



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

To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive – Delivery, Tertiary Education Commission
Date:	12 November 2021
Reference:	AM-21-00690

Purpose


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


Te Pūkenga's immediate focus needs to be improving the programme management of its transformation programme


2. Te Pūkenga continues to undertake a wide range of activity, both operationally and as part of its transformation programme, with good progress being made in a number of areas. A risk is that this activity continues to occur in the absence of a detailed integrated roadmap. We remain concerned that Te Pūkenga is trying to implement too many different projects in a short-period of time with an overall lack of clarity on its critical path. There continues to be an urgent need for Te Pūkenga to develop a detailed, integrated roadmap that outlines what projects need to be undertaken, the timeframes involved, and how any interdependencies will be managed.
3. Te Pūkenga has recently increased its staffing numbers to better resource its work programme. 9(2)(g)(i) [REDACTED] In our view, and based on progress seen to date, we consider that Te Pūkenga needs to urgently bring in additional programme management resource which has experience in implementing large and complex transformation programmes. Te Pūkenga also needs to ensure its programme management structures and governance mechanisms are fit-for-purpose and working effectively.
4. If these issues can be addressed in the next quarter, we consider the risks around Te Pūkenga's transformation programme are likely to reduce. This will allow both the TEC and Te Pūkenga to more effectively monitor its progress, assess delivery against planned activity, and identify any emerging risks.
5. The TEC Board Chair and Chief Executive met with Te Pūkenga's Council in early November. This provided a forum for the TEC and Te Pūkenga to discuss our concerns and agree how the two organisations move towards a common understanding of what needs to occur to ensure Te Pūkenga's transformation programme is on track.

Summary – RAG status

Key:

 Low risk

 Medium risk

 High risk – plan required to get back on track




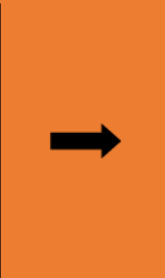

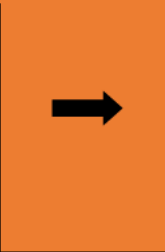
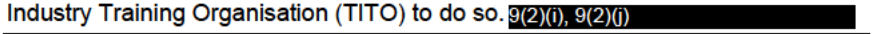

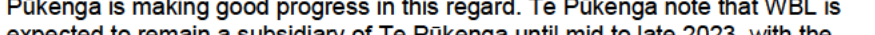

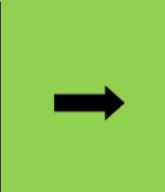
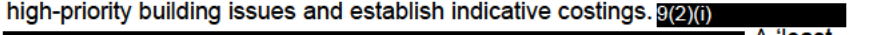
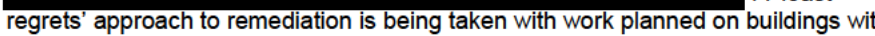

