



Ref: OI/19/00428

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Date

9(2)(a)

Dear 9(2)(a)

Thank you for your request, received on 19 March 2019, for the following information under the Official Information Act 1982 (the Act):

*"Hi 9(2)(a) can I please repeat my previous OIA request re Tai Poutini Polytechnic. Many thanks."*

The previous request you refer to was submitted on 5 November 2018 and was for the following:

*"Under the OIA please may I request any reports on Tai Poutini Polytechnic in the past six months.*

*I'm esp interested in anything from Murray Strong, to TEC and to the Minister. Or any update on its current state and future.*

*I'm not interested in standard reporting, if this helps narrow things."*

I am releasing the information referenced in the attached table.

In compliance with the Official Information Act, I am withholding some information in the released documents. Redactions are clearly marked, with reasons for the redactions provided.

I am satisfied, in terms of section 9(1) of the Act, that the need to withhold the information referred to above is not outweighed by other considerations that render it desirable, in the public interest, to make the information available.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

The TEC intends to publish its response to this request on our website with your personal details removed. Consistent with the Act, we are publishing responses in the interests of transparency and accountability, and to improve access to official information.

Yours sincerely

Tim Fowler  
Chief Executive  
Tertiary Education Commission



## Information released under the Official Information Act (1982)

Item No	Date	Document Type	Title	Reference/ Notes	Release
1	03/12/2018	Board Paper	Tai Poutini Polytechnic 2019 Investment Plan Approval	A1327841	Release in full
2	28/11/2019	Letter	Tai Poutini Polytechnic update to Minister Hipkins from Commissioner Murray Strong	n/a	Release, with information withheld under sections 9(2)(a) and 9(2)(b)(ii)
3	20/11/2018	Progress report	TPP Transition Project Progress Update Nov 2018	n/a	Release, with information withheld under sections 9(2)(b)(ii) and 9(2)(f)(iv)
4	20/02/2019	Progress report	TPP Transition Project Progress Update Feb 2019	n/a	Release, with information withheld under sections 9(2)(b)(ii) and 9(2)(f)(iv)
5	12/12/2018	Briefing	Tertiary Education Report: Tai Poutini Polytechnic Capital Injection – Final Instalment	B-18-00931	Release, with information withheld under section 9(2)(a)

**From:**

s9(2)(a)

**Approved:**

Gillian Dudgeon, Deputy Chief Executive, Delivery Directorate

Tim Fowler, Chief Executive

**Recommendations**

Based on the advice and recommendations of the Chief Executive, it is recommended that the Board of Commissioners (the Board):

- A. **Approve** a one year Investment Plan and associated funding recommendation for 2019 for Tai Poutini Polytechnic (TPP) as outlined in Appendix A of this paper;
- B. **Note** that in December 2017 you approved funding of \$4.2 million for TPP for the first six months of 2018, and in June 2018 you approved a further \$4.7 million, taking total Plan funding to \$8.9 million for 2018;
- C. **Note** that TPP's 2018 allocation was subsequently amended down to \$7.4 million in September 2018 due to forecast under-delivery;
- D. **Note** that in June 2018 you were updated by the Crown Manager, Murray Strong, on TPP progress against the targets and agreed actions in its Capital Injection Funding Agreement;
- E. **Agree** to note, in the minutes of your meeting, any details of the proposed funding recommendation that you do not approve, the reasons why, and any alternative decisions made; and
- F. **Note** that if there are any significant variations proposed to funding allocations in the 2019 year, we will seek amendments as per the TEC delegations framework.

### This paper asks for your approval of the Investment Plan (Plan) for TPP

- 1 In this paper, we seek your approval of a one year Plan and associated funding recommendation for TPP for 2019. This funding amounts to \$4,125,102 in total, with a fund breakdown provided in Appendix A. The recommended funding is approximately \$3.4 million less than TPP's total funding for 2018.
- 2 TPP has been under significant financial pressure, requiring a capital injection from Government to maintain the operation and cover a significant debt owed to the TEC following an investigation.

- 3 Earlier this year TPP was given an External Evaluation and Review (EER) Category 4 rating by the New Zealand Qualification Authority (NZQA). An improvement plan was agreed and performance against this is being closely monitored by NZQA. A follow-up EER will be carried out by NZQA in early December 2018.

### **The Minister has delayed a decision on the future of TPP pending the outcome of the ITP Roadmap 2020 project**

- 4 At the end of 2017 TPP's Crown Manager submitted a Business Case to the Minister proposing options for structural change. The Minister decided to postpone any decision on the Business Case at that time, preferring to wait for the outcome of the ITP Roadmap 2020 project. A capital injection (\$8.5 million) was approved by Cabinet to provide financial support for TPP in 2018 and 2019. The funding has been used to keep TPP operating and make necessary improvements to its educational provision.
- 5 TEC and NZQA staff have worked closely with TPP during the year and good progress has been made against the targets and actions agreed in the Capital Injection Funding agreement. The final funding tranche (\$2.05 million) is due to be paid before the end of 2018.

### **TPP's Investment Plan proposes a significant reduction in funding following changes to out-of-region delivery**

- 6 Until recently TPP delivered over two thirds of its programmes outside the West Coast. TPP's Music and Audio Institute of New Zealand (MAINZ) had delivery sites in Auckland and Christchurch, which have subsequently been transferred to Southern Institute of Technology (SIT).
- 7 Scaffolding, ropes and rigging (in Auckland, Christchurch and Wellington) is in a process of transition to the Skills Org, to be funded and delivered as industry training. With substantial numbers of Māori and Pasifika students at TPP currently engaged in these trades, the shift to industry training will very likely have a significant impact on TPP ethnicity demographics for 2019. TPP has also closed down most of its other out-of-region delivery in specialist (cranes, digger school) trades.
- 8 In preparing its Plan TPP undertook extensive research into the skills and qualifications needed by West Coast businesses and potential students. A number of new programmes are now being developed to reflect the needs of its stakeholders. TPP is proposing to partner with other providers to deliver programmes for which TPP has no capability. Agreements have been signed with SIT, the Open Polytechnic and Te Wānanga o Aotearoa.
- 9 TPP is being recommended for a one year Plan approval (rather than for a six month approval) because it is on a slow improvement trajectory, realising a number of efficiencies during 2018 as it realigns its delivery model to generate savings, while at the same time rationalising its provision to best meet local West Coast needs.

## TPP's future remains uncertain

- 10 Despite steps being taken by TPP to reduce costs and right size its delivery model, low student numbers make most programmes financially unviable. The capital injection has included a component to “top up” the Student Achievement Component (SAC) funding that will sustain TPP through to the third quarter of 2019. Changes to the funding model, or a further “top up”, would be necessary for TPP to remain viable in its current form.
- 11 The Crown Manager, an interim Chief Executive and contracted staff have provided the leadership necessary to improve institutional performance, but it is still unclear whether enough has been done to embed their changes. The outcome from the next EER, in December 2018, will be critical to determine what more may be necessary to give TEC confidence in TPP's future.

## Appendix A – Approval of 2019 funding allocation for TPP

<i>On Plan Funds</i>	2017 Actual Funding	2018 Approved Allocation	2019 Indicative Allocation	2019 Recommended Allocation	% change 2018–2019
Student Achievement Component Levels 1 and 2	\$502,516	\$54,000	\$54,000	\$54,000	0.0%
Student Achievement Component Levels 3 and above	\$12,721,067	\$6,295,062 <sup>1</sup>	\$6,295,062	\$3,603,082	-42.8%
<b>Total SAC</b>	<b>\$13,223,583</b>	<b>\$6,349,062</b>	<b>\$6,349,062</b>	<b>\$3,657,082</b>	<b>-42.4%</b>
<b><i>Other On Plan Funds</i></b>					
ACE Search and Rescue (SAR)	\$794,915	\$678,340	-	\$0 <sup>2</sup>	-100.0%
Youth Guarantee	\$795,799	\$518,049	\$518,049	\$468,020	-9.7%
Equity Funding	\$55,610	\$40,831	-	TBC	TBC
<b>Total Other On Plan Funds</b>	<b>\$1,646,324</b>	<b>\$1,237,220</b>	<b>\$518,049</b>	<b>TBC</b>	<b>TBC</b>
<b><i>Off Plan Funds</i></b>					
ACE Emergency Management (EM)	\$119,525	\$24,800	-	\$0 <sup>3</sup>	-100.0%
<b>Total Off Plan Funding</b>	<b>\$119,525</b>	<b>\$24,800</b>	<b>-</b>	<b>\$0</b>	<b>-100.0%</b>
<b>Total Funding being approved in this paper</b>	<b>\$14,989,432</b>	<b>\$7,611,082</b>	<b>\$6,867,111</b>	<b>\$4,125,102</b>	<b>-45.8%</b>

<sup>1</sup> Amended allocation incorporates \$1.4M Plan amendment from September 2018.

