Tertiary Education Commission
Te Amorangi Mātauranga Matua

Aide-Memoire: Te Pūkenga quarterly monitoring report – June 2023 quarter

To:	Hon Jan Tinetti, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive – Delivery, Tertiary Education Commission
Date:	29 August 2023
Reference:	AM-23-00762

Purpose

1. This aide-memoire provides an assessment of Te Pūkenga's performance following receipt of its quarterly report for the June 2023 quarter. It also incorporates information obtained through our wider monitoring activities, including information received since Te Pūkenga submitted its quarterly report on 31 July 2023, so that it provides the most up-to-date picture possible. Te Pūkenga's full quarterly report is attached.

Executive summary

2. The key development over the June 2023 quarter was Te Pūkenga consulting on its new organisation structure for five of its business groups. These five business groups comprise around 90 percent of all staff. The proposed changes are expected to have the most impact on managerial roles as Te Pūkenga moves to its new regional delivery structure, but there are also significant changes proposed for some non-management staff and reporting line changes for others. Consultation closed on 21 July 2023 and 8,304 submissions were received.

3. Te Pūkenga is now considering the feedback before final decisions are made in mid-September 2023. The proposed changes were originally envisaged to have resulted in a net reduction of 404 FTEs; however, we understand that following consultation the overall reduction will be lower. Further changes to individual roles, particularly in the *Ako Delivery* business group, will occur in 2024 and beyond as the wider transformation progresses.

4. As requested in your May 2023 Letter of Expectations (LoE), Te Pūkenga submitted a finance strategy at the end of June and a financial plan and transformation roadmap at the end of July. While both the finance strategy and financial plan will need to improve over time and incorporate greater detail, both documents are a useful starting point and provide the Council and the TEC with targets to monitor and hold Te Pūkenga accountable for. 9(2)(f)(iv), 9(2)(g)(i) [redacted]

5. Te Pūkenga has acknowledged that the current version of the transformation roadmap will need to evolve quickly. It is critical that there is sufficient detail and appropriate integration between all projects so that Te Pūkenga and key stakeholders can have confidence in the overall affordability and achievability of the transformation. Unlike the financial plan, the

transformation roadmap in its current form does not enable the Council or the TEC to easily track its transformation progress, which is a key purpose of the plan. Te Pūkenga has committed to providing the TEC with a new version of the roadmap in the last quarter of 2023.

6. In relation to its financial performance, Te Pūkenga is now forecasting a 2023 deficit of 9(2)(b) [redacted] compared to a budgeted deficit of $27 million. A key driver of the increased deficit is declining domestic enrolments which are reducing overall revenue. Te Pūkenga has forecast domestic enrolments to be 9(2)(b)(ii) [redacted] than budget for 2023 with both on-campus and work-based enrolments down sharply. The Government deciding to provide support for Te Pūkenga's digital transformation in the form of a loan rather than an operating grant has also negatively impacted revenue by 9(2)(b)(ii) [redacted].

7. While cost saving initiatives have been implemented, only so much can be achieved within 2023. This highlights the importance of management continuing to refine the finance strategy and financial plan to ensure it supports Te Pūkenga moving towards financial sustainability over the medium-term. Financial sustainability remains a significant risk towards achieving the transformation outcomes being sought.

8. Following Budget 2023 announcements, a draft Crown loan agreement was sent to Te Pūkenga on 9 June 2023 which set out the proposed terms and conditions of the Government's $220 million no-interest loan to support Te Pūkenga's digital transformation. We have yet to receive formal feedback on the loan document and this remains unsigned. We will brief you on the final loan agreement, which will need to be signed by the Minister of Finance, once discussions have been finalised with Te Pūkenga.