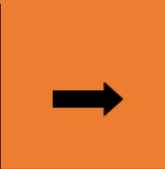



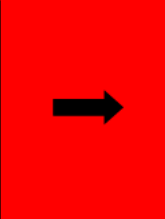



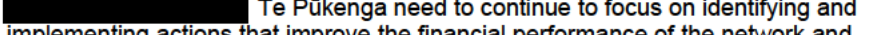


Improved since previous quarter



Unchanged since previous reporting period



Worsened since previous quarter

Work stream or focus area	TEC assessment of where Te Pūkenga should be	TEC assessment based on current activity	Commentary
Operating model			Te Pūkenga has recently engaged with learners, staff and other stakeholders on its draft operating model and feedback was largely positive. There is currently no detail on how it will be implemented and what work will be prioritised. A finalised version of the model is due to be provided to you in December 2021 alongside an implementation plan. This will not include the future organisational design and structure, what governance arrangements will be, and how regions will be organised. This work is not due to be finalised until May 2022. There is still a significant amount of work needed to be undertaken to establish this detail and outline a comprehensive implementation plan. This also needs to include analysis on the affordability and financial sustainability of the new operating model.
TITO Transitions			On 4 October 2021, BCITO successfully transferred its arranging training activities into Te Pūkenga’s Work-based Learning (WBL) subsidiary – the third Transitional Industry Training Organisation (TITO) to do so. ^{9(2)(i), 9(2)(j)}    Te Pūkenga is making good progress in this regard. Te Pūkenga note that WBL is expected to remain a subsidiary of Te Pūkenga until mid to late 2023, with the exact date of dissolution dependent on the development and implementation of its overall operating model.
Capital asset strategy			Te Pūkenga has been undertaking work to prioritise and refine the scope of its high-priority building issues and establish indicative costings. ⁹⁽²⁾⁽ⁱ⁾   A ‘least regrets’ approach to remediation is being taken with work planned on buildings with a higher level of certainty of ongoing utility within the network. Te Pūkenga will provide a business case to officials in coming weeks on its high-priority building investment needs in support of a bid for funding from Budget 2022.
Māori partnerships and equity			Te Pūkenga has continued work on embedding Te Pae Tawhiti (its Tiriti Excellence Framework) into the network with the first quarterly monitoring report provided to Council at its November meeting. There are almost 100 priority actions being advanced across the former ITP subsidiaries which are driving change. An interim Māori advisory committee has been established and we understand the Komiti Māori Council member will join the Council in December.
Network collaboration			Te Pūkenga report increased collaboration across the network and there are a range of initiatives underway to increase integration which are having a positive benefit. Collaboration has been most noticeable in the sharing of resources and best practise across the network to improve delivery. This has assisted Te Pūkenga to respond to the latest COVID-19 restrictions.
Financial performance			^{9(2)(b)(ii), 9(2)(i)}     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 EFTS rose by 6.0 percent between August 2020 and August 2021, supported by a 15.3 percent increase in SAC and YG funded EFTS. The TEC agreed in September to provide an additional \$17.9 million in SAC funding to Te Pūkenga which follows the additional \$35 million provided earlier in the year. Te Pūkenga also expect to use around two-thirds of the flexible funding available to it.

Reporting		↓	Te Pūkenga is still yet to develop an integrated, detailed transformation roadmap. Work has been undertaken to group its planned 64 projects into 10 programmes of work and four portfolios and Te Pūkenga expect to develop a critical path over the next month. This is urgently needed so that Te Pūkenga can be confident of the activity it needs to undertake and how it will be resourced as it moves towards 1 January 2023. Following this work, overall reporting should improve. Over the quarter, further progress was made on improving risk reporting but continued improvements are needed in improving overall financial reporting.
Management		→	Te Pūkenga has increased staffing numbers over the past quarter with 137 people now working for the head office, up from 70 last quarter. Many of these additional staff are seconded from the sector and are part-time. 9(2)(g)(i) [REDACTED]. Given the size and complexity of its transformation programme, it is important that Te Pūkenga has strong programme management expertise in place. We recommend that Te Pūkenga urgently brings in additional programme management expertise which has experience of managing and delivering large scale, complex transformations.
Governance		→	The Council needs to ensure it continues to debate strategic issues and robustly oversees Te Pūkenga's transformation programme. Reporting on Te Pūkenga's transformation programme urgently needs to improve, but this is ultimately dependent on a detailed, integrated roadmap being completed. 9(2)(g)(i) [REDACTED]. Student and staff Council members attended their first meeting in November 2021, with the Komiti Māori Council member set to attend next month.

Te Pūkenga's quarterly report

Te Pūkenga has assessed the majority of its work programme as medium-risk...

6. In its June 2021 quarterly report, Te Pūkenga assessed its performance as '*amber – some delay, medium risk*'. In the September 2021 quarterly report, Te Pūkenga did not provide the TEC with an overall assessment of its performance against its work programme. Of its 12 work areas, a total of 8 have been assessed as '*amber*' with the remaining 4 areas assessed as '*green*'. The TEC assesses the overall programme status at the end of the September 2021 quarter is '*amber*'. We consider that unless key deliverables are met in the December 2021 quarter, there is a risk that the overall programme status will slide.
7. Key highlights mentioned in the September 2021 quarter include the development of an organisational strategy, the finalisation of the draft operating model, the transfer of BCITO into WBL, and the completion of Te Rito reports on learner insights and opportunities.