<sup>2</sup> Because of late policy changes to approving ACE (EM) and ACE (SAR) funding for 2019, those parts of TPP's Investment Plan addressing these funds were withdrawn and therefore not assessed.

<sup>3</sup> See 2 above.

28 November 2018

Hon. Chris Hipkins  
Minister of Education  
Parliament Buildings  
WELLINGTON  
Email [chris.hipkins@parliament.govt.nz](mailto:chris.hipkins@parliament.govt.nz)

Dear Chris

### 2018 SUMMARY - UPDATE ON TAI POUTINI POLYTECHNIC (TPP)

I'm pleased to be able to provide you with an update on TPP's progress and key achievements over the past 12 months.

We started by redefining the purpose of the institution – our purpose is to develop a strong and healthy regional workforce through connecting individuals with opportunities leading to positive employment and earnings outcome and enabling regional economic development through social investment.

During the year our work programme focused on a range of areas:

- Student outcomes;
- Change management and maintaining/building staff morale;
- Open communication with staff and our community about the nature and scale of the challenges for TPP;
- Financial viability and sustainability;
- Structural realignment and right-sizing;
- Reduction in the programme portfolio with a consequent reduction in delivery sites;
- Quality systems and process improvement;
- Reconnecting with our community and rebuilding those relationships; and
- Our commitments to you as shareholding Minister, the TEC and NZQA.

Working across all these areas was particularly challenging within the changing context of the future of the ITP sector and its various components. However, we have remained single-minded in our approach to TPP and its student's needs.

**The quality improvement plan is progressing. Of note:**

- A number of parallel projects were progressed in 2018. While solid progress has been made in all areas (as agreed with NZQA and TEC), these changes are profound and require time to improve and consolidate capability gains;

- The roles of Director Recovery Activities and Director Project Management Office were established to manage significant components of the programme of work. This also ensured that our teaching and support staff could maintain a focus on our students and capability development;
- The CEO, Mr. Alex Cabrera and I, have continued to lead and support the change programme to ensure a greater emphasis on students, teaching and learning, effective communication with stakeholders and greater consistency across the organisation; and
- 87% of actions listed in the agreed 2018/2019 EER Implementation Plan have been completed and in most cases the implementation is progressing well - from staff being aware of the changes through to consistent application of these. The final stage of fully embedding actions into business as usual will be one of our focus as we begin 2019. Our 2018 EER begins 04 December.

### Organisational Culture

A people-first approach has been used to change organisational culture. Placing values above all else, investing in human capital and empathetically mentoring staff, has created a positive workplace culture that will improve productivity and create better links with our community.

The introduction of a shared management framework and living up to a set of shared values is driving the cultural changes. We have:

- Changed our organisational structure to re-emphasise the focus on teaching and learning, increased focus on regional needs and redeveloping roles to clarify accountability and responsibility;
- Created a single faculty to discourage the continuation of the silo approach and the creation of independent processes which did not reflect TPP policies or priorities;
- Reduced the number of managers and developed more clearly defined responsibility and accountability that emphasises the focus on accountability, effectiveness, efficiency and academic quality.

### Planning for Future Viability

A key aspect is right sizing the organisation and refocusing on regional needs. Financial constraints have been exacerbated by loss of a significant proportion of TPP's provision. The changes being made are creating short-term difficulties but long-term efficiencies. The principal benefit has been the understanding of the true cost and contribution of our mix of provision and its alignment to West Coast requirements.

TPP has exceeded the target of \$5m ongoing savings as agreed with central agencies. We expect the saving in 2018 to be in the order of \$5.9m. This has been achieved through prudent financial management, alignment of expenditure with learner needs and enhanced internal controls.

TPP has reduced the annual pay bill by \$4m since December 2017. Not all of these savings will be recognised in the 2018 accounts due to the timing of changes. The 2019 forecast will see the full impact of the \$4m savings.



Secured MOE funding is down \$1.7m from the original budget due to mix of provision changes as agreed with the TEC and our change programme to make offerings relevant to the West Coast. Revenue has been impacted by limited take-up on transition to ITO delivery and the discontinuation of non-strategic and poor quality delivery.

Accordingly, TPP and TEC have adjusted payment schedules during the year to avoid a repayment requirement in 2019. I am pleased to report that TPP has sufficient cash to cover its operations to the end of 2018 with a forecast closing balance of s9(2)(b)(ii).

The combined effect of the above will have a negative impact on TPP bottom line of circa \$1.8m.

### Student satisfaction

TEC has recently published the MyQ results for the sector. TPP's overall satisfaction results are 3% higher than the tertiary sector results. Of particular interest, an outstanding 92% of graduates would recommend their recently completed TPP qualifications to others. This is 6% higher than the results for the ITP sector.

These results build a quality profile with learners that is important to increase relevance and participation especially on the West Coast.

### 2019 and Beyond

In 2019 TPP will continue to reduce operational costs, continue to provide students with delivery that meets quality standards and new programmes will be introduced in 2019 to meet local requirements and as TPP quality improves.

As a result of the significant effort on connecting employers with job seekers on the West Coast in 2018, next year we will work to establish a West Coast Careers Hub, to give local people access to information on a range of career and training options in one location.

The hub will be based at Tai Poutini Polytechnic's Greymouth Campus with contact points in Hokitika, Westport and Reefton. As part of the Hub, TPP will be launching our new web applications called Coast Connect. This application is specifically designed to assist employers and job seekers to match skills, skill requirements and with TPP facilitating and brokering, where necessary, ongoing tailored training to meet the needs of both. We are planning to launch the application in early February 2019.

While many of the risks that gave rise to the intervention have been removed or reduced, the embedding of the change programme and incorporation of TPP into the wider ITP sector changes suggests the intervention continue. TEC, MOE and NZQA will continue to receive quarterly reports and briefings.

In summary much work still needs to be done but we are satisfied with the progress made to-date. The Chief Executive, Mr. Alex Cabrera, and his team have worked very hard and to great effect as noted by the above.

I would like to thank you for your and your Cabinet colleagues ongoing support. Please also note our thanks to the Tertiary Education Commission and its value-add activities - s9(2)(a) and of course Tim

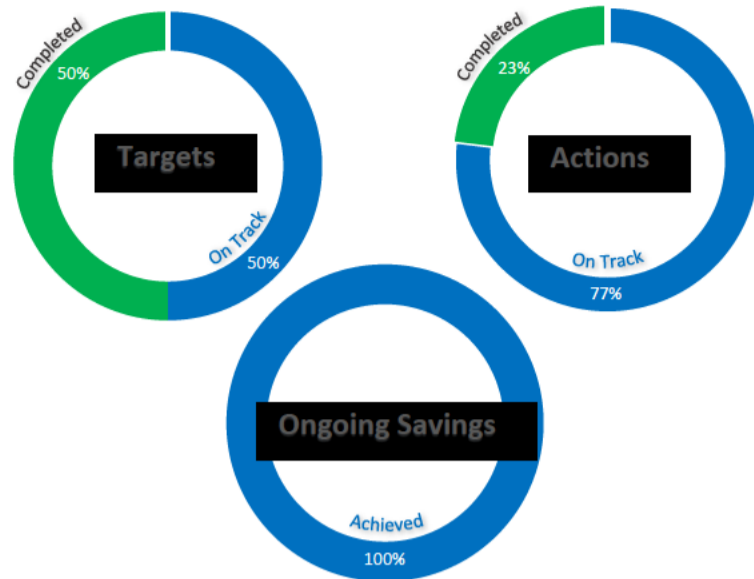
Fowler continue to provide professional and helpful advice and support as do officials from the Ministry of Education, NZQA and The Treasury.

