



Aide-Memoire: Te Pūkenga quarterly monitoring report – June 2021 Quarter

To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive – Delivery, Tertiary Education Commission
Date:	31 August 2021
Reference:	AM-21-00517

Purpose

1. This aide-memoire provides an assessment of Te Pūkenga’s performance following receipt of its quarterly report for the June 2021 quarter. It also takes into account information received since Te Pūkenga submitted its quarterly report at the end of July 2021 to provide the most up-to-date picture possible. Te Pūkenga’s full quarterly report is attached.

Executive Summary – Enrolments are up strongly but transformation progress is tracking toward ‘red’

2. We remain concerned that Te Pūkenga has still not delivered a detailed, integrated roadmap for its transformation programme – an issue we have raised in our previous two monitoring reports. Te Pūkenga note that the roadmap will be available in coming weeks. Nevertheless, this will be 18 months after its establishment, 9(2)(g)(i) [REDACTED]
3. 9(2)(g)(i) [REDACTED]
4. It is important that Te Pūkenga’s planning, reporting, and governance mechanisms are fit-for-purpose for such a complex transformation with a wide range of interdependencies. There is still a lack of clarity on who owns the overall transformation, bringing together all parts of the programme. Furthermore, the transformation governance structure has recently been amended and the scope is narrow, focussing only on the operating model and transition of arranging training. Given the scale of the work programme, we still consider that resourcing remains light. This is supported by Te Pūkenga being underspent by \$34 million against the funding provided by the Crown to implement its transition and transformation programme.
5. Te Pūkenga recently presented an update of its operating model to the Reform of Vocational Education (RoVE) Programme Board this month where significant concerns were raised by Board members. It is not clear from the information presented how Te Pūkenga plans to deliver an integrated model for work-based learning. 9(2)(g)(i) [REDACTED]

9(2)(g)(i)

From our conversations with transitional Industry Training Organisations (TITO) who are yet to commit to a transition date or approach, a lack of visibility of how Te Pūkenga will respond to employers and their trainees is a potential challenge for meeting the December 2022 deadline in a manageable way. Te Pūkenga notes that the slippage in the timetable for establishing Workforce Development Councils (WDC) has affected its work programme in this area.

Summary – RAG status

Key:

- Low risk
- Medium risk
- High risk – plan required to get back on track

- Improved since previous quarter
- Unchanged since previous reporting period
- Worsened since previous quarter

Work stream or focus area	Our assessment of where Te Pūkenga should be	Current assessment	Commentary
Operating model		↓	The high-level conceptual design of the new operating model was presented to the network in June 2021 with Te Pūkenga reporting that staff reaction was positive. A draft of the full operating model is due to be completed in mid-September 2021 and consulted on before being finalised in November. However, as previously reported, the operating model will not outline the detailed organisational design or structure that is usually associated with operating model design, nor will outline what it means for staff roles. A significant amount of work will be required to establish this detail and outline a comprehensive implementation plan. This will need to include analysis on the affordability and financial sustainability of the new operating model, which we have not yet seen. 9(2)(g)(i)
TITO Transitions		→	On 2 August, Competenz successfully transferred the majority of its arranging training into Te Pūkenga. Connexis is transitioning on 1 September 2021 with BCITO on 4 October 2021. MITO is finalising its plan to transition in January 2022. With the initial transition being a 'lift and shift', additional work is required on how work-based learning will integrate with the rest of the network and this appears to be lacking in the development of the operating model. Skills Org, Primary ITO, Careerforce and HITO are all indicating that they will not transition to Te Pūkenga until late 2022. This creates a significant risk for Te Pūkenga from a capability perspective to ensure the transfers occur before the end of 2022.
Capital asset strategy		→	The network assessment undertaken by Te Pūkenga has identified 68 high-priority projects. Further work is now being undertaken to prioritise and refine the scope of these projects, identify proposed solutions and the associated costs, and test those against the operating model and TITO requirements. Te Pūkenga is targeting that its high priority building strategy and investment requirements will be provided to officials in October 2021. 9(2)(f)(iv)
Māori partnerships and equity		→	Te Pūkenga has continued work on embedding Te Pae Tawhiti (its Tiriti Excellence Framework) into the network. Following self-reflective analysis being undertaken by subsidiaries using the framework, detailed action plans have been developed for each subsidiary and will be reported on regularly to Council. This framework is being used as a key part of Te Pūkenga's approach to developing its new operating model. An interim Māori advisory committee is being established over August 2021, from which an appointee will be chosen to join the Te Pūkenga Council.
Network collaboration		→	Increased collaboration between subsidiaries is becoming more evident and work is ongoing on ensuring consistency in approaches across the network. A key piece of work that has begun is moving providers to an existing single unifying programme over the next five years. Te Pūkenga note processes have been established to share documentation and resources across the network, and this is an area where subsidiaries are collaborating well. A range of work has also been undertaken to identify best practise across the network and where opportunities lie to improve delivery. The challenge is now for Te Pūkenga to translate this into new structures, practises, and approaches that lead to an improved learner and employer experience and better outcomes. Conversations are beginning to occur on how