Summary – RAG status

Key:

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

- ↑ Improved since previous quarter
- → Unchanged since previous quarter
- ↓ Worsened since previous quarter

Work stream or focus area	TEC rating of where Te Pūkenga should be	TEC rating based on current activity
Operating model and organisation structure		→
Capital assets		→
IT systems integration		→
Māori partnerships and equity		→
Financial performance		↓
Enrolments		↓
Reporting		→
Management		↑
Governance		↑

Key developments since our last report

Te Pūkenga stood up its new enabling functions over the first half of 2023…

9. Over late 2022 and the first half of 2023, one of Te Pūkenga's key focuses has been on the design and implementation of its new organisation structure and giving effect to its new operating model. The initial priority was standing up its enabling functions. The new *People, Culture and Wellbeing; Digital*; and *Finance and Property* structures were confirmed in the June 2023 quarter with tier 3 leaders appointed across each of these functions. The establishment of these groups has helped support the next phase in implementing the organisation structure.

…and its wider leadership team is now in place…

10. In March 2023, Te Pūkenga appointed a Chief of Staff and a DCE Tiriti Outcomes, completing the final two appointments to the executive leadership team. The regional co-leaders for the four regions and the eight ako network leads have also now been appointed. This means the full wider leadership team is now in place, which is an important milestone as Te Pūkenga moves to its new organisation structure and new ways of operating. Te Pūkenga has reported that the appointment of these leaders has helped to build and strengthen relationships with RSLGs and WDCs. It is also a tangible sign to learners, staff and stakeholders of the new operating model beginning to take shape.

11. One of the key decisions made by Te Pūkenga in relation to its leadership team was to disestablish the DCE Strategy and Transformation role that was established in October 2022, following the resignation of Richard Forgan in March 2023. Te Pūkenga has instead decided to appoint a Transformation Programme Director, who will not be on the executive team, to oversee the transformation. We understand no appointment has yet been made to this position. We consider there are risks to this approach with transformation activities being distributed across business groups and being led by a Programme Director who is not on the executive team. Te Pūkenga's view is that the transformation is owned by all members of its executive leadership team, and they are collectively accountable for its delivery.

…as consultation on the design of the remaining business groups has recently concluded…

12. In the week beginning 12 June 2023, Te Pūkenga began consultation on the remaining five business groups: *Ako Delivery; Academic Centre and Learning Systems; Te Tiriti Outcomes; Learner, Employer Experience and Attraction;* and the *Office of the Chief Executive*. This consultation covered 8,223 FTE, which is around 90 percent of the organisation.

13. The consultation was a significant milestone for Te Pūkenga's transformation with the proposed changes seeking to integrate the 25 predecessor organisations into the one organisation, aligned with the high-level organisation structure that was adopted at the end of 2022. It also begins the move to national level functions and delivery across Te Pūkenga's four regions. The change proposal sets out the intended structure and roles for four of the five business groups – *Academic Centre and Learning Systems; Te Tiriti Outcomes; Learner, Employer Experience and Attraction;* and *the Office of the Chief Executive*; as part of establishing national functions within each of these areas. It also sets out the proposed regional management structure for *Ako Delivery*, but underneath the management structure, existing teams have been left substantially untouched through a lift and shift approach.

14. Significant work remains, however, as the proposed changes do not address the substantial integration of delivery roles and how work-based, provider-based, and online delivery will be integrated. This is not a simple piece of work and is expected to continue into 2024 as further work is undertaken on addressing the inequity and inconsistency of employment terms and conditions across Te Pūkenga's network, and changes are made to improve productivity, flexibility, and role definition. The current proposed changes are also limited by the continued need to operate multiple legacy business systems. Further changes (and ultimately staff reductions) will come as core systems are replaced and digital transformation is undertaken over the next four years.

…with 960 FTE positions impacted and a proposed net reduction of 404 FTEs…

15. A total of 960 FTE positions are substantially impacted by the proposed changes, although 556 new FTE positions are being created which staff can apply for. In total, a net reduction of 404 FTE positions is proposed, which equates to around 4.3 percent of overall positions. Most of the impacted positions are at management level as DCEs/Executive Directors establish their leadership teams. We note some impacted positions are currently vacant. It remains unclear exactly how many staff will need to be made redundant, with Te Pūkenga noting it will avoid redundancies as much as possible by redeploying affected staff into new roles and managing vacancies.

