

**Tertiary Education
Commission**

Te Amorangi Mātauranga Matua



Simplifying Investment Plans

Discussion Paper – December 2015

Discussion paper: Simplifying investment plans

In our initial Investment Approach workshops, you told us to take a more differentiated approach

The TEC Investment Approach is about improving how we invest in the tertiary education system to better achieve outcomes for learners, the economy, and our society. You can read more about it in our [Plan Guidance for 2017 and 2018](#) document.

We want to involve you in the design of the Investment Approach, and strengthen our partnerships by working with the sector and employers to achieve mutually beneficial outcomes.

From your feedback at the Investment Approach workshops, we heard that we need to take a more differentiated approach to our requirements from and engagements with the sector. For larger TEOs, we want to see investment plans (plans) that reflect:

- › a more strategic, longer-term view linked to strategic plans, associated strategies and to capital asset management plans
- › a distinctive plan that is clearly tailored to the needs of the communities of interest served and the required organisational capability
- › greater cross-system connectivity through pathways and articulation
- › clustering and consolidation to improve learner access and TEO sustainability
- › contributing to the Tertiary Education Strategy and to the Government's wider objectives, such as reducing welfare dependency.

Elsewhere we have also sought feedback on proposed changes to how we invest with private training establishments (PTEs), schools and community education providers (CEPs). [The discussion paper is available here.](#)

The proposals in this discussion paper are intended to apply to larger TEOs, including tertiary education institutions (TEIs), industry training organisations (ITOs) and the 'big 15' PTEs as part of a more differentiated approach to our engagement with the sector. They are not intended to apply to smaller PTEs or CEPs. We welcome your feedback – via our [online feedback form](#). Feedback will be open until **5pm Friday 29 January 2016**.

We want to simplify our plan processes

We want to simplify the operation of the plan system to focus resources – ours and yours – away from unnecessary administration and toward activities that improve outcomes. When it comes to your plans, we are keen to make better use of strategic documents you already produce, to minimise additional work.

For TEOs with a strategic plan, we would like to see this, as formally adopted and monitored by your governing authority, as the primary source for your plan and (in subsequent years) for self-review.

Alongside this, we think that by using some new or improved tools, we can streamline the development and submission of plans by simplifying:

- › the way in which information is presented
- › how data and information is exchanged
- › how plans are lodged with the TEC

Plans will be supplemented by improved tools

We propose to develop one new tool, and improve two existing tools, for 2017–18 plans for TEIs, ITOs, and the “big 15” PTEs:

- › an organisational self-evaluation report (new)
- › plan commitments (improved) – will capture significant proposed changes, including shifts in delivery formerly monitored via Mixes of Provision
- › Mixes of Provision (improved) – more streamlined templates, and some of the ‘heavy lifting’ transferred to plan commitments.

Each of these is discussed further below. The introduction of these tools will:

- › increase our capacity to engage with you on the things that matter most
- › reduce your compliance costs and duplication of data provision
- › simplify our business processes.

Our intention is not to add to the amount of information required, instead clarifying our requirements so that you can provide the right information in a form that can most easily be used. In this way, we think that plans can be much shorter and more focused. **We do not expect information provided through these tools to be replicated elsewhere in a plan.**

Organisational self-evaluation

In our Plan Guidance for 2017 and 2018, we reflect that we want to take a different approach to engaging with you. We want you to demonstrate to us how you are performing against the objectives set out in your strategic plan, the progress you’ve made towards the commitments in your current investment plan, and the quality of your strategies.

For this plan round, we will ask you to complete a short free-form **self-evaluation report** in the early stages of plan development, as a basis for a strategic conversation. The report should involve:

- › reflection on available statistical data
- › qualitative and quantitative progress towards your published proposed milestones in the last year
- › early thoughts on progress in the current year (for example, towards enrolment, retention and completion targets)
- › rationale for any proposed changes to targets in your draft plan.

For commitments that relate to making a difference for Māori and Pasifika, we will provide specific guidance for reviewing past performance.

TEOs that are required to produce annual reports can submit these, under a cover note updating 2015 projected performance and any changes to future plan targets. Universities currently complete a TES contributions template, which would be replaced by the proposed self-evaluation report.

In the lead-up to the next plan round (ie, 2018), we will draw upon expertise in the sector to help us develop a **TEO capability assessment tool**. This tool will enable us to assess and share our views on your capacity and capability to deliver on your commitments, should we approve funding for your plan.

Plan commitments

Plan commitments currently cover a variety of things. These include:

- › system-wide commitments (such as the Educational Performance Indicators (EPIs)) set by TEC and collected through Workspace2¹
- › fund-specific, pre-determined commitments, such as SAC Level 1 and 2 / Youth Guarantee
- › commitments set by you and embedded within your Investment Plans, such as:
 - metric-based commitments (your KPIs)
 - descriptive commitments that provide an undertaking to do something by a given date.

For the next plan round, **in addition to the above**, we want you to set plan commitments for any key significant changes you are proposing to make in 2017–18 to your activity or delivery. This could cover:

- › your programme portfolio (shifts in volume by level, field, or specific discipline/qualification)
- › your geographical reach (extensions or contractions)
- › the learner groups you access and serve
- › collaboration and consolidation initiatives (for example across providers and ITOs in a particular region or area of expertise).