			integration at some level can begin between the current Institutes of technology and polytechnics (ITP) subsidiary network and its Work-Based Learning subsidiary 9(2)(g)(i)
Financial performance		→	Based on information for the year to June 2021, Te Pūkenga is forecasting that revenue will be \$29.6 million higher than budget for the full 2021 year due to higher than expected domestic enrolments. 9(2)(b)(ii) Te Pūkenga implemented its group treasury strategy in June 2021 repaying all subsidiary bank debt and establishing its own \$125 million debt facility with Westpac. This will allow Te Pūkenga to support subsidiaries with cash flow issues as well as result in some minor interest cost savings. Te Pūkenga need to continue to focus on identifying and implementing actions that improve the financial performance of the network and move it towards a financially sustainable position.
Enrolments		→	Te Pūkenga total equivalent full-time students (EFTS) rose by 6.0 percent between August 2020 and August 2021. This was driven by a 15.3 percent increase in Student Achievement Component (SAC) and Youth Guarantee (YG) funded EFTS, partially offset by a 53.3 percent decline in full-fee international EFTS. The TEC provided an additional \$35 million in SAC funding to Te Pūkenga earlier in the year to respond to the increased demand, and a further \$17.9 million has been requested, which is currently being considered by the TEC. Te Pūkenga also expect to use all of the 3 percent flexible funding available to it.
Reporting		↓	Te Pūkenga has still not developed an integrated and detailed transformation roadmap. As such, while Te Pūkenga is currently undertaking significant activity, it remains difficult for the TEC to assess whether its overall work programme is on track and the activities planned in the short-term will achieve its medium and long-term targets. 9(2)(i) Following this work, overall reporting should improve. Over the June 2021 quarter, progress was made on improving risk reporting across the network but further work is needed in this area as well as improving overall financial reporting.
Management		→	9(2)(g)(i) Alongside the development of an integrated roadmap, Te Pūkenga needs to assess what capability is required at various levels of the organisation to deliver on the roadmap, and implement a plan to address any gaps. 9(2)(g)(i)
Governance		→	Te Pūkenga's first organisational strategy was recently completed and it is intended that this is updated every six months. With the wide range of activity being undertaken across the network and the transformation programme, the Council needs to continue to ensure it has enough bandwidth to consider strategic issues. Reporting on Te Pūkenga's transition and transformation programme still needs to improve, but this is ultimately dependent on a detailed, integrated roadmap being completed. An outstanding issue remains that staff, student and Māori representatives have yet to be appointed to Council. Te Pūkenga plan for learner, staff and Māori advisory committees to be operational over the next month, and a representative from each of these groups will be appointed to Council.

Overview of Te Pūkenga's quarterly report

Te Pūkenga's has assessed its work programme as medium-risk...