...with a critical path to be developed in coming months which should improve reporting

8. The current reporting that is being provided to the TEC does not provide assurance that Te Pūkenga's overall work programme is on track given there is no roadmap to monitor progress against. Te Pūkenga has recently developed an integrated work plan that clusters 64 projects under four portfolios with a total of 10 programmes. We consider that this provides a useful "stocktake" of all work that is either being undertaken or is planned to occur. However, it has not been rationalised nor prioritised by management and Council and there is no indication of when projects will be delivered and where there are interdependencies.
9. Te Pūkenga has recently confirmed to the TEC that it is now undertaking a prioritisation exercise and is developing a critical path that will be considered by Council in December. Te Pūkenga has also advised that its December 2021 quarterly report (due at the end of January 2022) will begin reporting against this critical path. This type of reporting should ultimately provide Te Pūkenga and its stakeholders a much clearer view of overall progress.

Operating model and Programme Business Case

Te Pūkenga has completed its draft operating model...

10. Te Pūkenga’s draft operating model was endorsed by its Council in late September 2021. The draft operating model describes how Te Pūkenga will operate in future and the potential experience that learners, employers, staff and iwi, hapū and Māori will have. It describes its future functions and how they will be grouped to support Te Pūkenga to move towards a connected, national network of work-based, campus and online learning. It does not include the future organisational design, what governance arrangements will be, and how regions will be organised. A summary of the draft operating model was shared with you in October 2021.
11. Te Pūkenga’s draft operating model provides the high-level strategic direction of what it wants to achieve. It is bold and aspirational and once completed, should provide a much more valuable experience for learners, employers and other key stakeholders. There is a lack of detail however, on how the proposed outcomes and service concepts will be achieved, and the underlying level of work and costs required to shift the organisation from its current state to the desired future state.

...with engagement occurring over October and November 2021...

12. Te Pūkenga engaged with staff from across the network and other key stakeholders between 18 October and 8 November 2021 on the proposed operating model. These engagements were delayed and compressed due to the impacts of COVID-19 lockdowns.
13. We understand that feedback from staff was largely positive with questions focussing on regional boundaries, what specific functions would be centralised or distributed, and what the new operating model means for individual staff roles and job descriptions. Te Pūkenga reported engagement with learners has been difficult, with learner feedback reporting the complexity of the model is high and that it was difficult to understand. Te Pūkenga has reported that employer feedback has been particularly positive.

...with organisational design due to be completed by May 2022...

14. By February 2022, Te Pūkenga expects to have its draft organisational design completed, as well as the national and regional governance model agreed. The new organisational structure will be consulted on over March and April 2022 before being finalised in May 2022.
15. It is important that the organisational design is settled as soon as possible to give staff certainty around their individual roles heading into 1 January 2023 and to allow Te Pūkenga to plan for the transition to the new organisation structure. There is considerable effort required to meet this timeframe including understanding current staffing arrangements and detailed consultation on the organisational design process. We consider there is a risk that these timeframes may not be met. 9(2)(g)(i), 9(2)(i)

...and the development of a robust implementation plan is crucial...

16. Te Pūkenga has stated that an implementation plan will accompany the final operating model which is due to be completed in December and will be incorporated in the Programme Business Case (PBC). The implementation plan needs to clearly demonstrate the priority of projects, their feasibility, as well as what is “core” versus “desirable” and “nice to have”. It also needs to ensure the sequencing and timing of activities is well thought through so that it will deliver the most benefits to stakeholders in a cost-efficient manner. At this stage, it is very difficult to see how the implementation plan will provide this level of detail given the ongoing organisational design and governance work. We expect to see the implementation plan being a key component of Te Pūkenga’s overall critical path.

17. 9(2)(g)(i), 9(2)(j)

...and we expect to receive a draft of the Programme Business Case shortly...

