for collaborative teaching and course cross-crediting;
 - retention of the Lincoln brand, identity and culture; and
 - a collaborative research programme between UC, Lincoln, Crown Research Institutes (CRIs) and other partners.
15. This 'federated' model is common internationally with partner universities recognised as separate institutions for academic and degree-granting purposes, but sharing governance, management and administration functions.

16. The proposal requests Crown support for the partnership of between \$124 million and \$161 million. The biggest contributor to this figure is the \$79 million to \$116 million requested to upgrade and refurbish Lincoln's buildings and infrastructure to bring them up to a higher building standard and to modernise them. As noted previously, we do not believe that a full upgrade to all of Lincoln's facilities will be needed. They also do not appear to have taken into account any new facilities associated with the Joint Facility project, in whatever form it takes, nor has a much-needed facilities or space utilisation review been undertaken.
17. On the surface, the partnership proposal meets most of the objectives that you set out in your 21 August 2018 letter to UC and Lincoln, albeit to varying degrees. The partnership could deliver a number of benefits including increased industry-focussed research, cost savings through combining administrative and back-end services and strengthening the academic standing of each institution through leveraging their respective strengths and relationships.
18. However, we believe not all of the benefits of integration have been explored, and the costs of the proposed partnership are extremely high. The proposed benefits of the partnership and the associated high level of cost needs to be assessed against the potential of these benefits not occurring and the risks to the Crown of Lincoln remaining a standalone institution.
19. A full merger was not considered in any detail in the proposal. **Section 9(2)(g)(i)** **Section 9(2)(g)(i)** we have been advised that Lincoln was not prepared to consider this as a serious option. Lincoln's concerns were that any merger would have simply resulted in a 'takeover' by UC. However, a merger would effectively result in the same situation as the pre-1990 arrangements. Before then, Lincoln was a college of UC but it had a separate identity, culture and brand.

Questions you may wish to ask

20. Although the meeting is primarily to meet the new Vice-Chancellor, it also gives you the opportunity to signal your intentions around the future of tertiary education in New Zealand. With that in mind you may wish to ask:

Improving outcomes for Māori and Pasifika

- What plans does Professor de la Rey have to meet with local iwi and other stakeholders to discuss their expectations of UC, and how they can better meet the needs of Māori and Pasifika learners?
- Does Professor de la Rey have any learnings from her time in South Africa that could be applied to improving learner success for New Zealand's priority groups?

Continuing UC's strong enrolment growth

- Whether Professor de la Rey and Ms McCormack have any thoughts around how UC can continue its strong enrolment growth in an environment of overall declining EFTS, and if so how?
- Given the strong growth in enrolments, does UC have challenges in ensuring there is sufficient student accommodation, and teaching facilities for new students?

Research and development

- What does Professor de la Rey see as UC's research strengths and whether she has given thought to expanding these, e.g. through facilitating relationships with her former institution?

Progressing the partnership with Lincoln University

- Has Professor de la Rey reviewed the partnership proposal and does she have any thoughts on the proposal?
- Do Professor de la Rey and Ms McCormack have any thoughts on why the proposed partnership will deliver better outcomes than a traditional merger?
- The costs associated with the proposal are extremely high, especially related to upgrading and refurbishing the entire Lincoln campus – are you sure the benefits outweigh the costs?

NTL

Section 9(2)(a)

Manager, University Investment
Tertiary Education Commission

28 January 2019



Hon Chris Hipkins
Minister of Education

31 / 1 / 19

Appendix 1 – Biographies

Ms Susan McCormack – Chancellor, UC



Ms. Susan McCormack (Sue) BA, LLB, is a Senior Partner at Mortlock McCormack Law of Christchurch. Ms. McCormack serves as Chancellor of University of Canterbury.

A UC alumna, Ms McCormack has been UC's Pro-Chancellor since 2013 and a member of the UC Council since 2009. She also chaired the Vice-Chancellor Employment Committee and led the search and appointment process for Professor Cheryl de la Rey.

Sue is an experienced company director and has sat on a number of public and private boards. She has been a Director of KiwiRail Holdings Limited since May 2017. She serves as a Director of Eye to Eye Training Ltd., Excure Ltd., Seaview Investments Ltd., Palazzi Ltd. and the New Zealand Symphony Orchestra. She also served as a Director of Public Trust from May 2010 to April 2016 and has served as a Director of Lyttelton Port Company Limited since October 1999.

She is the Chair of Clown Doctors New Zealand, a Trustee of St Margaret's Board of Trustees and Honorary Solicitor of Dress for Success. She is a Member of the Institute of Directors and has been practicing law for 20 years.