16. Overall, there are four proposed impacts for those positions within the scope of the consultation:

- No Impact – this is a proposed 'lift and shift' of current positions reporting to their current manager, albeit in a new business group. This is proposed for most positions within *Ako Delivery* (9(2)(ba)(ii) [redacted]).
- Minor Impact – this is a proposed 'lift and shift' of current positions into a new business group and a change in reporting line to a new manager. This is proposed to largely impact some positions within *Ako Delivery* as well as *Academic Centre and Learning Systems* and cultural capability staff in *People, Culture and Wellbeing* (9(2)(ba)(ii) [redacted]).
- Impacted with Redeployment Opportunities – it is proposed that the current role will be impacted but there are opportunities for redeployment within one or more teams. This is proposed for some non-management roles in areas largely within *Academic Centre and Learning Systems*; *Learner, Employer Experience and Attraction*; and *Ako Delivery*. In these instances, there are new roles which are not the same as existing roles, and redeployment is available, but the proposed new teams have fewer roles than currently exist (9(2)(ba)(ii) [redacted]).
- Significant Impact – it is proposed that the position is disestablished. This is proposed for all positions not already confirmed in *Academic Centre and Learning Systems*; *Learner, Employer Experience and Attraction*; the *Office of the Chief Executive*; *Tiriti Outcomes*; and senior positions in *Ako Delivery* (9(2)(ba)(ii) [redacted]).

17. At the beginning of the consultation period, Te Pūkenga advised the estimated annual salary savings associated with this proposal was 9(2)(ba)(ii) [redacted] with these savings being realised from 2024. The estimated savings are in addition to those achieved through the establishment of the new structures 9(2)(ba)(ii) [redacted]

…with Te Pūkenga engaging widely with the sector on the changes

18. Te Pūkenga has engaged extensively with staff across the network throughout the consultation period, with the executive leadership team visiting nearly 40 campuses and offices across the country as well as holding online sessions. Unions and staff initially noted that there was not enough information in the change proposal for staff to understand what is planned, and what the impact is on individuals. However, Te Pūkenga report that following the engagements, staff have had a better understanding of the plans going forward and where they fit in to the organisation.

19. The consultation period closed on 21 July 2023 with 8,304 submissions received. This is a large amount of feedback which will take time for Te Pūkenga to analyse and consider. The quarterly report noted that final decisions were expected to be communicated in late August 2023 with recruitment for new positions to begin in September 2023. However, we have now been informed decisions will be announced in the week beginning 18 September 2023. The date from which the new structure will be effective is still to be confirmed.

20. Te Pūkenga has noted that there are likely to be several changes made following feedback received during the consultation period. These changes are likely to result in a lower reduction in FTEs than originally proposed, therefore generating less savings. Given Te Pūkenga's financial sustainability challenges, it needs to ensure that it successfully plans and executes the next stages of the organisation design process to not only meet the needs of its stakeholders, but to also unlock the cost savings required to reduce expenditure and improve profitability.

Crown loan

We have developed a draft agreement for the Crown's $220 million loan to Te Pūkenga…

21. As part of Budget 2023, the Government agreed to provide a $220 million non-interest-bearing Crown loan to support Te Pūkenga's IT systems integration. Over May and June 2023, we developed a Crown loan agreement in conjunction with the Treasury. The agreement sets out the terms and conditions of the Crown's support and is designed to ensure appropriate accountability and oversight. 9(2)(j) [redacted]

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

…and additional engagement will be needed before the agreement is finalised

26. We expect to engage with Te Pūkenga formally on the agreement in the coming weeks. To date, Te Pūkenga has been focussed on the consultation of its organisation design while the Chief Executive has been on leave for a large part of August 2023. Once we have consulted with Te Pūkenga and incorporated any feedback we consider is appropriate, the loan agreement will be presented to the Minister of Finance for signing (although we will also brief you separately on the proposed agreement).

EFTS and financial performance

Te Pūkenga is forecasting a [redacted] million deficit for 2023…

27. Based on forecasts provided to the TEC at the end of June 2023, Te Pūkenga is now forecasting a [redacted] million deficit [redacted] for 2023. If achieved, this would be [redacted] million worse than its budgeted group deficit of $27 million. Total revenue is expected to be [redacted] million [redacted] lower than budget. Partially offsetting the decline in revenue is lower expenditure, which is expected to be [redacted] million [redacted] below budget. We consider there are downsides risks to the overall forecast deficit, particularly around work-based enrolment numbers being lower than currently forecast.

