



Tertiary Education Report: Final reporting for Institutes of Technology and Polytechnics

Date:	30 March 2020	Report no:	Medium	
Security level:	In Confidence		Minister's office No:	B-20-00184

ACTION SOUGHT		
	Action sought	Deadline
Hon Chris Hipkins Minister of Education	<p>note that amendments to the Education Act 1989 enable you, as Minister, to specify:</p> <ul style="list-style-type: none"> • the contents of the final report of an ITP; and • the date by which the final report must be provided; <p>agree to reduce the minimum requirement for an ITP final report to audited financial statements and extend the timeline for provision to 31 July 2020.</p>	As soon as practicable and before 1 April 2020 if possible
Enclosure: Yes Letter to NZIST Chair designate	Round Robin: Yes/No	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)			
Name	Position	Telephone	1st contact
Gillian Dudgeon	Deputy Chief Executive Delivery	s9(2)(a) s9(2)(a)	
s9(2)(a)	Principal Advisor, Monitoring and Crown Ownership	s9(2)(a) s9(2)(a)	✓

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT

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

Minister's Office to Complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments:

Recommendations

Hon Chris Hipkins, Minister of Education

It is recommended that you:

1. **note** that amendments to the Education Act 1989 enable you, as Minister, to:
 - specify the contents of the final report of an Institute of Technology or Polytechnic (ITP); and
 - specify the date by which the final report must be provided;
2. **agree** that–
 - the minimum requirement for an ITP final report is reduced to audited financial statements;

AGREED **NOT AGREED**

and

- the timeline for provision of the final report is extended to 31 July 2020;

AGREED **NOT AGREED**

3. **note** the recommendations are supported by the Office of the Auditor-General;
4. **sign and send** the draft letter to the Chair designate of NZIST;
5. **agree** that the TEC release this briefing in full.

AGREED **NOT AGREED**

AGREED **NOT AGREED**



Gillian Dudgeon
Deputy Chief Executive, Delivery
Tertiary Education Commission

30 March 2020



Hon Chris Hipkins
Minister of Education

03 / 04 / 2020

Purpose

1. Following the establishment of the New Zealand Institute of Skills and Technology (NZIST) and the disestablishment of Institutes of Technology or Polytechnics (ITPs), as Minister of Education you are required to present the final report of each ITP to the House of Representatives.
2. This paper asks you to use powers provided by the Education (Vocational Education and Training) Amendment Act 2020 to determine requirements for the content and timing of ITP final reports for the period 1 January 2020 to 31 March 2020.

Background

NZIST subsidiaries are responsible for final ITP reporting

3. The legislative framework is provided by the Public Finance Act 1989 and by the Education (Vocational Education and Training) Amendment Act 2020 [Amendment Act].
4. The Amendment Act specifies that an ITP converted into a corresponding NZIST subsidiary must be treated as if it were disestablished and its operations transferred to the corresponding subsidiary. In these circumstances, a final report is required.¹
5. The Amendment Act also specifies that the ITP's corresponding NZIST subsidiary is responsible for providing the ITP final report.²

Legislation allows you to determine contents and timing of ITP final reports

6. As Minister, you are authorised by the Amendment Act to determine the contents of the final report and the date or dates by which the contents of a final ITP report must be provided.
7. This authority is granted despite requirements of the Public Finance Act 1989 that the final report must be prepared as if it were an annual report and provided not later than three months after the disestablishment date, in this case by 30 June 2020.
8. An annual report would include audited financial statements, a statement of service performance, and a report on operations in accordance with the Education Act 1989 (section 220).

Reporting at 31 March provides a misleading picture of annual performance...

9. ITPs normally receive significant revenue in the first three months of the academic year from student fees and other sources against expenses that are incurred throughout the year, including lease and personnel costs and other costs of provision. Although management accounts may take account of these variations, financial statements compiled as at 31 March are not indicative of full-year performance.
10. Reporting on educational performance at the three-month point is also rarely indicative of full-year performance as many students have only just begun courses they may not complete until year-end.