18. Te Pūkenga has previously committed to submit the PBC to you by December 2021. We expect to receive a draft of the PBC on 12 November, the same time that it is received by Te Pūkenga’s Council. Despite our offers to assist with the PBC’s development, we have received little material from Te Pūkenga to date, with a draft Management Case only provided on 4 November. The PBC is being completed by Te Pūkenga staff, following the decision to stop engaging EY to draft the business case in August 2021.
19. The PBC is required to bring together all of Te Pūkenga’s different projects and outline how its work programme will be managed and governed to 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.

...which will be followed by an independent quality assurance assessment...

20. Te Pūkenga has engaged IQANZ to undertake an independent quality assurance (IQA) assessment of the PBC, which is a requirement of the Crown funding agreement. Due to the compressed timelines and to allow for early feedback from the IQA to feed into the development of the PBC, the IQA is being done in two stages.
21. The first stage was completed in mid-October where IQANZ reviewed an early draft of the PBC and provided high-level feedback. 9(2)(g)(i)
- IQANZ also noted that the prioritisation, sequencing and developing of an optimal delivery roadmap, as well as options for delivery with less or more funding and resources are critical components to ensure a strong PBC.
22. The second stage of the IQA is now due to occur following submission of the PBC to you in December. The IQA was originally planned to be undertaken before submission of the PBC but we understand the timeframes are now too tight for a comprehensive IQA to be undertaken. Te Pūkenga has indicated that a timeframe for the IQA to be completed is still being negotiated with IQANZ. Given the IQA was initially to be completed prior to submission, a finalised date needs to be agreed as a matter of priority to ensure there are no unnecessary delays at the start of 2022.

...and we have concerns whether the Programme Business Case can be delivered on time...

23. The PBC is expected to be signed off by Te Pūkenga’s Council at its 7 December meeting. 9(2)(g)(i)
- Engagement on the draft operating model was completed on 8 November and Te Pūkenga expects updates to the model resulting from this feedback to not be finalised until the end of November. This will constrain the time available to develop an implementation plan, undertake further financial analysis, and finalise the PBC.

...while Te Pūkenga is seeking funding 9(2)(f)(iv)

24. As advised in our last report, Te Pūkenga has identified a number of high-priority building issues which require remediation. Over the past quarter, further work has been undertaken to prioritise and refine the scope of these projects and establish indicative costings. 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. A9(2)(i), 9(2)(b)(ii)

Subsidiaries that have ring-fenced cash reserves available will be required to use those in the first instance.

25. Te Pūkenga is expecting to provide a business case to officials in coming weeks seeking Crown funding to address its high-priority building investment needs. This business case will provide detail of the projects that will be undertaken and their associated costs. It will also outline how Te Pūkenga will manage the programme of work. 9(2)(f)(iv)

Transition of arranging training

Three TITOs have now transferred arranging training into Te Pūkenga...

26. On 4 October, BCITO transitioned the entirety of its arranging training function into Te Pūkenga. This was the third TITO to successfully transition into WBL and a seamless transition occurred. BCITO supports approximately 21,000 apprentices and trainees and more than 9,300 employers in the building and construction industry. BCITO's standard setting functions were transferred to the Waihanga Ara Rau Construction and Infrastructure Workforce Development Council. Nearly 400 staff moved into WBL as part of the transition.
27. On the same date as the BCITO transfer, Toby Beaglehole left his role as Chief Executive of BCITO to begin in his role as Chief Executive of WBL. Toby brings sector experience and a knowledge of the intent of the reforms to the role. He will be instrumental in ensuring that the different business units of WBL work well together and in driving the integration of work-based learning into the wider network.
28. WBL is expected to remain as a subsidiary of Te Pūkenga until mid to late 2023, with the exact date of dissolution dependent on the development and implementation of its overall operating model. 9(2)(g)(i)
- The integration of work-based and campus-based delivery and how it operates as a single network of provision is integral to the future success of Te Pūkenga and the wider reforms. We would expect to see a plan for this in Te Pūkenga's integrated roadmap.

...and good progress is being made with a number of other TITOs ...

29. Te Pūkenga remains engaged with the remaining seven TITOs on potential transitions with good progress continuing to be made. Specifically:

- 9(2)(i) & (j)

9(2)(i) & (j)

31. As previously reported, Te Pūkenga and Te Wānanga o Aotearoa signed a Memorandum of Understanding in May 2021 to work together to deliver vocational education. Over the past quarter, initial priority projects under the Partnership Agreement have been agreed.