…with lower enrolments and the Crown loan driving lower revenue…

28. A key driver of the lower revenue forecast is domestic enrolments falling sharply. Te Pūkenga budgeted for a 1 percent increase in provider-based EFTS and a 3 percent increase in work-based enrolments. As at June 2023, Te Pūkenga is now forecasting that total domestic enrolments will be [redacted] lower than budget in 2023. On-campus domestic EFTS are forecast to be [redacted] below budget and work-based enrolments are forecast to be [redacted] below budget. As a result, domestic tuition revenue (both government funding and tuition fees) is now forecast to be [redacted] million lower than budget. Due to the forecast under delivery, we are currently proposing to reduce Te Pūkenga's 2023 funding allocation by [redacted] million.

29. Partially offsetting the decline in domestic enrolments has been an [redacted] increase in international enrolments. Te Pūkenga is forecasting full-fee revenue to be [redacted] higher than budget.

30. The other contributing factor to the increased deficit is the impact of the Crown loan. Te Pūkenga had budgeted for financial support to be provided by way of an operating grant. For 2023, this results in a [redacted] reduction in revenue (and a corresponding worsening of the deficit by [redacted]). This will continue to impact on Te Pūkenga's financial performance over the coming years as its IT transformation investment ramps up.

…with several cost-saving initiatives being implemented in response to lower revenue…

31. In response to lower revenue, Te Pūkenga is working to constrain its expenditure. The key mechanism being used is vacancy management and a recruitment freeze on all non-essential teaching roles. As a result, personnel costs are expected to be [redacted] below budget. General operating expenses are forecast to be [redacted] lower than budget due to lower teaching delivery costs and administration costs. Some of these gains are due to expenditure control, procurement savings, and lease consolidations but the majority is due to lower enrolments requiring less activity.

32. Also supporting the overall result is that [redacted] of digital transformation costs have been deferred into future financial years. While this improves the 2023 result, it is merely a timing impact and not a true cost saving, which means it will worsen financial performance in future years.

…and Te Pūkenga submitted its finance strategy to the TEC on 28 June 2023…

33. As a condition of Te Pūkenga's current borrowing consent and a requirement of your May 2023 LoE, Te Pūkenga was required to submit a finance strategy to the TEC by 30 June 2023. This was received on 28 June 2023. The strategy is a Te Pūkenga document and does not require approval from the TEC.

34. Overall, we consider the finance strategy is a step in the right direction and has forced Te Pūkenga to articulate its objectives and how they will be achieved more clearly. Nevertheless, there are key areas where further work is needed, including:

    - establishing greater clarity on the efficiencies that will be achieved through consolidation, including what the appropriate size and scale of Te Pūkenga should be going forward.
    - understanding Te Pūkenga's cost to serve, the contribution of programmes by mode and region, and the underlying profitability of the component parts of its business.
    - establishing what gains and efficiencies can be made due to improved productivity and flexibility through workforce integration.
    - a clear property strategy that outlines both operating savings being sought and asset sale targets.
    - establishing appropriate key performance indicators that Te Pūkenga can use to drive improved performance and profitability and monitor progress.

35. Until Te Pūkenga has a greater understanding of the above, there remains considerable uncertainty around the achievability of Te Pūkenga's forecasts and its ability to achieve long-term financial sustainability. There remains a range of outstanding work (much of which we acknowledge is indicated in the financial strategy) that needs to be undertaken before there is a clear plan in place for how Te Pūkenga will move towards long-term financial sustainability. It is our view that these need to be priority areas of focus for Te Pūkenga's Council.