Professor Cheryl de la Rey (incoming Vice-Chancellor, UC)



Professor de la Rey has served as Vice-Chancellor and Principal of the University of Pretoria, South Africa's largest university, since November 2009. After working her way up the academic ranks within South Africa's university sector, she took up her first executive position when she became executive director at the National Research Foundation. Thereafter she was appointed as Deputy Vice-Chancellor at the University of Cape Town. Prior to her current position, she was the CEO of the Council on Higher Education. In total she has eighteen years' experience as an executive in higher education in South Africa. She has a reputation for visionary, strategic thinking, accompanied by strong management ability.

Professor de la Rey is an accomplished public speaker, has a strong record of managing stakeholder relations successfully and she has a considerable international reputation. She has served on a number of national and international committees and boards. She has served as vice-chairperson of the Council of the Association of Commonwealth Universities (ACU) and she was

the founding co-chairperson of the Australia-Africa Universities Network (AAUN) and the South Africa-Japan Universities Forum. She is currently a member of the executive board of the International Council for Science (ICSU), the University Social Responsibility Network (USRN) and vice-chairperson of the Talloires Network, an international association of institutions committed to strengthening the civic roles and social responsibilities of higher education.

She has published books and several journal articles in her discipline, Psychology.

Professor De la Rey is registered as a psychologist by the Health Professions Council of South Africa, is a fellow of the Psychological Association of South Africa, a fellow of the Royal Society of South Africa and of the Academy of Science of South Africa.



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Key facts about the University of Canterbury (Canterbury)

Canterbury is a generally well-performing university, and has maintained its educational and research performance despite the considerable impact of the 2010 and 2011 earthquakes. Its key strengths in provision include engineering, science, law, and education.

2018 Total Equivalent Full-Time Students (EFTS) = 12,898

2018 Total Student Achievement Component (SAC) EFTS = 11,390

	2014 actual	2015 actual	2016 actual	2017 actual	2018 provisional	2018 provisional to 2014	2018 provisional to 2017	2018 provisional to 2014	2018 provisional to 2017
Undergraduate SAC EFTS	63.0%	62.0%	60.9%	60.7%	62.1%	74.5%	-12.4%	12.4%	
Postgraduate SAC EFTS	37.0%	38.0%	39.1%	39.3%	37.9%	25.5%			
Total SAC EFTS	11,031	10,893	11,247	11,549	11,390				
International full-fee paying EFTS	6.3%	7.4%	8.9%	10.4%	11.7%	-0.8%			
Total EFTS	11,800	11,813	12,398	12,995	12,898				

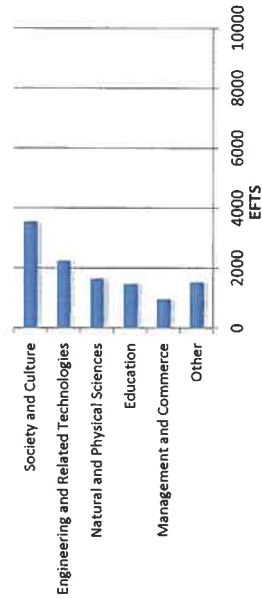
• Total EFTS have increased by an average of 6% pa over the past 3 years. Overall EFTS are up by 7% in 2018 due to a 5% increase in domestic EFTS and a 20% increase in full-fee international EFTS.

• The increase is the largest across the university sector and contrasts with a fall in domestic EFTS for the university sector as a whole. While it is encouraging to see enrolment growth, EFTS fell by 23% between 2010 and 2015 as a result of the earthquakes.

• It has the highest proportion of P/G to U/G EFTS in the university sector.

Priority group	2014 actual	2015 actual	2016 actual	2017 actual	2018 provisional	2018 provisional to 2014	2018 provisional to 2017	2018 provisional to 2014	2018 provisional to 2017
Māori (Level 4+)	7.4%	7.9%	8.4%	8.8%	9.4%	2.0%	-2.0%		
Pasifika (Level 4+)	2.6%	2.8%	3.0%	3.2%	3.2%	0.6%	-5.2%		
Under 25 (Level 4+)	76.8%	76.9%	77.4%	77.2%	79.8%	3.1%	3.2%		

EFTS delivery in top 5 subjects by Standard Classification of Education (NZSCED) broad field (2018)



• UC has a proportionately higher share of SAC delivery in Engineering, Education and in Society and Culture compared to the sector average in those fields.