Your sincerely

**Murray W. Strong**  
Crown Manager

Cc. Mr. Tim Fowler, Chief Executive, TEC  
Mr. Alex Cabrera, Chief Executive, Tai Poutini Polytechnic

## Highlights



On track At risk Completed

**Central oversight and consistency**  
Stage three of organisational structure change currently being implemented. Decision due week commencing 19 November.

**Quality and moderation**  
Progress against the EER Improvement Plan has been self-assessed against how well staff are aware and processes are embedded. Staff awareness has increased considerably.

**Collaboration**  
TPP met with new Chief Executive for Te Wānanga o Aotearoa to reconfirm the collaborative partnership and discuss potential opportunities going forward.

**Department of Conservation**  
Training calendar developed in conjunction with West Coast DoC to provide training opportunities for DoC employees to develop transferable skills into other areas within DoC therefore reducing attrition rates for the West Coast. Particularly important for the West Coast where it is difficult to recruit for ranger positions.

**Connecting employers with job seekers on the West Coast**  
Web application look and feel developed and initial information from local employers gathered to populate the site with 'real' information. Initial minimum viable product due for release in early February.

## Progress against targets

### Ongoing operation savings of \$5 million

- Ongoing savings of \$5.8m achieved. 18% uplift on plan.

■ **s9(2)(b)(ii)**

### Improve EER rating to category 3 by December 2018 (EER visit scheduled 4-7 Dec)

- Quality improvement roadmap developed that identified process gaps in the implementation and embedding of the EER Improvement Plan. The roadmap actions have been completed and a self-assessment process done to identify what impact the EER Improvement Plan actions has had on TPP. Further actions identified as a result.
- EER professional development sessions provided weekly and focused workshops developed for areas of weakness identified in mock EER.



### Develop and document relationships with SIT, Open Polytechnic, Te Wānanga o Aotearoa

- MoU developed and signed with SIT for academic support and delivery.
- MoU developed and signed with Open Polytechnic for academic support and delivery.
- MoU developed and signed with Te Wānanga o Aotearoa for delivery support.

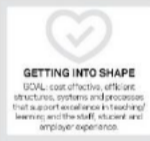


### Increase staff capability, academic quality and improve self-assessment

- Programme Evaluation Process developed and trialled to provide a more consistent and more frequent self-assessment across programme areas than the current annual review. Initial findings are positive.
- Withdrawal data dashboards and Student Support data dashboards implemented to provide deeper level of data for programme interrogation to inform quality improvement.
- Graduate destination data gathering process developed, initial focus on programme areas undertaking consistency reviews. Process is more user friendly for graduates and employers.
- Self-assessment against Terms of Reference for Academic Board and Management Team has identified areas for improvement.
- Self-assessment Facilitation Group set up to ensure a continuation of learning once EER 2018 is complete.

### Centralisation of organisational structure to enable quality improvement and oversight

- Stage 3 consultation complete. Decision document due for release late November.
- New Institutional Academic Committee with revised Terms of Reference created to 'reset' expectations under new centralised faculty.
- Work on capability building in progress with new induction process being trialled.
- Delays incurred during restructures likely to impact negatively on financial bottom line.



### Improve management and compliance accountabilities

- Legislative Compliance Policy and process developed. New process includes central monitoring of TPP Compliance Action Plan to reside with Risk Management Committee. Updating of the Compliance Action Plan to sit with Chief Executive.
- Learning Hours Audit Summary update shows progress made in assessing student contact hours, total teaching hours against prescribed teaching hours, and determining definitions for learning hours. Expecting all programmes student contact hours mapped in APlus+ and monitored 'real time' for 2019 delivery. Self-directed learning hours yet to be included in this process.
- TPP Internal Policies to include internal audit schedule that aligns with policy review dates for 2019.

### Workforce and training needs analysis completed for West Coast region

- Workforce and training needs analysis completed to inform MoP.
- Survey of West Coast businesses in collaboration with Development West Coast completed.
- Current job prospects on the West Coast collected and analysed to determine alignment with training needs analysis.

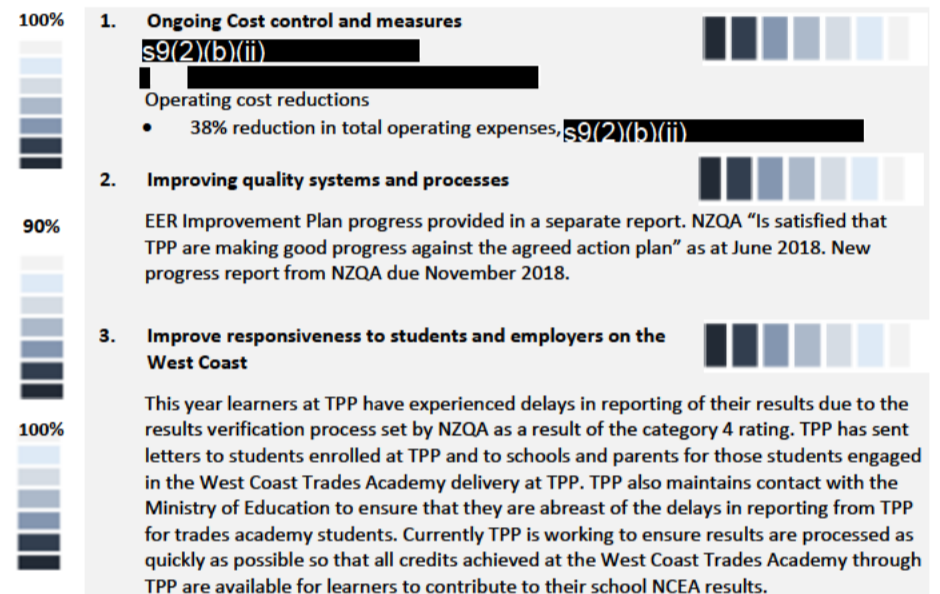


### Mix of provision aligned with West Coast region workforce and training needs analysis

- Web application called 'Coast Connect' demonstrated to employers and community stakeholders for feedback.
- Mix of Provision developed for TPP Investment Plan – Investment Plan with TEC Investment Manager for approval by TEC Board.
- Staff, community, iwi and industry stakeholders canvassed to inform Mix of Provision