Network integration and collaboration

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

32. There continues to be a number of areas where Te Pūkenga is driving collaboration across the network and moving towards operating as one organisation. Many of these initiatives are beginning to show positive results. The initiatives include:
- the development of a draft shared academic regulatory framework;
 - ongoing planning to move all provider-based delivery to an existing single unifying programme;
 - consistent risk processes and approaches being implemented across subsidiaries, with Te Pūkenga recently signing a contract to enable the network to engage with risk management via a single platform;
 - identifying pockets of innovation and sharing best practise delivery across the network;
 - the commencement of a pilot on the sharing of teaching and learning resources across the network for specific programmes to inform processes to support this to occur at scale;
 - ongoing work to implement an enterprise performance management platform to provide a network view of financial performance and improve budgeting and analysis;
 - continued implementation of its Te Pae Wahiti Tiriti excellence framework with over 100 priority actions being advanced across the former ITP subsidiaries in the past quarter; and
 - the commencement of a prototype interim recruitment insights tool for 2022 that will allow Te Pūkenga to view and analyse enrolment data from all 16 subsidiaries and gain a strong understanding enrolment trends.

...and Te Pūkenga is helping to co-ordinate the response to COVID-19...

33. In response to the ongoing restrictions, particularly in the Auckland region, Te Pūkenga facilitates a fortnightly staff and learner meeting to share resources and best practise across the network. This group includes 117 staff and learner leaders from across the network, including WBL.
34. Te Pūkenga has allocated all of the \$4.4 million it has received from Hardship Fund for Learners (HAFL) to its subsidiaries. Around two-thirds of the funding has been provided directly to learners, with high demand for support in Auckland. Te Pūkenga has noted it will apply for further HAFL funding in 2022.

...although ongoing work is needed to ensure subsidiaries act as one network

35. Although there are a range of initiatives underway to drive integration and collaboration, the TEC has been advised that a number of subsidiaries and their respective boards continue to behave as if they are individual institutions rather than as part of a single network. It is important that Te Pūkenga puts effort and resource into managing the changes in behaviour it is seeking to achieve. This includes all areas from delivery, to learner support, budgeting and financial performance.
36. It will be an ongoing challenge to ensure that increased collaboration becomes embedded in subsidiaries and the culture change from competition to collaboration continues as Te Pūkenga's begins to implement its new operating model. Change teams have been established at each subsidiary to support the future transformation work. This change needs to occur across all levels of subsidiaries, including at the governance level. It should also be a key consideration as Te Pūkenga designs its governance approach for its new operating model.

EFTS and financial performance**The TEC has agreed additional funding in response to the increase in domestic demand...**

37. Te Pūkenga 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 SAC and YG funded EFTS, which was partially offset by a 53.3 percent decline (4,634 EFTS) in full-fee international EFTS. The latest enrolment data from Te Pūkenga for the year to September 2021 suggests there has been some easing in domestic enrolment numbers, likely due to the impacts of COVID-19.
38. In response to the increase in demand, the TEC agreed in September 2021 to provide an additional 9(2)(b)(ii), 9(2)(j) in SAC funding to Te Pūkenga. This increased Te Pūkenga's 2021 funding allocation to \$516.2 million, up from \$463.3 million at the beginning of the year. Te Pūkenga is currently forecasting to deliver 101.9 percent of its updated 2021 funding allocation which will result in an additional 9(2)(b)(ii), 9(2)(j) in flexible funding being paid in 2022.