Educational Performance

Measure	2015 actual	2016 actual	2017 actual	2017 actual to 2015 actual	2017 actual to 2015 actual	2017 actual to 2015 actual
All students	86.9%	86.8%	87.0%	86.6%	0.1%	0.4%
Course completion	60%	66%	66%	66%	6.0%	0.0%
Qualification completion (cohort)	76%	77%	77%	78%	1.0%	-1.0%
First-year retention (cohort)	80.7%	80.0%	80.9%	81.2%	0.1%	-0.4%
Māori students (Level 4+)	70.0%	68.7%	69.9%	71.5%	-0.1%	-1.7%
Pasifika students (Level 4+)						
Course completion						

• UC has generally retained its good educational performance compared to pre-earthquake levels and has seen strong improvements in qualification completion and retention measures.

• In 2017, course completion EPIS for all students was slightly above the sector average. However, UC remains below average on Māori and Pasifika course completion.

• UC's cohort qualification completion and the first-year retention figure are both slightly below the sub-sector average.

Research Performance

• Ranked fourth in the 2012 Performance-Based Research Fund (PBRF) Quality Evaluation with an Average Quality Score (AQS(N)) score of 4.80. The highest AQS(N) score by a university was 5.51.

• UC's ranking has declined from second in 2003 and third in 2006, however its actual score has increased steadily over the same time.

• Ranked first or second in ten subject areas – a significant increase compared to only five subject areas in 2006. The ten subject areas were: accounting and finance; agriculture; communications; computer science; ecology; management; marketing and tourism; molecular biology; other health studies; and political science.

• There was very little difference between the distribution of Quality Categories to researchers when comparing those with and without a claim of the Canterbury earthquakes special circumstances overall.

• PBRF indicative funding for 2018 is \$30.1 million (10% of all PBRF funding).

Financial Performance

(\$ million)	2006	2014	2015	2016	2017	2006-2017 change (percentage point or %)
Total revenue	272.5	298.4	330.3	337.3	354.9	82.4
Total Government funding	133.4	154	158.5	163.8	164.8	31.4
Net surplus/deficit (after unusual items)	15.0	433.3	3.5	-1.8	5.3	-9.7
Net surplus/deficit as % of total revenue	5.5%	145.2%	1.1%	-0.5%	1.5%	-4.0%
Total assets	796.5	1325.2	1478.8	1574.5	1573.3	776.8
Net cashflow from operations	38.8	38.1	51.3	64.8	49.1	10.3
Cashflow from operations (%)	116.5%	114.6%	118.4%	122.9%	115.7%	-0.8%

Revenue source as a % of total revenue	2008	2017	2017 sector average
Government income (including PBRF)	49.0%	46.4%	40.3%
Domestic tuition fees	18.9%	19.1%	17.3%
International tuition fees	8.4%	9.7%	11.2%
Other	23.7%	24.8%	31.2%

Audited figures
Includes earthquake impacts and insurance settlement

Funding

(\$ million)	2010	2016	2017	2018	2010-2018 % change	2017-2018 % change
Total TEC funding allocation	144.2	158.4	161.8	164.4	14.0%	1.6%
SAC funding	111.6	124.8	126.5	127.5	14.2%	0.8%
PBRF funding	25.6	28.8	28.7	30.1	17.6%	4.9%

• The TEC has maintained SAC funding for UC at or above pre-quake levels from 2011 to 2018.

• UC is the second largest university provider (behind Auckland) of EFTS in qualifications that are in the category 'Priority Engineering.'

World Rankings

• UC has been regularly included in the Times Higher Education Supplement (THES), in 2018 achieving a ranking between 301-350. The 2018 Quacquarelli Symonds (QS) rankings remain steady at 214.

	2016	2017	2018	2017-2018 change
THES ranking	351-400	351-400	351-400	N/A
QS ranking	214	214	231	down 17

TEC-funded initiatives

• UC hosts one Centre for Research Excellence, Quake CoRE, which focusses on earthquake resilience.

• UC hosts the South Island ICT Graduate School in collaboration with the University of Otago, Lincoln University, Otago Polytechnic and Ara Institute of Canterbury.

Current Issues

• The Government approved Crown funding of up to \$260 million to support UC's rebuild programme. \$210 million has been paid so far with the remaining \$50 million to be paid later in 2018.

• The funding has enabled UC to rebuild and replace its damaged science and engineering facilities, including a new integrated regional science centre. The main science building and the engineering precinct opened in time for the 2018 academic year.

• UC's campus-wide redevelopment programme, costed at \$1.2 billion, will aim to have all of its facilities remediated over the next ten years with remaining work to be funded by the university and insurance pay-outs.

Key University and TEC personnel

- Chancellor: Ms Sue McCormack
- Vice-Chancellor: Professor Cheryl de la Rey

TEC Contacts

- University Team Manager: S9(2)(a)
- Investment Manager: S9(2)(a)

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