



Present

Nigel Gould (Chair)
Vanessa Stoddart
John Morris
Sir Christopher Mace

Phil O'Reilly
Alastair MacCormick
Jenn Bestwick

Apologies

In attendance

Vivien Sutherland Bridgwater
Tim Fowler, Chief Executive
s(9)(a) [REDACTED], PwC (part-meeting)
s9(2)(a) [REDACTED], Principal Advisor, Special Projects (part-meeting)
Ian Lee, Deputy Chief Executive Strategy & Design (part-meeting)
Tony Scott, Manager Operational Strategy, Policy & Insights (part-meeting)
Jennifer Pearce, Executive Officer (part-meeting)

Strategy Session

The Board conducted an extended strategic session with Ian Lee, Deputy Chief Executive Strategy & Design and Tony Scott, Manager Operational Strategy, Policy & Insights. This followed earlier discussion at the December Board meeting on the need for more strategic work at Board level, and the arrival of the new Deputy Chief Executive Strategy & Design had prompted a commitment to a regular series of Board engagements on strategic issues. This meeting was the first such engagement and focused on the TEC's purpose.

The Board discussed the TEC's purpose in considerable depth and the Deputy Chief Executive Strategy & Design committed to reporting back to the Board a summary of the discussion, some analysis of the issues raised and a process to finalise TEC's purpose and vision.

Commissioners Only Session

Commissioners held a closed session.

Commissioners and Chief Executive's Session

Commissioners held a closed session with the Chief Executive.

Meeting with Dr Neil Barns

Dr Neil Barns, Commissioner of Whitireia Polytechnic (Whitireia) and Wellington Institute of Technology (WelTec), the Independent Expert Advisor on the Reform of Vocational Education (RoVE) Governance Group and independent advisor to the Western Institute of Technology at Taranaki (WITT) joined the meeting. Dr Barns provided a summary of the current position at Whitireia and WelTec, and his view as to what had led to the current position. He noted the previous Whitireia/WelTec Council had started the process of looking at whether change needed to occur at the institutions and that change is now underway. With regard to the merger of the two institutions, he noted that the previous Council had determined a merger case should be developed. Having read the available documentation, he agreed with the Council's view.

Noting that the intent of the upcoming vocational education reforms is to create a level of national consistency and equal opportunity while promoting the idea of regional delivery, he noted that currently Wellington has two polytechnics with a focus on Porirua and Lower Hutt, and a focus on Wellington is needed.

He described some of the issues currently arising with Whitireia and WelTec not being fully merged. In answer to a question from the Chair, he noted that a full merger would likely take longer than the current financial year to achieve.

Noting that announcements regarding the RoVE was to take place during the coming week, he outlined how those announcements might impact on discussions regarding the merger of Whitireia and WelTec.

Turning to the RoVE, Neil Barns noted there are some big challenges in those reforms and the timeframe would also be incredibly difficult. Discussion took place on a number of matters relating to the RoVE, including discussion around the risks and challenges. Neil Barns noted the need for all parties to work together on the reforms, and discussion took place on how to ensure this occurs.

Welcome and Apologies

The Chair opened the meeting and welcomed everyone. Apologies were received from Commissioner Sutherland Bridgwater.

Minutes of previous meetings

Minute No. TEC190101

1 The Board of Commissioners (the Board) **adopted** the minutes of the 3 December 2018 Board meeting as a true and correct record.

Matters Arising from Previous Meetings

The Chair noted that most items are either in the minutes or are forward scheduled. The Chief Executive noted there are a couple of items still to be scheduled.

Declaration of Interests

Commissioners' declarations of interest and consequential actions are recorded under the items to which they relate. Commissioner Stoddart noted an addition to her declaration. Commissioner Bestwick's declarations would be included in the declarations going forward.

Chief Executive's report

The Chief Executive advised that the scorecard covers both November and December, and noted that information in the scorecard is usually about six weeks behind due to phasing of Board meetings. He noted he would deal with matters in the scorecard by exception.

The Chief Executive advised the Fees Free project is going well, and TEC is now awaiting policy decisions for Fees Free in 2020. The only risk is around the timing of the policy decisions being agreed.

With regard to the Careers System Strategy, the Chief Executive noted the paper later on the agenda. He noted the key issue is the outcome of the Budget bids being presented later in the year for this project.