- Te Pūkenga has assessed its overall performance against its work programme as 'amber – some delay, medium risk' as at the June 2021 quarter. This is a downgrade from its March 2021 quarter assessment of 'green – as expected, low risk'.
- In total, Te Pūkenga assessed 9 of the 12 target areas as 'amber' in the June 2021 quarter with the remaining 3 areas assessed as 'green'. This compares to the March 2021 quarter where 3 target areas were assessed as 'amber' and 9 were assessed as 'green'. No overall

reason is provided for the worsening assessment. 9(2)(g)(i)

The report also notes delays to some activities across its broader work programme.

...and there continues to be a wide range of activity being undertaken...

8. Te Pūkenga's quarterly report outlines the considerable amount of work that is occurring across the network and by Te Pūkenga's head office. In particular, significant effort is being put in to the transition of arranging training functions from the early mover transitional Industry Training Organisations (TITOs) and work on the operating model is progressing. Te Pūkenga is also developing a rich evidence-base around both the learner and employer journey/experience, and identifying pockets of best practise across the network around equity and academic performance. This work will help Te Pūkenga to implement improved delivery and services across the network and inform the development of the operating model.

...however, it remains unclear on how this work fits into an overall plan...

9. It continues to be difficult to identify how the wide range of activities being undertaken by Te Pūkenga fit into an overall work programme and where underlying dependencies exist. While Te Pūkenga has recently developed an organisational strategy, we still have not seen a detailed, integrated roadmap that outlines what activities need to occur by when. As such, the targets that have been set and the activity that is being reported against those targets, do not provide assurance that Te Pūkenga's overall work programme is on track. Furthermore, without a roadmap it makes it difficult for both the TEC, and Te Pūkenga themselves, to easily identify issues and risks as they arise and implement mitigations as required.
10. As indicated in our last monitoring report (AM-21-00324 refers), we therefore cannot be confident that Te Pūkenga's current performance and planned activities are on track to meet the legislative requirements by 31 December 2022 (e.g. the cessation of subsidiaries and transition of all TITOs) and the medium and long-term desired benefits.

...with the development of a detailed and integrated roadmap considered urgent

11. Te Pūkenga is undertaking a massive network design and transformation with a wide range of interdependencies. From our point of view, the finalisation of a detailed, integrated roadmap is a critical activity that needs to occur. We have engaged with Te Pūkenga on this issue and it understands the importance of completing a roadmap. Senior management noted that they were taking their time on this work to ensure it is well thought through and is focussed on the right activities. In particular, it needs to be consistent with the work currently being launched on what activities need to occur by Te Pūkenga to implement its new operating model on 1 January 2023. Te Pūkenga noted that a refined version of a roadmap and a plan for 1 January 2023 will be workshopped by the Council in September and shared with officials next month.
12. Following this work, we consider Te Pūkenga will be able to better develop detailed targets for each of its work programmes through to 2023. This will improve reporting both to its Council and the TEC and should allow the quarterly report to provide more coherent commentary. It will also provide assurance that its overall work programme is on track and that Te Pūkenga's nine work streams are being worked on as part of a larger, integrated work plan with co-ordination between the work streams, rather than as individual projects.

Operating model and Programme Business Case

Te Pūkenga has consulted on the high-level conceptual design of its operating model...

13. Te Pūkenga's Council approved the high-level conceptual design of its new operating model at the beginning of June 2021. The high-level design and draft service concepts were presented to subsidiary staff and leadership over June 2021 as part of Te Pūkenga's wider

engagement roadshow – Kōtui korero. Te Pūkenga informed us that the feedback was largely positive with staff supporting the direction of the work. However, it was also noted that what was presented was high-level and it was somewhat difficult for staff to engage on the service concepts in isolation of other parts of the operating model.

14. We understand a draft of the full operating model is due to be considered by Council on 22 September 2021, before feedback is sought from the network and other stakeholders. Greater engagement is expected through this next round of consultation.

...but significant work still needs to occur on organisation design and implementation...