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

39. As at the end of September 2021, revenue was 9(2)(b)(ii), 9(2)(j) due to higher than expected domestic enrolments. Expenditure was 9(2)(b)(ii), 9(2)(j) due to lower personnel and operating costs. As a result, Te Pūkenga is reporting a year-to-date surplus of 9(2)(b)(ii), 9(2)(j).
40. The better than budget year-to-date performance is partly due to timing issues and additional costs are forecast over the remaining three months of the year. Based on its latest forecasts, Te Pūkenga is expecting to report a 9(2)(b)(ii), 9(2)(j) for the full 2021 year. If achieved, the result would be 9(2)(b)(ii), 9(2)(j) better than budget, 9(2)(b)(ii), 9(2)(j). The improvement relative to budget is also being driven by two large movements at Ara and Te Pūkenga's head office:
- Ara is forecasting to report a surplus that is 9(2)(b)(ii), 9(2)(j) better than budget due to an increase in domestic enrolments and reduced transformation expenditure.
 - The Te Pūkenga parent is forecasting to report a result 9(2)(b)(ii), 9(2)(j) better than budget due to expenditure being lower than expected as projects have been delayed or not initiated.
41. If these two improvements are excluded, the remainder of the former ITP subsidiaries are forecasting performance to be 9(2)(b)(ii), 9(2)(g)(i) 9(2)(b)(ii), 9(2)(i) & (j). Given the financial position of Te

Pūkenga, we would expect to see more detailed commentary provided on what is driving overall performance especially when budgets are being missed.

...and WBL is providing additional support to Te Pūkenga’s overall result...

42. Te Pūkenga is still working on consolidating the financial results of WBL into its accounts, which is expected to occur in the next month. However, WBL is forecasting a 9(2)(b)(ii), 9(2)(j) [REDACTED] which will support Te Pūkenga’s overall result for 2021.

...with work underway on a financial viability strategy

43. In previous reports, we have raised the need for a financial management plan or strategy to be put in place for Te Pūkenga to help drive improvements in financial performance and address poorly performing areas. 9(2)(g)(i) [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] was a key issue raised through your Letter of Expectations.
44. Te Pūkenga recently established a working group of subsidiary CFOs to develop a financial strategy and action plan to improve overall financial viability. It is expected that a number of projects will be identified through the development of the financial strategy that Te Pūkenga could implement. This work is expected to go to Council for consideration in early 2022.
45. This is a welcome development and needs to be a key focus area going forward. Te Pūkenga will need to ensure that any actions that are taken in coming months are consistent with its new operating model. While we agree that improvements could be made in the current network, we consider larger improvements will need to be made as part of the implementation of the new operating model – particularly around the centralisation of some functions. It is important that robust financial analysis is undertaken as part of the development of Te Pūkenga’s new organisational design.

Council and management performance

There remains significant underspend of the Crown funding provided to Te Pūkenga...

46. Te Pūkenga remains significantly underspent against the Crown funding provided to implement its transition and transformation programme. Te Pūkenga forecast to spend \$18.0 million in the September 2021 quarter but only spent \$6.7 million. Of the \$57.6 million in Crown funding provided as at September 2021, only \$19.0 million has been spent. This equates to a shortfall of \$38.6 million (or 67 percent) against the Crown funding provided.
47. Te Pūkenga has attributed the lower expenditure to delays in recruitment of key staff and in starting projects per budget timelines. This suggests a significant acceleration in activity is needed to effectively deliver on its large transformation programme. As we noted last quarter, it would be beneficial if Te Pūkenga could provide greater detail on why expenditure is behind forecast and what specific projects that were budgeted to occur were delayed. This is an area that all parties will have greater visibility of on completion of the integrated roadmap.

...and Te Pūkenga has significantly increased its staffing numbers in response...

48. 9(2)(g)(i) [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] As at the end of September 2021, there were 137 staff working for Te Pūkenga’s head office. This is a significant increase from 72 staff in the June quarter. 9(2)(g)(i) [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] Following the prioritisation of its integrated work plan and the development of a critical path, it will be important that Te Pūkenga undertakes a thorough assessment of the capability it needs to deliver on that plan.

...with a reset of its programme management office recently undertaken...