## Progress against actions



### Challenges/Mitigation

- Challenge** – Scale and scope of change initiatives required to turn TPP around eg becoming a student centric organisation, financial viability, building organisational capability, structure realignment, right-sizing, programme rationalisation with resulting reduction in sites/revenue, change management and maintaining staff morale, quality systems and processes, improvements, meeting commitments to agencies, stakeholder and community relationships. **Mitigation** - prioritisation of tasks that have the greatest impact on outcome. Internal capability built with support from external expertise.
- Challenge** - Managing internal changes in the context of growing and prolonged uncertainty where far-reaching changes in the structure of the tertiary sector is predicted, creating another layer of tension and complexity particularly in terms of creating a vision for TPP. **Mitigation** - Open and transparent communication with staff and agencies. Ongoing focus on stakeholder and community relationships.
- Challenge** - Implementing and imbedding quality processes and new culture across staff and sites within a short time-frame. **Mitigation** - Two new roles established to manage and monitor significant components of the improvement plan The Director Recovery Activities and Director Project Management Office focused on change activities and guiding staff through critical business as usual activities.
- Challenge** - Achieving future viability and right sizing the organisation while losing significant proportion of TPPs provision. **Mitigation** - Refocusing on regional needs, improving relevance, reducing costs and improving productivity. On-going communication outlining the long-term benefits of current initiatives and efficiencies.
- Challenge** - Organizational capability to ensure TPP continues to move forward. De-escalation of the intervention prior to new practices and leadership being confirmed/embedded and/or insufficient guidance from agencies regarding the future state of the ITP sector. **Mitigation** - Capability building and ensuring a strong governance and management team underpin future viability and continues improvements.
- Challenge** - Conflicts of interest for management and governance roles given the small population size of the West Coast. **Mitigation** – Clear roles and responsibilities. Policy, register and disclosure requirements. Management and governance roles need to manage their interests in a way that is transparent and does not compromise the decision that is being made as per Office of the Auditor General guidance.
- Challenge** – Tangible movement in culture required within short timeframe. **Mitigation** – Redevelopment of roles to clarify accountability and responsibility. Creation of a single faculty to support central oversight, internal communications, process development and organizational cohesion.
- Challenge** – Consistent application of policies and procedures to meet compliance requirements. **Mitigation** – A reshaped organisational structure with the requisite leadership capability and community connections to execute the new business model, with clear performance responsibilities and accountabilities for all staff and management. Creation of a single faculty with the associated Institutional Advisory Committee. Rationalisation of teaching sites. Centralised processes including electronic repository of key documents. New schedule of delegated functions and powers.
- Challenge** – Lack of self-assessment capability across the organisation. **Mitigation** – Capability development initiatives with a particular focus on self-assessment for staff, management and governance. Embedding self-assessment in all TPP functions and processes.

## Challenges

## Performance Summary

October 2018

s9(2)(b)(ii)

### Key Comments

- We have met the target of \$5m ongoing savings (currently sitting at \$5.8m).
- We are forecast to have \$4.7m in the bank at the end of 2018.
- Secured MoE funding is down \$1.7m from the original budget due to MoP transformation.
- The combined effect of the above is a forecast negative impact to the end of year bottom line of \$1.8m (this does not allow for regional subsidy).
- We will
  - Continue to enrol students provided delivery meets quality standards.
  - Focus capital expenditure on Health and Safety.
  - Continue to assess operational costs and reduce where possible

### Revenue

Tuition fees are \$380k behind budget, there was a large rollover of EFTS from 2017 (366 EFTS) for which tuition fees were recognised in 2017. Full cost recovery has picked up recently and is now \$45k ahead of budget. ITO funded delivery for Skills has only just commenced resulting in a delay to revenue.

s9(2)(b)(ii), s9(2)(f)(iv)

s9(2)(b)(ii), s9(2)(f)(iv)

### Operational Expenditure

Operational expenditure is below the revised budget and represents savings of \$2.3m compared to the original 2018 budget and 2017 actual.

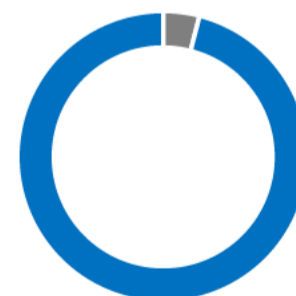
### Depreciation

Depreciation is slightly (\$75k) less than the revised 2018 budget and \$353k less than the original budget. This is a 30% reduction on 2017 depreciation. The ARC group have been reviewing utilisation and disposing of a number of vehicles and other assets, this will continue for the remainder of 2018 to provide further savings.

### Surplus/Deficit

The reduced revenue and increased staffing costs at this stage are having a large impact on the bottom line compared to budget. Actions are being identified and taken to mitigate any erosion to the bottom line.

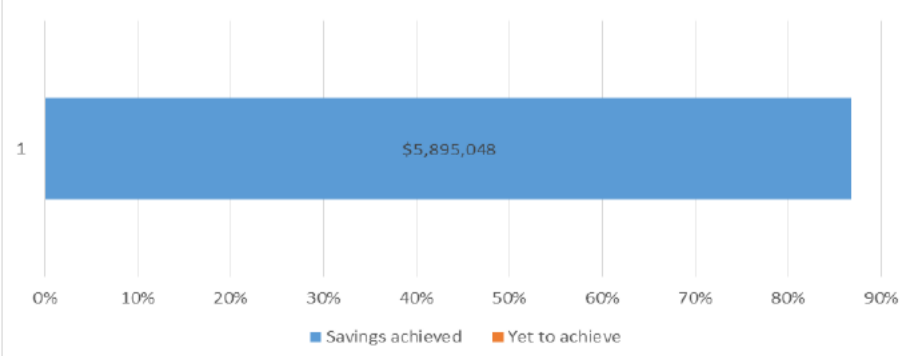
Target EFTS 899.8 Consumed EFTS YTD 863 as at 31 October 2018



Please note that the EFTS figures quoted in the financial report above are the EFTS consumed, i.e. the proportion delivered ytd, not the total value of EFTS enrolled for the year.

s9(2)(b)(ii)

Progress towards \$5m ongoing savings



### 2018 ytd savings compared to \$5m target

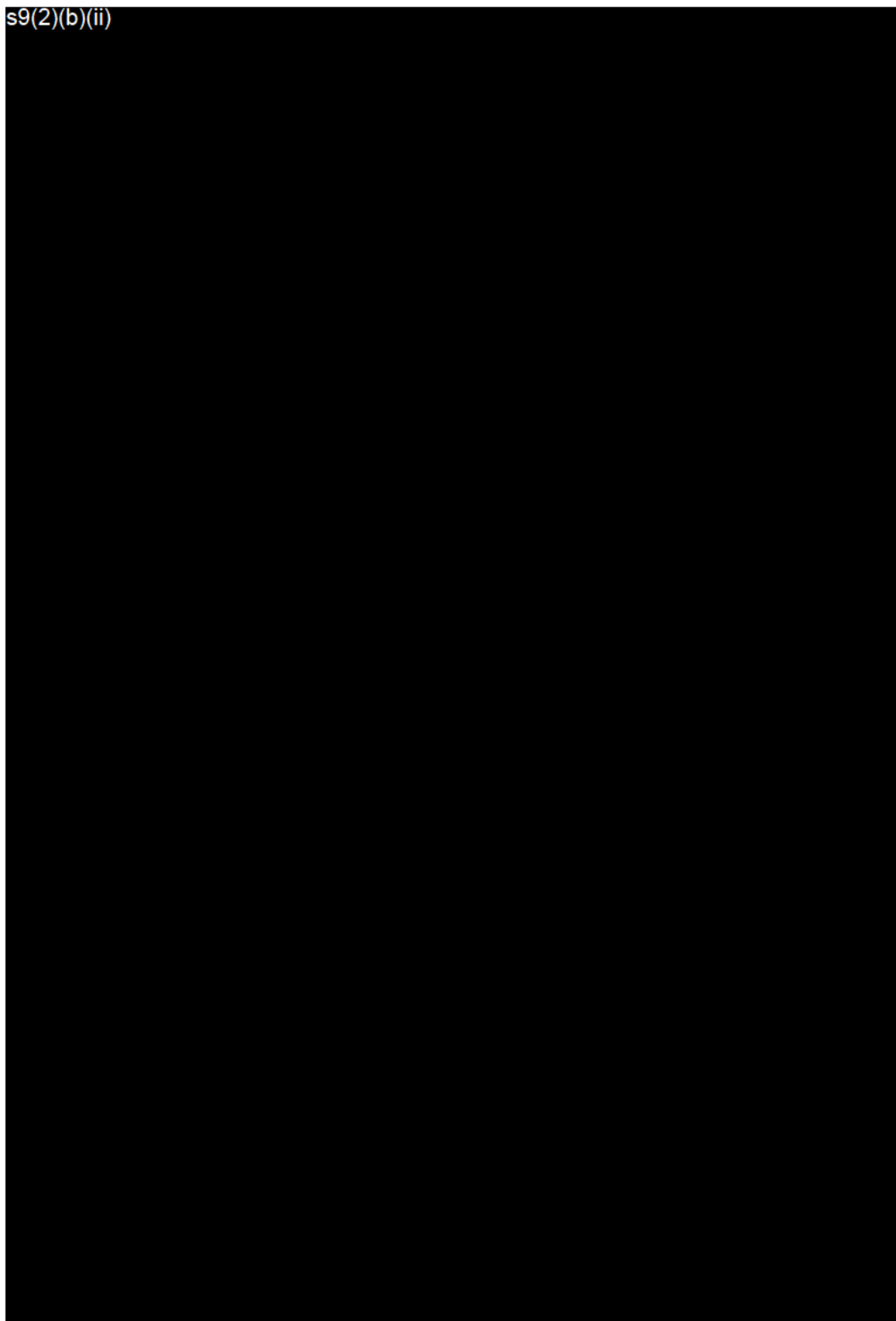
We have achieved more than the \$5.8m target savings and 18% uplift on plan.