15. As we informed you last quarter, the operating model will not include detailed organisational design, organisational structure, roles and responsibilities, or a strategy/business plan. Additional work will need to be undertaken by Te Pūkenga to develop this detail and an implementation plan. Much of this work is planned to be undertaken over 2022 and it will require considerable resource. It is at this stage that we consider staff and stakeholders are most likely to engage on the detail of Te Pūkenga's new operating model. By the end of 2022, Te Pūkenga expect to have consolidated staffing systems, policies and procedures, and clarified confirmed staff roles across the network.
16. Throughout the process, Te Pūkenga has been focussed on undertaking a co-design approach to the development of the new operating model, especially ensuring strong Te Tiriti partnerships. While there are clear benefits to this approach, it does put pressure on the overall timelines. Te Pūkenga indicated in its quarterly report that timelines within which some parts of the operating model are delivered may change to ensure meaningful engagement with Te Tiriti partners can take place. Te Pūkenga will have to constantly manage these risks to ensure key deadlines are met.

...and it is important that the affordability of the new operating model is considered...

17. Te Pūkenga is being ambitious in the development of its new operating model in order to deliver on its Charter and the wider benefits being sought from the reforms. However, at this stage, we have not seen any work undertaken on the affordability and financial sustainability of the new operating model.
18. The absence of financial modelling on the cost of implementing and operating the proposed model suggests that informed trade-offs between optimal design and affordability are not being considered. It also increases the risk that implementing and running the proposed model will come at a considerable cost that cannot be funded. Te Pūkenga's ability to deliver on the new operating model will be dependent on the unified funding system, the extent it can deliver efficiencies across the network, and the level of any future Crown support provided.

...but there is a risk that the Programme Business Case is not delivered on time...

19. Te Pūkenga has committed to delivering a Programme Business Case (PBC) for its work programme to you in November 2021. The PBC requires Te Pūkenga to bring together all of the different projects and work streams and outline how its work programme will be managed and governed and deliver the proposed benefits. It will also need to show the indicative costs to deliver its work programme, how it will be funded, and what business cases will be prepared for consideration by Ministers in future.
20. 9(2)(g)(i) [REDACTED] We have not seen any draft material to date, and the development of the PBC is heavily reliant on the operating model work stream progressing as planned. Te Pūkenga note that the strategic case for the PBC has been drafted. However, a wide range of other work is required to outline the preferred way forward and its affordability and achievability. An Independent Quality Assurance (IQA) assessment also needs to be built into the timeline which requires a solid draft of the entire PBC to be completed by the end of September 2021. To be submitted to you by November, a sustained increase in effort will be needed.

21. We have requested that Te Pūkenga develops a detailed timeline of the PBC process from now through to Ministerial submission, so that all parties are clear if the process is off track. Te Pūkenga has committed to developing a timeline and providing it to us in the near future. We will update you on these timelines once we have received them.

...with Te Pūkenga deciding to bring the development of the PBC in house...

22. 9(2)(g)(i) [REDACTED] As part of its contract with EY for the development of the operating model, EY was also contracted to draft the PBC and the Information Systems Strategic Plan.
23. In response to the departure of the EY business case lead, Te Pūkenga has decided to draft the PBC itself and has brought in-house more experienced resource to do this. This includes engaging a financial modeller to help develop the financial projections for the PBC. This will be a difficult task given the transition of arranging training activities into Te Pūkenga and the currently unknown cost and impacts of the new operating model. Any financial projections will have a wide range of uncertainty around them. As such, Te Pūkenga has been clear that it will not be in a position to assess all of the indicative costs and affordability of its work programme. We have offered to organise workshops between officials and Te Pūkenga on specific parts of the PBC to assist with its development.

...and Te Pūkenga is still deciding on whether the PBC will seek further Crown funding...

24. Te Pūkenga's Council is still considering whether the PBC will simply seek endorsement from you on the preferred way forward or whether it will seek additional operating funding to continue to advance its transition and transformation programme at the desired pace and develop future business cases. Given that up to \$121 million in Crown funding has already been committed to Te Pūkenga for its transition and transformation, it is unlikely that officials would support additional operating funding being provided to fund the transition and transformation programme. We believe any consideration of future Crown funding should be tied to specific deliverables (e.g. to support the implementation of a capital asset strategy).