49. Given the size and complexity of its transformation programme, it is important that Te Pūkenga has strong programme management expertise in place. The lack of progress on the development of an integrated roadmap as well as the absence of any robust programme reporting, makes it clear that Te Pūkenga needs to increase capability in this area as well as assessing the priorities of existing staff.
50. Te Pūkenga note that its project management office (PMO) has recently undergone a reset with a new experienced director of the PMO appointed. Capacity has also been increased with 16 staff now working in the PMO. We have not been provided with any information on the outcomes of this reset and whether these address the capability issues. We have recommended to Te Pūkenga that it urgently brings in additional senior programme management resource which has experience in managing and delivering large, complex transformations. We consider this is a key action that needs to be taken in quarter four to get the transformation programme back on track.
51. We understand that Te Pūkenga is also in the process of looking to appoint an independent member to its internal Programme Board, which oversees its transformation activities. 9(2)(g)(i)

[REDACTED]

...although many staff are seconded from the network or on fixed-term contracts...

52. 9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] This should include assessing the transition of key staff from fixed term to permanent staffing.

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

53. The key points we have raised in our last two monitoring reports with regards to Council performance remain relevant. With a large number of papers being provided to Council each month, it will need to ensure it remains focussed on strategic issues and manages its workload to ensure it does not get pulled into too many operational issues. Ensuring it has a well-functioning sub-committee structure, which can focus on specific issues, is integral to freeing up Council time to focus on strategic issues. It is also important that the papers provided to Council from management give sufficient context and clear recommendations so that governors can robustly debate issues and make informed decisions.
54. Secondly, there remains an urgent need to improve reporting to Council around progress on its transformation programme. This is important to ensure Council and management have a common understanding of progress, where any slippage is occurring, and where the risks lie. We expect reporting to the Council to improve as the integrated work plan and critical path are developed with associated milestones and targets. This is a key task for the PMO to deliver over the next quarter.

...with an external review of governance recently undertaken...

55. In Te Pūkenga’s transitional statement of intent, Te Pūkenga committed to having an external review of its governance arrangements undertaken, including the effectiveness of its Council. In its latest quarterly report, Te Pūkenga notes that the Institute of Directors recently completed a review of the former ITP subsidiary boards and the Te Pūkenga Council. We are expecting to receive the results of the reviews and what actions the Council is putting place to address any issues. It is important that the governance structures in place are performing strongly, and have the necessary skillset to deliver on the transformation programme.

...while staff, student and Māori representatives have now been appointed to the Council

56. In our last report, we noted that there remained three empty seats on the Council for the elected representatives of staff, students and Māori. Student and staff Council members have recently been selected from the staff and learner advisory committees and attended their first meeting in early November 2021. The Komiti Māori Council member will be approved at the November meeting and will join the Council once the appointment is formalised. This will ensure that the voices of these three key groups will be embedded in the decision-making process going forward.

Risk management

57. Good progress is being made in the risk management space. Te Pūkenga's new risk management framework continued to be implemented across the network in the September quarter. This framework will ensure subsidiaries are using a common approach to identifying, managing and reporting risk. Work is due to commence shortly on the development of a legislative compliance framework and to align the internal audit function within Te Pūkenga and across the network. To support this work, a new Risk and Assurance Manager has been recruited. A Risk Assurance Advisor has also been appointed in the PMO to ensure all Te Pūkenga project risks are identified and managed in a consistent way.

58. Te Pūkenga note that the risk register has now been added as monthly standing item to the ELT agenda to ensure risks are reviewed and updated regularly. This is a long overdue development given the significant risks that exist across Te Pūkenga and its work programme. We would suggest that the risk register is also presented to Council on a monthly basis to ensure risks are being appropriately identified, managed and mitigated.

59. In its September 2021 quarterly report, Te Pūkenga outlined seven key strategic risks and associated mitigations. These risks have been more clearly stated compared to last quarter while two new risks been added around receiving sufficient funding and ensuring authentic and real transformation in equity for priority learners. Te Pūkenga's key strategic risks (as identified by Te Pūkenga) are outlined in the following table.