The Chief Executive noted that the Funds Management Project (FMP) is the single largest capital spend for TEC for some time. In answer to a question from the Chair, the Chief Executive advised the budget for this project had not increased. The project had recently been IQA'd by Grant Thornton and was going well. The two systems would be running in parallel for three months, and the team are acutely aware of the risks around the project.

Turning to the Data 2020 project, the Chief Executive reminded the Board that this project is the replacement for the current SDR. He expressed some concerns around the project relating to how it is being delivered. The discovery phase of the project demonstrates that the technology side of the project can be undertaken, and it is currently being run as a technology project. However, the project is primarily about relationship management, with the university sector in particular, and ELT is focusing far more on the way the project is managed and worked through with the universities.

In answer to a query from the Chair as to why PwC staff working on the RoVE project are not included in the contractor numbers, the Chief Executive noted these were likely to be recorded under consultants. He noted that although the number of contractors was heading in the right direction, with the numbers in Finance and Information going down, the RoVE project would push the numbers up again.

Turning to the Chief Executive's report, the Chief Executive noted the position in regard to the s9(2)(b)(ii) lease. He noted a concern that doing nothing now might result in a greater financial impact in the future. He outlined discussions he had had with the Vice Chancellor around the financial impact to s9(2)(b)(ii) going forward. In response to a query from Commissioners, the Chief Executive advised s9(2)(b)(ii) is the only other TEI in a similar position, although s9(2)(b)(ii)

With regard to the liquidation of BEST, the Chair noted that the Board is keen to see the liquidators press claims against the trustees or shareholders. With regard to the notice sent to s9(2)(b)(ii) of the TEC's intention to initiate an investigation, the Chair noted the Board was interested to see the response from s9(2)(b)(ii).

The Chief Executive provided further information on his activities during his upcoming visit to Ireland, noting the two main engagements, one being about digitisation at a system level, where the Higher Education Authority of Ireland (HEA) is keen to understand how TEC has developed digitisation in a way that makes it accessible to the system, to students, the public and higher institutions themselves. At the other seminar, the interest is in the idea of a single entity across the system as a regulator and funder and they are interested in the TEC's experience as a monitor and funder.

Noting the tables in his report setting out plan amendments made over the last month, the Chief Executive noted the extra column added showing the total percentage of plan amendments made across the year. He noted that the current delegations allow him to approve plan amendments up to 10% of a TEI's total funding.

The Chair queried whether the second to last sentence of the paragraph relating to the FMP budget implied the budget had been increased. The Chief Executive advised he did not think this was the case, as any request for an increase in the budget would have come to the Board, but undertook to gain clarity around this.

Action item 190101: Clarify the comment in the paragraph relating to the FMP budget that says “The Steering Committee approved the revised budget in December” and whether this means the budget has been increased.

With regard to the security risk with Pathways Awarua (one of TEC’s literacy and numeracy digital tools) discovered by the Department of Corrections late last year, Commissioner Stoddart queried whether thought had been given to any reputational risk from an OIA or media perspective should the risk become public. The Chief Executive undertook to check with TEC’s media team whether this had been considered.

Action item 190102: Check whether plans are in place to deal with any reputational risk arising out of OIA or media queries regarding the security risk with Pathways Awarua discovered by the Department of Corrections.

Referring to the Finance Report, the Chief Executive noted there was not much change from the last two to three months. More revenue was coming in and spending is down, but on the cost side, the RoVE project will be challenging. A significantly smaller deficit would be forecast than the Board had approved at the outset.

Commissioner Stoddart noted there was an ongoing trend of massive surplus in grants funding, and queried what that shows strategically about the market and forecasting. While noting this was not an ideal position, the Chief Executive advised this would allow TEC to over-allocate funding in 2019.

The Chair queried the reason for the difference between figures shown in the Finance report for spending on Big Rocks projects against those shown in the scorecard. The Chief Executive advised he would seek an explanation for the difference.

Action item 190103: Explain the differing figures shown for spending on big rocks programmes in the Finance Report and scorecard.

Referring to the third party contract with Tribal Education Group, the Chief Executive explained this is a contract with costs shared equally between ITPs, universities and the TEC for the Tribal Benchmark database. He advised this contract runs out later this year and consideration

would be given as to whether the contract should continue. Commissioner Bestwick provided feedback on the use of the benchmark tool and how it could be used in the future. The Board asked that a timeline be advised for considering whether the contract should continue.

Action item 190104: Provide a timeline for consideration as to whether the contract with Tribal Education Group for the benchmarking tool should continue.