...while work continues on identifying high-priority projects for capital investment

25. As you are aware, there is a significant amount of deferred maintenance and urgent capital needs across the current institutes of technology and polytechnic (ITP) subsidiaries. A total of 68 high-priority projects have been identified by Te Pūkenga through its capital asset management work stream. Te Pūkenga is currently undertaking further work to prioritise and refine the scope of these projects, identify the proposed solutions, and test those against the operating model and TITO requirements. It is also establishing the quantum of funding required to advance these projects. Te Pūkenga is taking a 'least regrets' approach to remediation with work planned to be undertaken on buildings with a higher level of certainty of ongoing utility within the network.
26. Te Pūkenga is targeting that its high priority building strategy and investment requirements will be provided to officials in October 2021, 9(2)(f)(iv) [REDACTED] A project business case will then be submitted to Ministers in early 2022 with more rigorous analysis on the projects and formally seeking Crown funding. The quantum of funding to be sought is unknown as well as how Te Pūkenga plans on using the ring-fenced cash reserves that exist across the network.
27. As part of its capital asset management work stream, Te Pūkenga has recently implemented an interim investment governance framework to guide future capital investments and a seismic strategy and policy to provide consistent, network-wide policies.

Transition of arranging training

The first TITO has transferred arranging training into Te Pūkenga...

28. On 2 August, Competenz transferred the majority of its arranging training into Te Pūkenga (with arranging training for the retail meat sector going into Skills4Work). This transfer was a significant milestone for Te Pūkenga and its Work-Based Learning (WBL) subsidiary and a seamless transition occurred. The TEC Board has also approved transition plans for Connexis and BCITO, which are due to transition into Te Pūkenga on 1 September 2021 and 4 October 2021 respectively. MITO is planning for a transition into Te Pūkenga in January 2022. In total, these four transfers account for around 40 percent of all industry trainees and apprentices. Te Pūkenga is putting a significant amount of effort into this work stream.
29. These four transfers essentially result in the 'lift and shift' of arranging training capability and systems from the TITO into WBL. This approach minimises transition risks, but there remains an ongoing challenge around when, and how, there will be integration of WBL with the rest of the Te Pūkenga network. The initial focus of WBL will be on creating synergies across their individual business units. Te Pūkenga expect the operating model, and the subsequent design of its organisational structure, to provide the blueprint of how the integrated model will occur. There will be considerable work required to plan and implement how WBL and the former ITP subsidiaries begin to operate as a single network of provision.
30. 9(2)(g)(i) [REDACTED]

...but a number of other TITOs are not planning to transition until the end of 2022...

31. Primary ITO has indicated it will be transferring into Te Pūkenga on 4 October 2022. However, Skills Org, Careerforce and HITO are all indicating that any transition to Te Pūkenga may not be until November 2022. This creates a significant risk for Te Pūkenga from a capability perspective to ensure the transfers occur before the end of 2022 as per the Education and Training Act 2020. It also creates a disruption risk around the implementation of its new operating model. The TEC and Te Pūkenga are working with these TITOs to manage this risk and identify options to support a more phased transition.
32. 9(2)(b)(ii), (i) & (j) [REDACTED]
33. 9(2)(b)(ii), (i) & (j) [REDACTED]

...and Toby Beaglehole has been named as Chief Executive of WBL

34. On 12 August, Te Pūkenga announced that Toby Beaglehole had been appointed Chief Executive of WBL. Toby was most recently the Chief Executive of BCITO and brings sector experience and a knowledge of the intent of the reforms to the role. He will take up the

role on 4 October 2021, when BCITO transitions into Te Pūkenga. This significantly bolsters Te Pūkenga’s WBL capability. John Brockies, who sits on Te Pūkenga’s Council, will Chair WBL’s Board with Maryann Geddes and Murray Strong the other Council members on the Board. As TITOs transition arranging training into WBL, each will have representation on the Board.

Network integration and collaboration

Progress continues to be made on integrating the ITP subsidiaries...