We have transferred leases to the value of \$0.9m with associated outgoings of \$0.3m and reduced the annual paybill by \$4.2m since January 2018. s9(2)(b)(ii)

### Capital Injection spend as at 31 October 2018

	Spend (\$000s) As at October 2018	Budget (\$000s) 2018 Full Year
Project Management	223	300
HR & Change Management	1401	1700
Staff Development	24	200
Academic	367	600
Systems	140	500
Facilities and Capital	53	500
Communications and Student Assistance	87	200
Compliance	200	200
Transitional deficit and remote subsidy		2250
	<b>2495</b>	<b>6450</b>

s9(2)(b)(ii)



### Key Comments

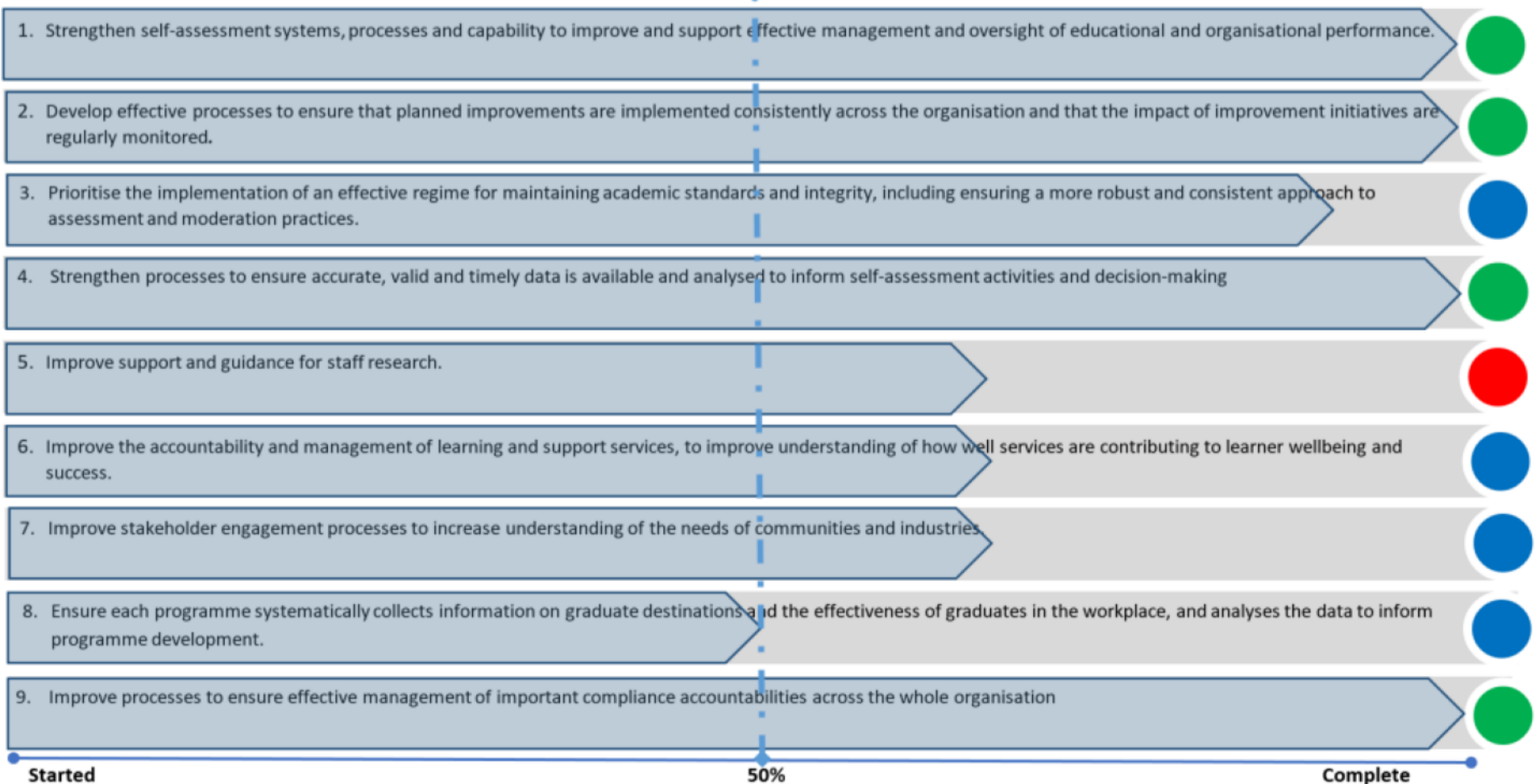
- The remote subsidy included in the 2019 budget is less than that required and refers to an amount allocated in the last cash injection. TEC work on a July to June financial year, whereas ITPs have a January to December financial year. We are awaiting a decision from the Minister on any additional amount for the remainder of 2019.
- Target EFTS is 700 for 2019. EMSAR funding is unlikely to be allocated to TPP for 2019 representing a reduction of \$1m in funding.
- Reduction in MoE funding and associated tuition fees funding is due to cessation of delivery of low quality programmes and those that do not align to the West Coast region.
- Paybill reduction was delayed in 2018 due to timing of restructures and inability to recruit some permanent positions.
- ITO funding expectations were not met in 2018 due to delay in new model delivery. This will have a flow on effect on funding expectation in 2019.

s9(2)(b)(ii)



Tai Poutini Polytechnic has outlined a number of actions against the nine objectives agreed with NZQA after the External Evaluation and Review conducted in November 2017. The indicators below show the progress the institution is making against each of the objectives.

**Key:** On Track ● Completed ● Less than 50% ● At risk ●



## Highlights



**Central oversight and consistency**  
Stage three of organisational structure change completed. New control processes in place for 2019.

**Quality and moderation**  
Progress against the EER Improvement Plan has been self-assessed against how well staff are aware and processes are embedded. Staff awareness has increased considerably.

**Department of Conservation**  
Training calendar in development in conjunction with West Coast DoC to provide training opportunities for DoC employees to develop transferable skills into other areas within DoC therefore reducing attrition rates for the West Coast. Particularly important for the West Coast where it is difficult to recruit for ranger positions.

**Connecting employers with job seekers on the West Coast**  
Web application for Coast Connect developing and launch scheduled for the end of March. TPP will be the connector between employers and seekers, which could be students as well as people from the community.

On track At risk Completed

The requirements of the Capital Inject Funding Agreement for 2018 have been met in their entirety. 2019 targets and actions are an extension of the targets for 2018 with the expectation that TPP will lift its performance further. The focus for 2019 is to fully embed new processes and culture developed in 2018. The challenges for 2019 remain the same as for 2018.

## Progress against targets

- Ongoing operation savings of \$5 million**

  - Ongoing savings of \$5.8m achieved. 18% uplift on plan.
  - **s9(2)(b)(ii)**

**What's next:** Continue efforts to achieve ongoing savings of \$6 million for 2018/2019

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- Improve EER rating to category 3 by December 2018 (EER visit scheduled 4-7 Dec)**

  - EER conducted in December 2018. Awaiting result of EER.