…with a finance plan and transformation roadmap submitted at the end of July 2023…

36. While the finance strategy was expected to set out how Te Pūkenga will become financially sustainable over the medium- to long-term, the May 2023 LoE also required that Te Pūkenga submit a detailed, prioritised financial plan by the end of July 2023. This plan was expected to clearly set out the actions that will be undertaken over the short-term (1 to 2 years) to improve financial performance, when they will be implemented, and who is accountable for delivering them. This plan was to be closely aligned with the financial strategy and Te Pūkenga's overall transformation roadmap.

37. Te Pūkenga's financial plan, submitted on 31 July 2023, sets out how it will make $85.2 million of savings between mid-2023 and mid-2025. A total of $25 million in cumulative savings is expected to be gained from back-office consolidation/management efficiencies, which is lower

than that set out in the Programme Business Case (PBC). However, Te Pūkenga hopes to achieve $30 million in savings through vacancy management in 2023 which will assist the overall level of savings being sought.

38. As with the finance strategy, the financial plan ideally would have greater detail – particularly around the initiatives, how they have been costed, and where execution risks lie. However, it usefully sets out quarterly targets for each savings initiative and annual key performance indicators which will allow Te Pūkenga's Council (and the TEC) to actively monitor performance and risks. This is a noteworthy improvement given the lack of targets developed to date. Te Pūkenga acknowledges the financial plan will need to be further developed and revised over time. As noted above, further work is also needed on the finance strategy so that the Council and TEC can monitor not just short-term financial performance, but also progress toward medium- and long-term sustainability.

…but the transformation roadmap needs significantly more work…

39. The transformation roadmap that was submitted at the end of July 2023 was high-level and it will need significant refinement before it is of appropriate quality. 9(2)(f)(iv), 9(2)(g)(i) [redacted] A key driver of the lack of detail is that management are needing to revise the digital transformation plans given Budget 2023 provided Te Pūkenga a $220 million Crown loan rather than the $330 million Crown operating grant it was seeking. This work needs to be completed with urgency, ensuring the work programme is affordable, and then integrated into Te Pūkenga's wider transformation roadmap.

40. Te Pūkenga has acknowledged that the current version of the transformation roadmap will need to evolve quickly to ensure appropriate integration and alignment between all key projects. A key concern from our point of view is that with such a lack of detail and alignment, and with many projects still to be scoped, it is difficult to assess the overall affordability and achievability of the transformation. This has been a concern we have raised for a long time, and it remains integral a fit-for-purpose roadmap is developed as a matter of priority with clear timelines and interdependencies. Te Pūkenga has committed to providing a new version of the roadmap over the last quarter of 2023.

…while Te Pūkenga has made changes to its transformation plans…

41. Following the announcement of the $220 million Crown loan, Te Pūkenga has been revising its transformation plans to balance the cost of the transformation and its overall affordability against the need to achieve intended benefits in a timely manner. Specifically:

- the digital transformation plan has been re-prioritised, and the overall estimated cost has been reduced from $285.8 million as assumed in the PBC to 9(2)(b)(ii) [redacted].
- the approach to programme unification has been amended. Te Pūkenga will initially move to best-in-class materials to significantly reduce the number of academic programmes and realise operational efficiencies before improvements are made under a more business-as-usual approach. Te Pūkenga assumes that the unified funding system strategic fund will be utilised to undertake these activities with no further transformation funding required. The cost of programme unification was previously assumed to be $50 million in the PBC, albeit funding was not requested from the Crown for unification.
- Te Pūkenga intends to utilise a smaller and more efficient model to support the transformation going forward. This is expected to reduce programme management costs to 9(2)(b)(ii) [redacted] per annum for the 2024 to 2026 period (compared to $15.0 million per annum in the PBC). While we understand the need to reduce costs, Te Pūkenga will need to ensure it has sufficient capability and capacity in place to manage the transformation given the risks and interdependencies.

42. While we acknowledge the changes, we consider there remains some uncertainty over the forecast expenditure and its timing given further scoping of the digital transformation is needed.

…and Te Pūkenga is now forecasting a return to surplus in [redacted]

43. Despite changes to reduce the overall cost of the transformation programme, with the Government deciding to fund Te Pūkenga's IT systems integration via a Crown loan rather than an operating grant, and an uncertain domestic enrolment environment, Te Pūkenga is now forecasting larger ongoing deficits for the medium-term. Over the 2023 to 2026 period, Te Pūkenga is forecasting a collective deficit of [redacted].