35. Work is ongoing on integrating the 16 subsidiaries and ensuring consistency across the network. This includes standardising approaches (e.g. to risk management), implementing common academic regulations, and a plan to begin moving to a single programme for delivery across the network. Te Pūkenga is also looking to establish account management structures to simplify engagement for employers.
36. Through our ongoing engagement with subsidiaries we are hearing that there is increased collaboration and knowledge sharing between subsidiaries. There is an ongoing challenge to ensure that increased collaboration becomes embedded in subsidiaries and the culture change from competition to collaboration begins to occur. This includes with the WBL subsidiary. The more this work can progress, the more it will help with the implementation of the new operating model.

...with work progressing on unifying programmes...

37. As advised last quarter, Te Pūkenga has begun planning to simplify its current portfolio so that there is one programme per qualification that supports a seamless transition for learners across a range of contexts, regions and delivery modes. The first phase of this process will focus on moving all providers to an existing single unifying programme. A collaborative redevelopment approach will then be undertaken when the next qualification review is triggered. Te Pūkenga anticipate it will take at least five years to simplify the portfolio for learners, industry, and employers. This is a key piece of work, and once completed, it will significantly reduce the complexity that exists across the system.
38. It should be noted that the unification of some programmes is already occurring where considerable consistency currently exists (e.g. accounting) while processes have been established for sharing documentation and resources between subsidiaries. Te Pūkenga note that this is an area where collaboration is really starting to increase across the network. A key priority for Te Pūkenga is to develop unifying nursing degree programmes across the network, with some of these programmes planned to commence in 2023. However, this work is based on provider-based delivery and thought will need to be given to how the unification of programmes integrates work-based learning.

...and a significant amount of work has been undertaken to inform future operations...

39. There are a number of areas where Te Pūkenga notes it has identified best practise across the network (e.g. innovative delivery practices, data analytics, initiatives that can improve equity). A wide range of work has also been undertaken to establish a strong evidence-base for future operations. This includes the Te Pae Tawhiti reports, the learner and staff personas, the learner journey maps, and the Te Rito reports which have identified opportunities to enhance success for Pacific, Māori and disabled learners. A significant amount of resource and effort has gone into the development of these reports.
40. The challenge for Te Pūkenga is to now translate this research and ‘best practise’ into new structures, practises, and approaches that lead to an improved learner and employer experience and better outcomes, while also remaining affordable. Te Pūkenga note that the learner and staff personas will underpin the design of its Ako Teaching and Learning Directions Framework as well as assisting it to identify what student services are needed to meet learner needs. This work will also feed in to the design of the future operating model.

...while Te Pūkenga has begun assessing what services can be centralised

- 41. Over the June 2021 quarter, Te Pūkenga progressed a review of its communications and marketing function to identify the current state across subsidiaries and Te Pūkenga’s future needs. We understand there are also plans to undertake reviews of other functions. This work has the potential to ensure better consistency across the network and improve effectiveness as well as drive efficiencies. We consider this needs to remain a priority work stream, and will be an important input into the development of Te Pūkenga’s new organisational structure. However, it needs to occur within a wider, integrated programme of work and be informed by an overall vision, rather than only a ‘bottom-up’ approach.

EFTS and financial performance

Te Pūkenga is seeking further funding to respond to the increase in domestic demand...

- 42. Te Pūkenga equivalent full-time student (EFTS) rose by 6.0 percent (3,618 EFTS) between the August 2020 and 2021 Single Data Returns (SDRs). This was driven by a 15.3 percent increase (7,340 EFTS) increase in Student Achievement Component (SAC) and Youth Guarantee (YG) funded EFTS, which was partially offset by a 53.3 percent decline (4,634 EFTS) in full-fee international EFTS.
- 43. In response to the increase in demand, the TEC provided an additional \$35 million in SAC funding to Te Pūkenga earlier in 2021. Te Pūkenga has recently requested a further \$17.9 million in SAC funding. If approved, this would result in Te Pūkenga’s 2021 funding allocation increasing from an initial \$463.3 million to \$516.2 million. Furthermore, Te Pūkenga is forecasting it will deliver 103 percent of its updated 2021 funding allocation which will result in an additional \$15.4 million in flexible funding being paid. We will consider Te Pūkenga’s request for additional funding once we have further analysed results from the August SDR.
- 44. As part of its additional funding request, Te Pūkenga has moderated what was initially requested internally by subsidiaries to ensure additional funding is focussed on priority areas and where it improves equity for Māori and Pacific learners.