Risk	RAG	Mitigation
The successful management of and delivery on Te Tiriti expectations and obligations		<ul style="list-style-type: none"> Te Pūkenga has a dedicated team addressing Te Pae Tawhiti across the subsidiary network and a quality assurance mechanism within Te Pūkenga workplan deliverables. Te Pūkenga has a dedicated team leading projects on Tiriti in Practice & Māori-Crown Relations.
Te Pūkenga is prepared to receive the ITP Subsidiaries on dissolution; Provision of clear direction as to how the individual institutions are to be managed come the date of dissolution of each ITP "Day 1"		<ul style="list-style-type: none"> Resources within Te Pūkenga have been substantially increased since the beginning of 2021. A targeted integrated work plan has been developed, including an effective communication plan against progress to manage expectations. Te Pūkenga is progressing the Integrated Work Plan to Horizon 1. PMO has gone through a 'reset'.
The continuation of BAU for staff/ learners/ employers within TITOs through transition period and beyond		<ul style="list-style-type: none"> Implementing a 'lift and shift' of the TITO into WBL so there is no disruption to TITO learners, employers and staff and their multiple relationships. Te Pūkenga is leveraging off the skills and expertise that already exists in TITOs. Monthly reporting is provided to RoVE on project progress.
Interdependencies with Workforce Development Councils (WDCs), Regional Skills Leadership Groups (RSLGs), NZQA, TEC, other providers		<ul style="list-style-type: none"> Regular engagement with the relevant stakeholders to understand timing of initiatives to factoring the risk of delays into its decision-making processes to mitigate that we have no control over of RoVE, including the establishment of WDCs, RSLGs and the Unified Funding System. Recruited Director Strategy and Information and Chief Advisor to the Chief Executive to increase focus on key strategic pathways and engagement with relevant stakeholders. Monthly reporting is provided to RoVE on project progress.

The retention of key staff and strategic recruitment of new staff at Te Pūkenga and ITP subsidiaries		<ul style="list-style-type: none"> • There is change management work underway to manage this risk with ITP subsidiaries. • This risk is managed in transfer agreements for each TITO and the transition of the TITO into WBL
Receiving sufficient funding and effectively and efficiently controlling spend and allocation of resources		<ul style="list-style-type: none"> • Provision of \$50m contingency fund has been established to support subsidiaries. • A Treasury Policy has been developed and implemented, including Intra-Group lending agreement to allow for redistribution of funds across the sector (loans and deposit). • A borrowing facility of \$125m has been established with Westpac. • Collaborative purchasing arrangements have been initiated. • Monthly consolidated financial statements are produced (including reforecasts) across the sector (including individual subsidiary results). These are available for all CFOs to see. • Provision of solvency ratios and financial ratios has been made to simplify understanding. • Te Pūkenga has provided guidance to subsidiaries on budget assumptions. A centralised review and approval of subsidiary budgets has been established. • Te Pūkenga has monthly monitoring meetings with the TEC.
Authentic and real transformation in equity for priority learners		<ul style="list-style-type: none"> • The draft Operating Model is informed by Te Rito Reports and learner and staff personas to enable success by speaking directly to the needs identified by learners, and high-level functions required to deliver equity. • The development of a Learner and Whānau Success Strategy (L&WSS) commenced. The objective is an equity-minded design for tertiary experience to increase access, participation, wellbeing and outcomes for underserved learners to address the needs and requirements identified by learner, whānau, iwi and staff; to enable learner success and achieve parity for underserved learners. The redesign of systems and structures, mindset and behaviours. • The IWP incorporates 64 projects, which are mapped to learner needs as identified Te Rito reports, guide the design and implementation of the projects ensuring learners are at the centre of Te Pūkenga mahi.

Next steps and future reports

60. On 20 October, you wrote to Te Pūkenga seeking greater assurance in a number of key areas. On 9 November, the Chair of Te Pūkenga responded to your letter outlining how your concerns were being addressed by Te Pūkenga. He noted he would work with your office to find a suitable time to meet you alongside Te Pūkenga's Chief Executive and the TEC Chair and Chief Executive.
61. Te Pūkenga expect to deliver its PBC to you in mid-December 2021. We will provide advice to you on this in 2022 following the completion of an IQA. We will keep you updated on relevant timings. Our next formal quarterly update to you will be in February 2022 after receipt of Te Pūkenga's quarterly report for the December 2021 quarter.
62. 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

12 November 2021



Hon Chris Hipkins

Minister of Education

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