**What's next:** Self-assessment Working Group continuing from 2018 to embed self-assessment across the organisation lifting self-assessment capability and educational performance. **Quality Improvement Plan for 2019** developed extending 2018 actions and efforts to ensure momentum gained in 2018 is continued in 2019.

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- Develop and document relationships with SIT, Open Polytechnic, Te Wānanga o Aotearoa**

  - MoU developed and signed with SIT for academic support and delivery.
  - MoU developed and signed with Open Polytechnic for academic support and delivery.
  - MoU developed and signed with Te Wānanga o Aotearoa for delivery support.

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- Increase staff capability, academic quality and improve self-assessment**

  - Programme Evaluation Process trialled in 2018 rolled out to all programmes for 2019. Consistent outputs sought for 2019. Self-assessment against NZQA self-assessment and educational performance rubrics to feature in the organisation 'testing' staff capability and academic quality.
  - Academic Board workplan self-assessed and revised to ensure consistent academic oversight to improve academic quality of teaching and delivery.

**What's next:** Continued use of data dashboards and a revision of existing against self-assessment feedback from Tutors for 2019. Graduate destination data gathering rolled out for all programmes in 2019 using trialled process. Self-assessment and monitoring of impacts of quality improvements to become a standing item for discussion at team meetings, leadership meetings and for formal committees.

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- Centralisation of organisational structure to enable quality improvement and oversight**

  - Stage 3 implementation completed and new structure in place. New leadership team in place and induction, goal and expectation setting completed. Delays incurred during restructures have negatively impacted on the financial bottom line.
  - New Institutional Academic Committee with revised Terms of Reference created to 'reset' expectations under new centralised faculty.

**What's next:** Work on capability building with new induction process being developed. Management training plan developed for 2019. Culture project to be implemented to consolidate organisation after the restructuring process and significant changes to prepare staff for sector changes that may come.

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- Improve management and compliance accountabilities**

  - Centralised monitoring of compliance accountabilities is in place and being monitored for effectiveness.

**What's next:** Expecting all programmes student contact hours mapped in APlus+ and monitored 'real time' for 2019 delivery. TPP Internal Policies include an internal audit schedule that aligns with policy review dates for 2019.

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- Workforce and training needs analysis completed for West Coast region**

  - Workforce and training needs analysis completed to inform MoP.
  - Survey of West Coast businesses in collaboration with Development West Coast completed.
  - Current job prospects on the West Coast collected and analysed to determine alignment with training needs analysis.

**What's next:** Future needs of the West Coast region included in the workforce development plan for the Core Competency Framework for TPP.

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- Mix of provision aligned with West Coast region workforce and training needs analysis**

  - Web application called 'Coast Connect' set for launch in March 2019.
  - Mix of Provision developed for TPP Investment Plan – Investment Plan with TEC Investment Manager for approval by TEC Board.
  - Staff, community, Iwi and industry stakeholders canvassed to inform Mix of Provision

**What's next:** Continue the work engaging with the community, industry and local agencies to determine training needs and provide training options for the benefit of the community.

## Progress against actions

**1. Ongoing Cost control and measures**

**s9(2)(b)(i)**

Operating cost reductions

- 38% reduction in total operating expenses. **s9(2)(b)(ii)**

**2. Improving quality systems and processes**

EER Improvement Plan progress provided in a separate report. NZQA "Is satisfied that TPP are making good progress against the agreed action plan" as at November 2018. New TPP Quality Improvement Plan 2019 provided as progress report for 2019.

**3. Improve responsiveness to students and employers on the West Coast**

In 2018 learners at TPP experienced delays in reporting of their results due to the results verification process set by NZQA as a result of the category 4 rating. TPP sent letters to students enrolled at TPP and to schools and parents for those students engaged in the West Coast Trades Academy delivery at TPP. TPP also maintained contact with the Ministry of Education to ensure that they are abreast of the delays in reporting from TPP for trades academy students. For 2019 TPP has developed a plan, put in place resourcing, included Trades Academy in the self-assessment process, and improved the results reporting process to ensure results are processed as quickly as possible so that all credits achieved at the West Coast Trades Academy through TPP are available for learners to contribute to their school NCEA results.