...with financial performance ahead of budget...

- 45. As at the end of June 2021, revenue was \$27.5 million higher than budget due to higher than forecast domestic enrolments. Expenditure was \$22.8 million below budget due to lower personnel and operating costs. Te Pūkenga’s year to June 2021 results show a net deficit of \$16.7 million versus a budgeted deficit of \$67.0 million – a \$50.3 million improvement.

- 46. 9(2)(b)(ii), (i) & (j)
[Redacted]

- 47. 9(2)(b)(ii), (i) & (j)
[Redacted]

...although there is significant underspend of the Crown funding provided to Te Pūkenga...

- 48. The Te Pūkenga parent remains significantly underspent against the Crown funding provided to implement its transition and transformation programme. Of the \$46.7 million in Crown

56. Alongside the urgent need for an integrated roadmap, we are keen to understand from Te Pūkenga what it considers its staffing requirements are to deliver on that roadmap. This should include an assessment of where it lacks capability and a plan to address these gaps.

9(2)(g)(i)

Te Pūkenga notes that it has recently appointed a number of tier three managers which should help address resourcing issues.

57. 9(2)(g)(i)

...while staff engagement remains stable...

58. Te Pūkenga reported that its second network staff survey was completed in May 2021. Participation in the survey fell slightly from 53 percent to 51 percent. The overall change management score remained steady at 51 percent. While acknowledging the significant disruption occurring across the network, we would hope that Te Pūkenga put in place actions to improve this score over time. It is important that there is staff buy-in of the changes being made, that they support Te Pūkenga’s vision, and have confidence that the transformation can be delivered on.

59. A pleasing development is that change teams have been established at each subsidiary. These teams will link into the Te Pūkenga change team and will help to co-ordinate and deliver change management. It will also help with leading the consultation of the operating model over September and October 2021 and the subsequent design work. These groups will be extremely important as the operating model is implemented.

...and the Council needs to continue to drive improvements...

60. We noted in our previous report that the Council appeared to be starting to focus more on strategic issues and not primarily on operational and process issues. This is an ongoing challenge that Te Pūkenga will need to manage. There are a large number of papers being provided to Council, and it will need to ensure that it has enough bandwidth to consider strategic issues. We note that Te Pūkenga has completed its first organisational strategy and intend to update this every six months to ensure it remains relevant.

61. There remains an urgent need to improve reporting to Council, especially around its transition and transformation programme. We anticipate this will improve as a detailed, integrated roadmap is completed.

62. Te Pūkenga has recently established an internal Programme Board for RoVE specific work streams, which is comprised of Te Pūkenga’s executive leadership team. We have recommended that the Director of RoVE at the TEC and an independent member are also appointed to the Board, which Te Pūkenga has recently agreed to. 9(2)(g)(i)

Given the departure of a key staff member,

Te Pūkenga has also informed us that its project management office will be transferred into the Chief Executive’s office for the remainder of the year. It is important that Te Pūkenga ensures its governance mechanisms are fit-for-purpose and represent best practise given the complex transformation programme it is undertaking.

63. As part of Te Pūkenga’s 2020 audit, Audit New Zealand made a number of recommendations for improvement. The highest priority recommendation was around improving performance reporting. This included developing a range of financial and non-financial measures which could be measured and reported against to management and Council. Te Pūkenga has

recently appointed a Director of Strategy and Information from the network to help drive this work. Audit New Zealand also made recommendations to improve a number of policies around sensitive expenditure, fraud, risk management and procurement to ensure they reflected good practise. Te Pūkenga’s Council considered a number of updated policies at its August meeting.

...while staff, student and Māori representatives have not yet been appointed to the Council

64. An issue is that there remains three empty seats on the Council for the elected representatives of staff, students and Māori. We understand that interim learner, staff and Māori advisory committees are currently being established. From each of these groups, a representative will be appointed to the Council, ensuring that these voices are embedded in the decision-making process. These three appointees will be attending Council meetings from next month.
65. As agreed in our Memorandum of Understanding with Te Pūkenga and as outlined in its Statement of Intent, Te Pūkenga is required to undertake an independent review of its governance performance and structures. We consider this should be undertaken in the near future to ensure they are working appropriately.