In answer to a query from Commissioner MacCormick regarding international student enrolments this year, the Chief Executive advised only anecdotal information was known at this point.

Referring to the Risk Register, the Chief Executive advised the only rating change was to the University of Canterbury, who had been removed from the register.

ITP Roadmap 2020 – Update on decisions and next steps

s(9)(a) joined the meeting for a discussion regarding the ITP Roadmap project, now known as the Reform of Vocational Education (RoVE).

Noting that an announcement regarding formal public consultation on the RoVE proposals was to be announced by the Minister on Wednesday 13 February, the Chief Executive tabled a fact sheet of information for the Board. s(9)(a) outlined the documents that would be publically released following the announcement. Discussion took place around how the consultation would be run.

In answer to a query from the Board, the Chief Executive and s(9)(a) outlined the process undertaken to prepare the Cabinet paper regarding the RoVE, and confirmed the advice given to the Minister by TEC and the Ministry of Education was consistent with each other.

s(9)(a) agreed with the Board's view that there is a significant risk that the proposals announced could affect ITP enrolments. He and the Chief Executive confirmed that a quantification of risk and risk management exercise had been repeatedly undertaken.

Noting the recommendation in the paper that the Chief Executive be delegated the power to allocate and use the remaining programme budget, the Board asked that the specifics of any commitments be provided to the Board Chair and the Chair of the Audit, Risk and Compliance Committee and that a full update be provided to the Board at the March meeting.

Minute No. TEC190102

1 With the proviso as noted, the Board of Commissioners (the Board) **delegated** to the Chief Executive power to allocate and use the remaining \$2.5 million of the programme budget for the programme to 30 June 2019, as allocated to TEC by Cabinet.

s(9)(a) left the meeting.

Lincoln University and the University of Canterbury Partnership Proposal

s(2)(a), Principal Advisor, Special Projects, joined the meeting.

The Chair noted the paper provides an update of what was presented by the universities prior to Christmas. Discussion took place regarding the proposal, including whether interest had been expressed by other universities and what represents the best opportunities for learners. In response to a query from the Chair, s(2)(a) set out the timelines the Minister would like to work to. He noted that TEC has provided advice to the Minister on the proposal, and outlined the Minister's thinking.

Sir Christopher Mace left the meeting at 3pm.

Update on Taratahi Agricultural Training Centre

The Chair noted the update.

The Chief Executive advised that Buddle Findlay has been asked to provide advice on the legal status of Westpac's claim against Taratahi, as it appears Ministerial agreement for a General Security Agreement with Westpac was not sought. Failure to get Ministerial agreement may put Westpac's preferential status at risk and change TEC's position as the largest unsecured creditor.

The Chief Executive advised a letter had been received from s(2)(i), s(2)(j). He advised there were some parties who would be happy to take on the lease of the farm, but no one who wants to run Taratahi and the farm at the same time. In response to a question from the Board, the Chief Executive advised that current students had been taken on by a variety of providers around the country.

In answer to a query from Commissioner MacCormick around programme development costs, s(2)(a) advised that for some of the programmes to continue, the development will need to occur to allow them to remain on the qualifications framework. NZQA has advised that

some recognitions will expire at the end of the year. He felt there was a need to go through the process, but the question would be whether all the qualifications need to be continued.

s9(2)(a) left the meeting.

Update on the Careers System Strategy

Ian Lee, Deputy Chief Executive Strategy & Design and Tony Scott, Manager Operational Strategy Policy & Insights, joined the meeting.

The Chair noted the work that would be undertaken should the Budget bid be successful. He queried the form the delivery of the Careers System Strategy would take, and whether that would be complementary or in competition with the traditional systems. The Deputy Chief Executive Strategy & Delivery advised the strategy was designed to be complementary to what is already in place and would produce a set of tools that will allow people to make the right career and education choices. He outlined the initiatives. Discussion took place regarding the budget and how it would be spent. In response to a query from the Board, the Chief Executive confirmed that this paper was for information and any business papers would come back to the Board.

Vote Tertiary Education Estimates of Appropriation 2019/20 – non-financial measures

Minute No. TEC190103

1 *The Board of Commissioners (the Board)*

- A. **approved** the non-financial performance measures for the Vote Tertiary Education Estimates of Appropriations 2019/20 attached as Appendix One to the paper; and
- B. **delegated** to the Board Chair and Chief Executive the authority to make changes to the Vote Tertiary Education Estimates of Appropriations 2019/20 measures following feedback from the Minister of Education.