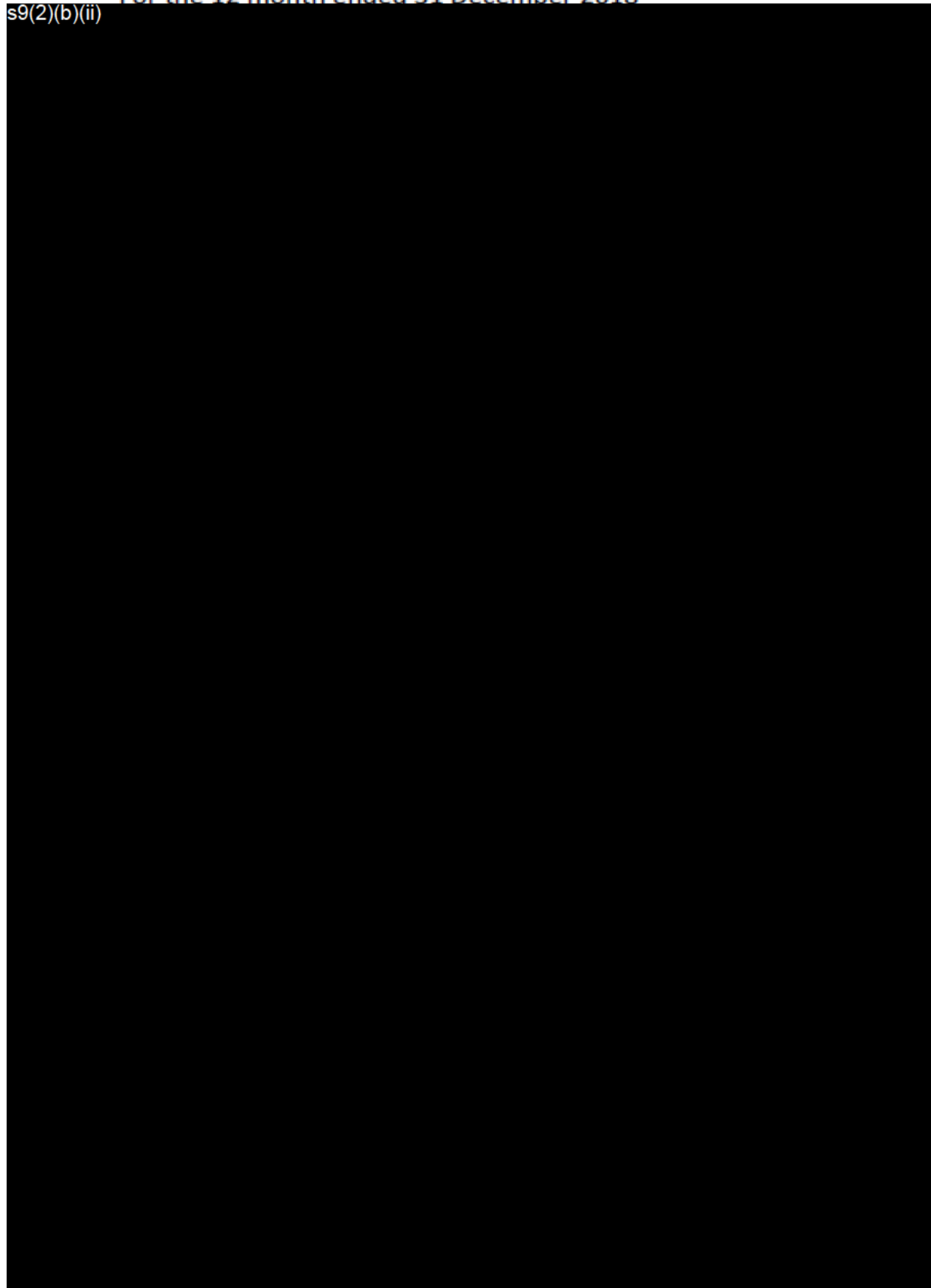
**Challenges/Mitigation**

- **Challenge** – Scale and scope of change initiatives required to turn TPP around eg becoming a student centric organisation, financial viability, building organisational capability, structure realignment, right-sizing, programme rationalisation with resulting reduction in sites/revenue, change management and maintaining staff morale, quality systems and processes, improvements, meeting commitments to agencies, stakeholder and community relationships. **Mitigation** - prioritisation of tasks that have the greatest impact on outcome. Internal capability built with support from external expertise.
- **Challenge** - Managing internal changes in the context of growing and prolonged uncertainty where far-reaching changes in the structure of the tertiary sector is predicted, creating another layer of tension and complexity particularly in terms of creating a vision for TPP. **Mitigation** - Open and transparent communication with staff and agencies. Ongoing focus on stakeholder and community relationships.
- **Challenge** - Implementing and imbedding quality processes and new culture across staff and sites within a short time-frame. **Mitigation** - Two new roles established to manage and monitor significant components of the improvement plan The Director Recovery Activities and Director Project Management Office focused on change activities and guiding staff through critical business as usual activities.
- **Challenge** - Achieving future viability and right sizing the organisation while losing significant proportion of TPPs provision. **Mitigation** - Refocusing on regional needs, improving relevance, reducing costs and improving productivity. On-going communication outlining the long-term benefits of current initiatives and efficiencies.
- **Challenge** - Organizational capability to ensure TPP continues to move forward. De-escalation of the intervention prior to new practices and leadership being confirmed/embedded and/or insufficient guidance from agencies regarding the future state of the ITP sector. **Mitigation** - Capability building and ensuring a strong governance and management team underpin future viability and continues improvements.
- **Challenge** - Conflicts of interest for management and governance roles given the small population size of the West Coast. **Mitigation** – Clear roles and responsibilities. Policy, register and disclosure requirements. Management and governance roles need to manage their interests in a way that is transparent and does not compromise the decision that is being made as per Office of the Auditor General guidance.
- **Challenge** – Tangible movement in culture required within short timeframe. **Mitigation** – Redevelopment of roles to clarify accountability and responsibility. Creation of a single faculty to support central oversight, internal communications, process development and organizational cohesion.
- **Challenge** – Lack of self-assessment capability across the organisation. **Mitigation** – Capability development initiatives with a particular focus on self-assessment for staff, management and governance. Embedding self-assessment processes.

## Challenges

## Performance Summary

For the 12 month ended 31 December 2018



### Key Comments

- We have met and exceeded the target of \$5m ongoing savings as agreed with Central Agencies.
- s9(2)(b)(ii) 2019 will see the full \$4m savings.
- Secured MOE funding is down \$1.7m from the original budget due to MoP transformation. Revenue has also been impacted by limited take-up on transition to ITO delivery, non-strategic areas such as Waikato as well as poor quality delivery (OSH/FCR etc) being discontinued and new programmes not yet running.
- We will continue to enroll students provided delivery meets quality standards and focus on embedding changes.
- Cash and term deposits available at the end of December 2018 were approx. \$5m.

### Revenue

There was a large rollover of EFTS from 2017 to 2018 (366 EFTS) for which tuition fees were recognised in 2017 due to a change in accounting standards. The rollover from 2018 to 2019 is only 34 EFTS. This means 2018 year revenue reflects a very large mis-match between the recognition of revenue and incurring the costs of delivery. Student enrolments have also been slightly less than anticipated.

s9(2)(b)(ii), s9(2)(f)(iv)

### Operational Expenditure

Operational expenditure is below the revised budget and represents savings of \$2.7m compared to the original 2018 budget.

### Depreciation

Depreciation is \$113k less than the revised 2018 budget and \$457k less than the original budget. A number of vehicles and other assets were disposed during 2018. Further work will continue in early 2019 to identify other assets that can be disposed and provide further savings.

### Surplus/Deficit

The reduced revenue is the most significant reason for the variation the revised 2018 budget. Staffing costs also did not reduce as early as anticipated.

In 2019 TPP funding has been further reduced by the transfer of Emergency management and Search and rescue provision to the Ministry of Transport placing a further strain on TPP's budget. ITO Funding expectations were not met in 2018 and this will have a flow on effect for 2019.

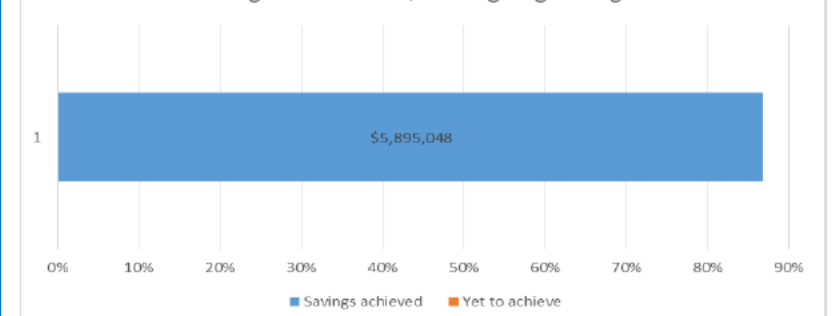
\* Transformational costs are included within Staffing and Operational expenditure for statutory reporting. Capital Injections are recognised directly in Equity for statutory reporting.  
 \*\* TPP recognises EFTS and the associated revenue based on delivery. PBE Statutory reporting requires this revenue to be recognised based on enrolled EFTS. Full year Budget (Original) includes the discontinued MAINZ business unit.  
 Please note that the EFTS figures quoted in the financial report above are the EFTS consumed, i.e. the proportion delivered ytd, not the total value of EFTS enrolled for the year.

Target EFTS	Consumed EFTS YTD as at 31 December 2018
899.8	902

## Capital Injection Funding

	Spend (\$000s) As at Dec 2018	Budget (\$000s) 2018 Full Year
Project Management	385	300
HR & Change Management	1689	1700
Staff Development	145	200
Academic	549	600
Systems	367	500
Facilities and Capital	152	500
Communications and Student Assistance	175	200
Compliance	285	200
Transitional deficit and remote subsidy		2250
	<b>3747</b>	<b>6450</b>

Progress towards \$5m ongoing savings



### 2018 ytd savings compared to \$5m target

We have achieved more than the \$5.8m target savings and 18% uplift on plan.

We have transferred leases to the value of \$0.9m with associated outgoings of \$0.3m and

s9(2)(b)(ii) Previously capitalized costs for courses no longer offered have since been written off. This will reduce amortization costs in 2019.

s9(2)(b)(ii), s9(2)(f)(iv)

### Key Comments

- The remote subsidy included in the 2019 budget is less than that required and refers to an amount allocated in the last cash injection. TEC work on a July to June financial year, whereas ITPs have a January to December financial year. We are awaiting a decision from the Minister on any additional amount for the remainder of 2019.
- Target EFTS is 700 for 2019. EMSAR funding is unlikely to be allocated to TPP for 2019 representing a reduction of \$1m in funding.
- Reduction in MoE funding and associated tuition fees funding is due to cessation of delivery of low quality programmes and those that do not align to the West Coast region.
- Paybill reduction was delayed in 2018 due to timing of restructures and inability to recruit some permanent positions.
- ITO funding expectations were not met in 2018 due to delay in new model delivery. This will have a flow on effect on funding expectation in 2019.

s9(2)(b)(ii)

Tai Poutini Polytechnic has outlined a number of actions against objectives agreed through the internal self-assessment and evaluation that occurred in 2018.