Key risks identified by Te Pūkenga

66. Over the June 2021 quarter, Te Pūkenga began implementing its new risk management framework across the network. This framework will ensure subsidiaries are using a common approach to identifying, managing and reporting risk. A ‘risk champion’ has been appointed in each subsidiary to assist to implement the framework. The first risk summary reports from subsidiaries were received in July 2021 and Te Pūkenga is developing a process to report on these in future quarterly reports to the TEC.
67. In its June 2021 quarterly report, Te Pūkenga also outlined its five key overall strategic risks and associated mitigations. These are outlined in the following table.

Risk	RAG	Mitigation
Meeting all milestones on the critical path in advance of Day 1 (January 2023). Ensuring a seamless transition from ITP subsidiaries into Te Pūkenga on Day 1 and from TITOs into WBL on the completion date for each TITO.		Te Pūkenga Project Management Office (PMO) has identified work streams focused on meeting matters identified on the critical path and on TITO transition. Reporting lines to ELT are in place and this is under constant review.
Disruption to learners/industry and major disruption to business-as-usual delivery. The need to maintain business-as-usual and financial viability through the transition.		Te Pūkenga PMO has identified work streams focused on meeting matters identified on the critical path and on TITO transition. Reporting lines to ELT are in place and this is under constant review.
RoVE programme interdependencies with WDC/RSLGs/NZQA/TEC and funding. Te Pūkenga has just one of the seven moving parts of RoVE. We are in control of our part, but the other parts have a bearing on our chances of success.		Ensure ongoing communication and dialogue with other parts of RoVE with a strong focus on collaboration.
Retaining talent in our network – identifying who the key personnel are in the ITP subsidiaries and the TITOs and how best to retain them.		There is change management work underway to manage this risk with ITPs. This risk is managed in transfer agreements for each TITO.
Delivery on Te Tiriti expectations and obligations and how we manage expectations of iwi so we can meet such expectations.		Embedding Te Pae Tawhiti into our organisation, including our subsidiaries, is an important part mitigation of this risk. Work is underway on a consistent understanding of what ‘partnership with Māori’ means for the network, which was identified as a challenge in our analysis of subsidiary Te Pae Tawhiti self-reflection reports. Inclusion of iwi at governance level in subsidiaries.

68. We have previously noted a lack of risk management and reporting from Te Pūkenga, so work in this area is a positive development. However, we expect risk reporting to continue to improve over coming months and move towards best practise. This should include both a strategic risk register and an operational risk register being presented to Council each month with clear risk owners and mitigations in place. In terms of the strategic risks presented in its quarterly report, we consider further work needs to be undertaken on improving the quality of the stated risks and ensuring the mitigations clearly respond to the risk identified.
69. We would also expect to see a risk around financial sustainability and sufficient funding being available to drive its transformation programme. This should include an acknowledgment of the risk that there is considerable uncertainty around domestic student enrolments in 2022 and 2023 and international student numbers given ongoing border restrictions.

Next steps and future reports

70. We would like to discuss this report with you at the next agency meeting. In particular, we would like to outline our key concerns regarding Te Pūkenga's progress and the options available to us to try to drive improved performance. Following this, we will next update you in November 2021 after receipt of Te Pūkenga's quarterly report for the September 2021 quarter.
71. In the meantime, we will continue to work closely with Te Pūkenga to assist it to deliver its work programme. We are regularly engaging with Te Pūkenga across all levels and are supporting it through sharing our expertise, data and other information as required.
72. We recommend that this aide-memoire is proactively released with information withheld that is commercially sensitive and to maintain the effective conduct of public affairs through free and frank expression of opinions.



Gillian Dudgeon

Deputy Chief Executive – Delivery
Tertiary Education Commission

31 August 2021



Hon Chris Hipkins

Minister of Education

30 / 09 / 2021