



## Tertiary Education Report: Funding Agreement between the Crown and Te Pūkenga for investment in high priority building issues

<b>Date:</b>	21 July 2022	<b>TEC priority:</b>	High
<b>Security level:</b>	In Confidence	<b>Report no:</b>	B-22-00371
		<b>Minister's office No:</b>	

ACTION SOUGHT		
	Action sought	Deadline
<b>Hon Chris Hipkins</b> Minister of Education	<p><b>approve</b> the funding agreement between the Crown and Te Pūkenga, which sets out the terms and conditions of the \$40 million Crown investment provided through Budget 2022 to address high priority building issues.</p> <p><b>sign</b> the attached Crown funding agreement.</p> <p><b>forward</b> this briefing and the funding agreement to the Minister of Finance for his approval and signature.</p> <p>subject to approval from the Minister of Finance, <b>sign and send</b> the attached letter and funding agreement to the Chair of Te Pūkenga for his signature.</p>	As soon as practicable
<b>Hon Grant Robertson</b> Minister of Finance	<p><b>approve</b> the funding agreement between the Crown and Te Pūkenga, which sets out the terms and conditions of the \$40 million Crown investment provided through Budget 2022 to address high priority building issues.</p> <p><b>sign</b> the attached Crown funding agreement.</p>	As soon as practicable
<b>Enclosure:</b> Yes	<b>Round Robin:</b> Yes	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)				
Name	Position	Telephone		1st contact
9(2)(a)	Principal Advisor	9(2)(a)	9(2)(a)	✓
Gillian Dudgeon	Deputy Chief Executive – Delivery	9(2)(a)	9(2)(a)	

**THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT**

- DPMC     MPI     ENZ     ERO     MBIE     MoE     MFAT  
 MPP     MSD     NZQA     NZTE     TEC     TPK     Treasury

- Minister's Office to Complete:**     Approved     Declined  
   Noted                                    Needs change  
   Seen                                        Overtaken by Events  
   See Minister's Notes            Withdrawn

**Comments:**

## Recommendations

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Hon Chris Hipkins, Minister of Education, Hon Grant Robertson, Minister of Finance,

*It is recommended that you:*

1. **approve** the proposed funding agreement (attached as Appendix 2) between the Crown and Te Pūkenga, which sets out the terms and conditions of the Crown's \$40 million investment in Te Pūkenga to address high priority building issues, agreed as part of Budget 2022 [CAB-22-MIN-0129 – Initiative ID 14123 refers].

Minister of Education

**AGREE** DISAGREE

Minister of Finance

**AGREE** DISAGREE

2. **note** that the funding agreement requires Te Pūkenga to submit a high priority capital plan to the Tertiary Education Commission (TEC) that sets out what projects will be funded (or part-funded) by the Crown investment and have this approved by the TEC chief executive before the first tranche of funding is released.
3. **sign** the attached Crown funding agreement.
4. **forward** this briefing and the funding agreement to the Minister of Finance for his approval and signature.
5. subject to approval from the Minister of Finance, **sign and send** the attached letter and funding agreement to the Chair of Te Pūkenga for his signature.
6. **agree** that the Tertiary Education Commission proactively release this briefing once the funding agreement has been signed.

Minister of Education

**AGREE** DISAGREE

s9(2)(a)

Gillian Dudgeon

Deputy Chief Executive, Delivery  
Tertiary Education Commission

21 July 2022

s9(2)(a)

Hon Chris Hipkins

Minister of Education

13 / 08 / 2022

s9(2)(a)

Hon Grant Robertson

Minister of Finance

21 / 08 / 2022

## **Purpose**

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1. This briefing seeks approval from the Minister of Education and the Minister of Finance for the \$40 million funding agreement between the Crown and Te Pūkenga to address high priority building issues across Te Pūkenga's network.

## **Background**

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2. In December 2021, Te Pūkenga submitted a single stage business case to the Minister of Education seeking Crown funding of up to \$144.4 million to remediate a series of high priority building issues that had been identified across its network.
3. As part of Budget 2022, the Government agreed to provide up to \$40 million in Crown capital funding to Te Pūkenga to support it to address high priority building issues across its network of Institute of Technology and Polytechnic subsidiaries [CAB-22-MIN-0129 – Initiative ID 14123 refers].
4. Given funding for Te Pūkenga is to be provided outside of the normal funding arrangements for tertiary education institutions, and to ensure accountability for public expenditure, we have developed a funding agreement for the \$40 million Crown investment. A similar agreement was entered into between the Crown and Te Pūkenga in August 2020 to cover the terms and conditions of the Crown's \$121 million investment in Te Pūkenga for its establishment and transformation work programme through to the end of 2022.

## **The agreement requires Te Pūkenga to submit an updated capital plan**

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5. We have drafted a funding agreement that sets out the terms and conditions of the \$40 million investment. A copy of the agreement is attached to this briefing for your consideration and approval.
6. The key requirement of the funding agreement is that Te Pūkenga must submit a high priority capital plan to the Tertiary Education Commission (TEC) that sets out what projects will be funded (or part-funded) by the Crown investment. Given Te Pūkenga was seeking \$144.4 million in Crown funding, many of the projects proposed in the business case are unlikely to progress. As a result, the funding agreement requires that Te Pūkenga identifies and prioritises the projects that deliver the greatest benefits for the Crown's investment. Te Pūkenga is currently undertaking this prioritisation process.
7. The high priority capital plan will need to set out a range of details for each project including estimated costs, forecast start and end dates, head contractors and key milestones. It will also need to set out the programme management and governance structures that have been established to oversee the high priority capital programme and how the individual projects will be managed.

## **The \$40 million will be released in two tranches**

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8. The \$40 million will be released in two tranches. The first tranche of \$25 million will be released in 2022/23 with the second tranche of \$15 million released in 2023/24. The TEC chief executive is required to approve the high priority capital plan prior to the first \$25 million of funding being paid to Te Pūkenga.
9. Before the second tranche of \$15 million is released in 2023/24, Te Pūkenga must have spent or committed the initial \$25 million and submit an updated high priority capital plan for approval (if any changes are being proposed).

10. The funding agreement also sets out the monitoring and reporting requirements for the \$40 million investment. Te Pūkenga will be required to provide quarterly reports to the TEC which outline how the high priority capital plan is progressing, how funding is being used, and any material risks to projects.

## **Consultation on the funding agreement**

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11. The draft funding agreement has been prepared by the TEC's legal advisors. We have consulted with Te Pūkenga, which is comfortable with the agreement.
12. The Treasury and the Ministry of Education have also been consulted and support the proposed agreement.

## **Next steps**

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13. Once the Minister of Education has approved and signed the funding agreement, it will need to be forwarded to the Minister of Finance for his approval and signature.
14. Once the Minister of Finance has signed the agreement, it will need to be sent to the Chair of Te Pūkenga, Murray Strong, for his signature. A draft letter to the Chair of Te Pūkenga from the Minister of Education is attached to this briefing.
15. Te Pūkenga will then need to submit its high priority capital plan and have that approved by the chief executive of the TEC, before the first payment of \$25 million is made. We will update you once we receive the high priority capital plan.
16. In addition to approval from the TEC chief executive, Te Pūkenga will need to ensure it obtains consent from the Secretary for Education for applicable capital projects under section 327 of the Education and Training Act 2020.