44. Te Pūkenga is forecasting a [redacted] deficit in 2024 as domestic enrolments fall by [redacted] and transformation costs total [redacted] (see *Figure 1*). Te Pūkenga is then forecasting an underlying [redacted] surplus in 2025 as domestic enrolments begin to increase, international enrolments continue to recover, and transformation cost savings are realised. However, significant transformation costs result in a [redacted] deficit being reported.

45. A [redacted] overall deficit is then forecast in 2026, before a [redacted] surplus is forecast in [redacted] as the transformation comes to an end, cost savings having been realised, and Te Pūkenga has benefited from ongoing growth in domestic and international enrolments. Relative to the PBC, Te Pūkenga is forecasting an additional [redacted] in cumulative losses over the [redacted] period.

[redacted]

…with net cash expected to remain positive over the forecast period…

46. Te Pūkenga is forecasting net cash (cash minus debt) to fall from [redacted] at the end of 2023 to [redacted] at the end of [redacted] before improving. This includes Te Pūkenga fully drawing down the $220 million Crown loan. If performance is not as strong as forecast, Te Pūkenga would need to begin taking on commercial borrowings and/or implement additional cost saving responses to ensure it had sufficient liquidity.

…and the biggest risk is around domestic enrolment growth

47. Although we consider international enrolment forecasts are sensible, a key risk to the recovery is that domestic enrolment forecasts (which average around [redacted] growth per annum between 2025 to 2032) are not achieved. There are also risks that the sought cost savings (including through the new organisation design) will not be sufficient or that the digital transformation costs more than forecast. If these risks eventuate, further efficiencies will need to be found and/or key parts of the transformation deferred.

48. Te Pūkenga is implementing a complex and highly interdependent work programme and it will take time to deliver the benefits and move towards financial sustainability. In any large multi-year transformation programme such as this, issues will arise, costs will change, and adjustments will need to be made. To be able to adapt to these challenges, it is important that

Te Pūkenga put in place clear plans – including an appropriate transformation roadmap and high-quality finance strategy/plan – that are monitored closely so that the Council and management can identify where risks arise in a timely manner and make changes as required.

Other developments

Te Pūkenga is seeking to reprioritise the high priority capital funding…

49. As part of Budget 2022, the Government agreed to provide Te Pūkenga with $40 million in capital funding to address high priority building issues across the ITP network. The first $25 million in capital funding was provided in December 2022. Te Pūkenga is progressing this work programme with some projects underway and several others to begin over the next month. However, three projects 9(2)(b)(ii) [redacted] have seen cost estimates increase significantly. Te Pūkenga has informed us that it will seek formal approval from the TEC to put these projects on hold and instead use funding to support remediation at EIT following the cyclone earlier this year. Te Pūkenga needs approval from the TEC Chief Executive before making any changes to the high priority capital plan.

…and DPMC's Implementation Unit has finalised its stocktake of Te Pūkenga…

50. In December 2022, the Minister of Finance requested that the Implementation Unit of the Department of Prime Minister and Cabinet (DPMC) undertake a stocktake of Te Pūkenga's progress in establishing a new operating model. The Implementation Unit undertake reviews of major projects across the public sector to provide awareness of whether the projects are on track to deliver the intended benefits within the intended timeframes – and if not, to provide advice and recommendations to bring the project back on track.

51. Over May and June 2023, the Implementation Unit undertook its stocktake of Te Pūkenga's transformation programme which involved reviewing documents and conducting interviews with Te Pūkenga, officials, and other stakeholders. The report was submitted to the Minister of Finance on 16 June 2023 and was then referred to the Minister of Education and the Cabinet Priorities Committee. It will be proactively released in due course.

52. The review noted that overall progress has been slower than planned and is behind schedule. While the recent stabilisation of leadership was noted as increasing confidence, it was considered essential that Te Pūkenga develop a transformation roadmap to guide implementation of the new operating model and wider transformation. The review highlighted the importance of governors making trade-offs between Te Pūkenga's financial position and the transformation, and the need to decide how much transformation it can afford and over what timeframe.