Key: On Track ● On Track ● Less than 50% ● At risk ●

1. Strengthen self-assessment capability to improve and support effective management and oversight of educational and organisational performance. ●
2. Ensure planned improvements consistently implemented across the organisation and that the impact of improvement initiatives are regularly monitored. ●
3. Implement effective maintenance of academic standards and integrity, including ensuring consistent approach to assessment and moderation practices. ●
4. Strengthen processes to ensure accurate, valid and timely data is available and analysed to inform self-assessment activities and decision-making ●
5. Use understanding of how well services are contributing to learner wellbeing and success to improve learning and support services ●
6. Improve stakeholder engagement to increase understanding of the needs of communities and industries. ●
7. Systematically collect information on graduate destinations and the effectiveness of graduates in the workplace, and analyses the data to inform programme development. ●
8. Improve effective management of important compliance accountabilities across the whole organisation ●

*This plan tracks progress against these actions and is centrally monitored by Management Team. Regular reporting of progress against actions is provided to Academic Board by the Leader - Academic. Minutes of Academic Board are provided to Council for update on progress.*



## Tertiary Education Report: Tai Poutini Polytechnic Capital Injection – Final Instalment

<b>Date:</b>	12 December 2018	<b>TEC priority:</b>	Medium
<b>Security level:</b>	In Confidence	<b>Report no:</b>	B-18-00931
		<b>Minister's office No:</b>	

ACTION SOUGHT		
	Action sought	Deadline
<b>Hon Chris Hipkins</b> Minister of Education	<b>Note</b> Tai Poutini Polytechnic is making significant progress to meet the expectations set out in the Capital Injection funding agreement.  <b>Agree</b> to fund the final instalment of Tai Poutini Polytechnic's capital injection due to progress being made against agreed actions and targets.	At your earliest convenience
<b>Enclosure:</b> Yes	<b>Round Robin:</b> Yes	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)				
Name	Position	Telephone		1st contact
s9(2)(a)	[REDACTED]	[REDACTED]		✓
Tim Fowler	Chief Executive			

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT						
<input type="checkbox"/> DPMC	<input type="checkbox"/> MPI	<input type="checkbox"/> ENZ	<input type="checkbox"/> ERO	<input type="checkbox"/> MBIE	<input type="checkbox"/> MoE	<input type="checkbox"/> MFAT
<input type="checkbox"/> MPP	<input type="checkbox"/> MSD	<input type="checkbox"/> NZQA	<input type="checkbox"/> NZTE	<input checked="" type="checkbox"/> TEC	<input type="checkbox"/> TPK	<input type="checkbox"/> Treasury

**Minister's Office to Complete:**

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

**Comments:**

## Recommendations

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**Hon Chris Hipkins**, Minister of Education

*It is recommended that you:*

1. **note** that significant progress is being made by Tai Poutini Polytechnic (TPP) against all actions and targets agreed in the Capital Injection funding agreement.
2. **agree** to release the final instalment of \$2.05 million to TPP and send the attached letters to the Ministry of Education and TPP advising them of your decision.

**AGREED / NOT AGREED**

3. **agree** that the TEC release this briefing in full once it has been considered by you and the letter has been received by TPP.

**AGREED / NOT AGREED**



**Gillian Dudgeon**

Deputy Chief Executive – Delivery  
Tertiary Education Commission

12 December 2018

**Hon Chris Hipkins**

Minister of Education

\_\_\_ / \_\_\_ / \_\_\_

## **The third milestone report shows TPP is making significant progress**

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1. Cabinet agreed to give TPP a capital injection of \$8.5 million to enable the polytechnic to maintain its operations and improve its performance in the short term. A funding agreement was signed and the first instalment of \$3 million was paid in early March 2018.
2. You approved the second instalment of \$3.45 million in June 2018 (B/18/00374).
3. The TEC has now received the third milestone report (Attached as Appendix A). TPP has made significant progress against the agreed actions and is on track to meet agreed targets. The analysis undertaken by TEC supports this conclusion.
4. The TEC and NZQA are continuing to work closely with the Crown Manager and TPP management as they work through TPP's change programme.
5. The report identifies some key achievements in 2018 including:
  - Realising cost savings of \$5.8 million contributing to a reduction in the 2018 forecast deficit from \$4.4 million down to \$1.7 million. This represents a 38% reduction in total operating costs §9(2)(b)(ii)
  - NZQA agreed a quality improvement action plan and is satisfied with progress being made to address quality assurance issues identified in TPP's EER.
  - Workforce and training needs analysis has been completed for the West Coast that include engaging employers and community stakeholders in the process.
  - Divesting non-viable out of region programmes including the transfer of scaffolding training to Skills Organisation (the relevant ITO) and transfer of the Music and Audio Institute of New Zealand (MAINZ) to SIT.
6. However, the shift in focus to West Coast delivery has seen a significant drop in EFTS numbers as much of the out of region delivery has either been transferred to other providers or terminated due to being unviable. This has seen the Student Achievement Component (SAC) level three and above EFTS drop from 1,380 in 2017 down to 352 EFTS in 2019.
7. The Crown Manager and TPP management have managed the reduction in revenue by resizing and restructuring to reduce costs. As a result, TPP is projecting to be in a slightly better financial position for 2018 year end.
8. TPP has achieved four (paragraph 5) of the eight targets and is on track to achieve the rest in 2019. Making the payment as planned is critical for TPP to continue to carry out the programme of work it has underway.

## **NZQA will conduct its next EER in early December 2018**

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9. TPP received a category four rating for its last EER (confirmed in 2017). This rating has required TPP to partner with a category one organisation (Southern Institute of Technology (SIT)) to under-take all assessments and moderation activity.
10. NZQA has been monitoring TPP's progress against an action plan agreed to earlier in the year. A follow up EER began on 3 December 2018 with the outcome of the review expected in February/March 2019.


11. Achieving a category three rating is one of the targets in the capital injection funding agreement but is not required for the third instalment.

### **TPP Investment Plan funding for 2019 has been agreed by the TEC**

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12. Following the submission of TPP's 2019 Investment Plan (Plan) the TEC Board has approved \$4.1 million in funding for a full year in 2019. The Plan notes that decisions on the future of TPP are still to be made.

s9(2)(f)(iv)



### **TPP's longer term future is linked to the Cabinet decision on the future structure of the ITP sector**

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14. In early 2019 you will be taking a paper to Cabinet that will propose structural changes to the ITP sector. TPP's future role and structure will be linked to decisions made at this time.
15. TPP has signalled the need for further financial support of up to \$0.7 million in the form of a remote subsidy. This will not be required until the third quarter of 2019. TEC is working with the Ministry of Education on options for you to consider by mid-2019.
16. While significant progress is being made, TPP will struggle to remain viable in its current form without ongoing government support.
17. The TPP Crown Manager and Chief Executive have been providing input into the ITP Roadmap 2020 project, reflecting on lessons learnt from TPP's situation.

***Appendix A: Copy of TPP milestone report***

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**Appendix B: Draft letter to the Secretary of Education for your signature authorising the payment of the final instalment of the capital injection**

Iona Holsted  
Secretary of Education

Dear Iona

**Capital Injection for Tai Poutini Polytechnic (TPP) – Final Instalment**

As you will be aware Cabinet has approved a capital injection for TPP (SWC-18-MIN-0005 refers) to enable the polytechnic to maintain its operations and improve its performance in the short term.

The final instalment of \$2.05 million was subject to receipt of a milestone report that shows progress against agreed actions and targets. The report has been received and I am satisfied that significant progress has been made.

I therefore request that you now make the final payment to TPP by the end of December 2018 to support the polytechnic's ongoing change programme.

Yours sincerely

**Chris Hipkins**  
**Minister of Education**

***Appendix C: Draft letter to the TPP Crown Manager for your signature, acknowledging the progress being made and that the final instalment of the capital injection has been authorised for release n***

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Murray Strong  
Crown Manager

Dear Murray

**Capital Injection for Tai Poutini Polytechnic (TPP) – Final Instalment**

I am writing to acknowledge the significant progress being made against the agreed actions and targets in the Capital Injection Funding Agreement.

I am pleased to see the progress being made to improve the quality of delivery of tertiary education on the West Coast. I also note the steps being taken to reduce costs and align provision with the needs of regional stakeholders.

I have authorised the Secretary of Education to release the final instalment (\$2.05 million) of the capital injection and this should be with you shortly.

Yours sincerely

**Chris Hipkins**  
**Minister of Education**