Each commitment (or commitment area – i.e. improving outcomes for Māori and Pasifika) should set out:

- › a description of the commitment/s
- › how performance will be measured
- › current baseline
- › targets for 2017, 2018, 2019 and 2020.

We would like you to provide a narrative summary describing why you have chosen these commitments, and how they relate to your mission and role. The summary should also refer to the benchmarks that inform the choice of target, and show how you will measure achievement.

This will support a more strategic conversation with TEC investment managers focused on the things that matter – and easy tracking of performance in the lead-up to the 2018 plan round. In particular, it means we will no longer rely on the Mix of Provision (see below) to track shifts in delivery.

See the end of this document for a summary of how performance commitments are used in our performance consequences framework.

Implications for forecast Statements of Service Performance

The 2014 Gazette notice that sets out requirements for current plans specifies additional requirements for tertiary education institutions. This includes a forecast Statement of Service Performance (SSP) to enable the institution to report in its annual report on its performance compared to its proposed outcomes described in its plan.

Plan commitments should be significant enough to function as the KPIs that institutions include in their forecast SSPs. TEOs should bring together their current strategic plans with the investment plan so that targets and measures in one should be the same in the other (or the flexibility provided to put the two together).

¹ EPIs provide a common way of describing educational performance across the tertiary system. We are in the process of consulting with the sector on technical changes to how qualification completion and retention are measured – [see the discussion paper here](#).

Tertiary institutions should note that Statements of Service Performance should report on what is forecast in plans (in annual reports) and that this should constitute a 'fair reflection' of the institution's performance (ie, not just EPIs).

Mixes of provision (MOPs)

We propose no substantive changes to mixes of provision for 2017–2018 plans – though we will seek to rationalise the number of different forms. Current mix of provision templates differ by fund, type and size of TEO, ranging from:

- › a straightforward qualification / EFTS / learner / region approach for some funds and some TEOs, to
- › a higher-level picture of proposed programmes at an aggregated (funding category) level for SAC L3+ at TEIs, and
- › EFTS or STMs at NZQF level for TEIs and ITOs.

The information in your mixes of provisions enables us to:

- › assess and compare proposed delivery across the system, sectors and TEOs
- › translate EFTS or STMS into dollars for the purposes of plan funding approval.

They are less useful in indicating proposed volume changes at programme, school or faculty level, which is why we are now tracking these via performance commitments as outlined above.

During a plan period, we analyse mix of provision commitments against the data submitted on actual and forecast enrolments, through the Single Data Return (SDR), Industry Training Register (ITR) and Workspace2. This gives us an updated view of expected final volume outcomes compared with commitments, enabling us to shift funding to areas of higher demand. For SAC 3+ in particular, it is vital that TEOs carefully prepare and submit accurate forecasts via the April and August SDRs.

More information about how we use plan information

Mix of provision

When considering whether a proposed mix of provision should be funded, we take into account:

- › the TEO's assessment of local need (and the evidence that supports this)
- › alignment with TES priorities
- › current and proposed educational performance
- › the overall pattern of provision at a system level.

In addition to agreement on a mix of provision, we may also seek changes (as part of plan engagement) to specific aspects of a TEO's programme portfolio and/or delivery region where questions of value for money arise related to relevance or student achievement. In these cases, we might seek changes to volumes and/or commitments to increase educational performance.

Agreement to a mix of provision as an overall envelope allows larger TEOs some latitude in changing their programme portfolios to meet changes in need over the term of a Plan. That said, the intended mix is a (delivery) commitment and we (as well as the learners, business and communities with an interest in the TEO) should expect a reasonable level of congruence between the pattern of provision that is promised and what is actually delivered.

Learner choice is the main driver of TEC funding. Demand patterns for training and education that become evident through enrolments may vary from the agreed mix of provision. This could result in more or less significant movements towards TES priorities than expected.

TEOs are expected to put strategies in place to achieve the TES priorities (e.g. meeting targets for participation and lifting the qualification levels of target groups), deliver the agreed mix of provision and act in a way that is most likely to achieve these commitments. Inducing learner demand for training and education (such as through advertising and promotion) in areas or volumes inconsistent with the agreed mix would be regarded as a significant performance issue.

Unanticipated events, such as significant changes in economic circumstances, (eg, opening or closure of a significant local business) may occur. The legislation makes provision for the variation of plans to enable TEOs to respond to changes (and in the case of significant change, seek our approval).

Managing commitments

Plan commitments are the formal undertakings that TEOs make to their learners, business and communities of interest and to the TEC in relation to funding.

Performance against commitments may be considered against the TEC's performance consequences framework, which sets out potential actions and process. More details on the [framework can be found on the TEC website](#).

Examples of potential actions include:

For performance that is **exceeding** expectations, the TEC may:

- > engage with the TEO less frequently due to a high trust relationship
- > soften monitoring requirements
- > give preference to approaching the TEO when discretionary funding opportunities arise.

For performance that is **not meeting** expectations, the TEC may:

- > increase the frequency and intensity of engagement
- > recover or amend funding conditions
- > impose new funding conditions in subsequent Plans
- > require a TEO to review its Plan with a view to amending or replacing it
- > make a significant amendment to the Plan under section 159YM of the Education Act 1989
- > suspend or revoke funding
- > consider past performance in future funding allocations.