53. The TEC's monitoring of Te Pūkenga was noted as robust and high-quality. The Implementation Unit considered that the level and degree of TEC's monitoring should be reviewed as Te Pūkenga progresses its transformation and its risks reduce. While we agree with this in principle, our view is that it will be several years before our monitoring activity reduces by any material degree given the significant challenges still being faced by Te Pūkenga and the substantial transformation that is yet to be completed. We understand a copy of the full report was forwarded to you.

…while Te Pūkenga's audit for 2022 was recently finalised…

54. We updated you in June 2023 (AM-23-00513 refers) regarding the delay in Te Pūkenga's 2022 audit being completed. The delays were primarily due to the complexity of the audit process, which included disestablishment audits for all 17 subsidiaries (which occurred at different times throughout the year), and the underlying year-end audit of the Te Pūkenga group.

55. On 17 July 2023, Audit New Zealand finalised its audit of Te Pūkenga's 2022 accounts, and Te Pūkenga's annual report was provided to you shortly after. The audited financial statements reported a deficit of $80 million for 2022. The Office of the Auditor General's ministerial letter

to you on the audit highlighted an urgent need for Te Pūkenga to improve performance reporting, its financial information systems and controls, and address capability and capacity issues within the finance team. Work is underway by Te Pūkenga to make improvements in these areas.

…and Te Pūkenga's draft Investment Plan for 2024 to 2026 has been submitted

56. On 7 July 2023, Te Pūkenga submitted its draft Investment Plan for the 2024 to 2026 period. The TEC is currently assessing the Investment Plan, although several elements of the Plan have not yet been submitted or are being updated. Te Pūkenga is currently making some updates to the Plan to incorporate the financial plan and transformation roadmap that were submitted at the end of July 2023 and preparing the additional information required. While this is after the due date, the TEC has agreed with Te Pūkenga that a fully complete Plan can be provided on or before 8 October 2023. This will allow funding decisions for 2024 to be made before the end of the year. The TEC has formally written to Te Pūkenga to set expectations on the additional information, and that in future years we expect full compliance with the timeframes for Investment Plan submissions.

Governance

Te Pūkenga has put in place arrangements to monitor the transformation…

57. Recent changes by Te Pūkenga have resulted in the Finance and Capital Investment sub-committee of Council (FINCAP) becoming the key committee that all financial and transformation activity flows through. This is a welcome development, as we consider it important that there is a sub-committee clearly focussed on overseeing key transformation activities.

58. Te Pūkenga has committed to regularly reporting progress against both the transformation roadmap and financial plan to FINCAP. This should hopefully improve the quality of reporting and ensure stronger accountability for delivery. However, the transformation roadmap needs considerably more work to ensure it is fit-for-purpose and to provide governors with the appropriate level of detail for them to effectively monitor performance. We expect FINCAP and Council to be providing clear direction to management on what to prioritise and ensuring an affordable, achievable transformation work programme is in place for management to deliver.

…including governance arrangements for the digital transformation

59. At the end of July 2023, Te Pūkenga's Council approved the high-level governance arrangements for its digital transformation, which includes having two independent members on the group (one as chair). This will meet the requirement of the draft Crown loan agreement. The two independent members are yet to be identified.

9(2)(g)(i) [redacted]

[redacted] [redacted]

9(2)(g)(i) [redacted]

9(2)(g)(i)

[redacted]

[redacted] 9(2)(g)(i)

Next steps and future reports

61. Our next formal quarterly update to you will be in November 2023 following Te Pūkenga's quarterly report for the September 2023 quarter which will be provided to the TEC at the end of October 2023. Over the next quarter we will receive final decisions on the recent organisation structure consultation, updated financial forecasts and enrolment information, a draft Statement of Performance Expectations, and gain a greater understanding of Te Pūkenga's digital transformation plans. These matters will form the basis of our next monitoring report.

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

29 August 2023

Hon Jan Tinetti

Minister of Education

03 / 09 / 2023