¹ Public Finance Act 1989 (section 45L)

² Education (Vocational Education and Training) Amendment Act 2020 (Schedule 1 paragraph 46 (1-2)).

...and can be minimised

11. We have discussed options with the Office of the Auditor General (OAG). We recommend you authorise a minimum final reporting requirement for ITPs of audited financial statements as at 31 March 2020. An ITP could provide a short commentary to explain the limitations of reporting at the end of the first quarter.
12. We recommend service performance reporting is delayed to the first report of the corresponding Crown entity subsidiary of the NZIST. A delay is provided for in the Public Finance Act 1989 (section 45L) where the operations of a disestablished entity are transferred to a new entity. Full-year reporting as at 31 December 2020 would provide a more realistic and readily comparative picture of service performance than reporting for any shorter period (whether three months to 31 March 2020 or a nine month period from 1 April 2020).
13. No limitation exists on information that may be included in a report. While the first report of a corresponding subsidiary would be required to show financial statements from the date of its establishment, 1 April 2020 to 31 December 2020, full-year figures from 1 January 2020 could be included for comparative purposes.

Allowing an additional month would mitigate resourcing issues

14. We have also discussed timing with the OAG and extending the normal three-month deadline in order to better provide for preparation and auditing of the final reports.
15. We recommend the normal requirement to provide a final report is extended by one month to four months. The extension would allow two months for preparation and two months for completion of auditing and would mitigate any resourcing issues at NZIST, its subsidiaries, or Audit New Zealand.

Legislation addresses issues of responsibility in the annual report

16. When each ITP is replaced on 1 April 2020 by a corresponding Crown entity subsidiary of NZIST, the annual report for 2019 of each ITP may not be available for the outgoing council to authorise.
17. If the outgoing council Chair is not available to meet the requirement to sign the statement of responsibility with the Chief Executive, the Chief Financial Officer can authorise the statement of responsibility alongside the Chief Executive (Education Act 1989, section 220 (2AA)).
18. The announcement last week about the new boards of directors for the subsidiaries partly mitigated concerns – with the council Chair of five ITPs transitioning to chair the board of directors and other previous council members appointed as directors.

Next Steps

19. We attach a draft letter to the Chair designate of the NZIST. If you agree to limit the requirement for the ITPs final reporting in line with our recommendations and extend the timeline, please sign and send the letter to the Chair designate of NZIST.

Murray Strong
Chair Designate
New Zealand Institute of Skills and Technology

By email: s9(2)(a)

Dear Murray

I am writing to let you know my requirements for the final reporting of the Institutes of Technology and Polytechnics (ITPs). The Tertiary Education Commission will let you know if any of Parliament's arrangements for managing if COVID-19 impacts on the requirements for final reports set out in this letter, or on the requirements for the 2019 annual reports of the ITPs.

Transition provisions in the Education (Vocational Education and Training) Amendment Act 2020 vests the requirement to provide a final report for an ITP in the corresponding Crown entity subsidiary of the New Zealand Institute of Skills and Technology (NZIST) (Schedule 1, paragraph 46). The Amendment Act also empowers me to determine the contents and timing of that final report. I have considered advice provided and how best to achieve a smooth transition.

I have determined that the minimum requirement for the final report of an ITP will be audited financial statements only. Other accountability requirements set out in the Education Act (section 220) are transferred to the first report of each Crown entity subsidiary as at 31 December. This includes service performance reporting and reports on the operations that would be more useful on annual basis, 1 January 2020 to 31 December 2020.

An additional month will be provided for completion of the final report and auditing of the financial statements. Instead of 30 June 2020, the timeline for providing me with the final report is, at present, extended to 31 July 2020.

My decisions are intended to assist in the smooth transfer of operations to the NZIST and its subsidiaries. Thank you again for accepting a leadership role as NZIST Chair in this vital reform of tertiary education.

Yours sincerely



Hon Chris Hipkins
Minister of Education