Data 2020 – New Tertiary Education Data Systems

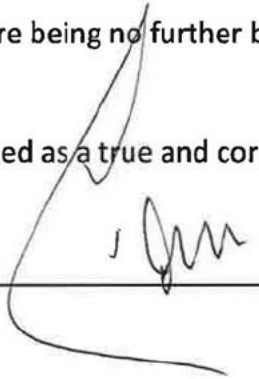
The Chief Executive reiterated that this project is as much a relationship change process as it is a technology one. He advised the business case about the design work would come back to the Board next month, and there would be a further business case after that.

Delegations Register

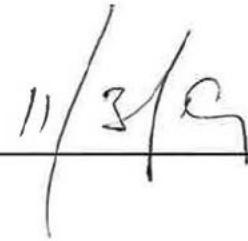
The Board noted the Delegations Register.

There being no further business, the Chair closed the meeting at 3.30pm.

Signed as a true and correct record:



Chair

Date: 



Present

Nigel Gould (Chair)
Vanessa Stoddart
John Morris
Sir Christopher Mace

Phil O'Reilly
Alastair MacCormick
Vivien Sutherland Bridgwater

Apologies

Jenn Bestwick

In attendance

Tim Fowler, Chief Executive
Gillian Dudgeon, Deputy Chief Executive Delivery (part-meeting)
s(9)(a), PwC (part-meeting)
Chris Collins, RoVE Programme Director (part-meeting)
Ian Lee, Deputy Chief Executive Strategy & Design (part-meeting)
Brendan Kelly, Deputy Chief Executive Information (part-meeting)
Jan Sheppard, Manager Information Services/Chief Data Officer (part-meeting)
Jennifer Pearce, Executive Officer (part-meeting)

Commissioners Only Session

Commissioners held a closed session.

Commissioners and Chief Executive's Session

Commissioners held a closed session with the Chief Executive.

Welcome and Apologies

The Chair opened the meeting and welcomed everyone, in particular welcoming Commissioner Sutherland Bridgwater to her first meeting. Apologies were received from Commissioner Bestwick.

Minutes of previous meetings

Minute No. TEC190201

1 The Board of Commissioners (the Board) **adopted** the minutes of the 11 February 2019 Board meeting as a true and correct record.

Matters Arising from Previous Meetings

While acknowledging the current workload, the Board noted action items 180702, 181215 and 181216 are critical matters for TEC and queried when these might come to the Board. The Board asked that dates be provided for the April meeting.

Action item 190301: Provide due dates for action items 180702, 181215 and 181216.

Declaration of Interests

Commissioners' declarations of interest and consequential actions are recorded under the items to which they relate.

Chief Executive's report

The Chief Executive noted he would deal with matters in the scorecard by exception.

The Chief Executive noted that since the last Board meeting there had been positive interaction with both the Minister and the Ministry of Education in regard to the Budget bid for the Careers System Strategy and outlined those discussions. If approved as part of the budget process, the funding would be for a period of four years. In answer to a query from Commissioners, the Chief Executive confirmed the capability developed would be complementary to what currently exists and would develop a template of how current activity would fit into the specialist activity to be developed.

With regard to FMP, the Chief Executive advised the first release had occurred over the last month. The release was a technical process which had taken longer than expected but was a success and is the first big milestone in implementation.

Commissioner Stoddart noted that while it was good to see the focus on the reduction of contractors, staff turnover also needs to be watched.

Referring to the monthly scorecard and snapshot, the Chief Executive noted the number of ministerial requests being received has increased around the RoVE project, but also in regard to Taratahi.

Turning to his report, the Chief Executive provided an update on Taratahi. He advised that a proposal has been received from s9(2)(i) to purchase Taratahi's home farm and enter into a lease with an education provider, however, Ministers have expressed a preference that the farm remain under Crown ownership. The Board queried whether it would be feasible and whether TEC has the mandate to acquire distressed assets it thinks are essential to the provision of tertiary education pending their on-placement into an appropriate structure. The Chief Executive undertook to seek advice on this.

Action item 190302: Seek advice as to whether it is feasible and within TEC's mandate to acquire distressed assets pending their on-placement into an appropriate structure.

Noting the Minister's advice regarding the merger between WelTec and Whitireia Polytechnics, the Chief Executive noted it is possible the institutions would require further financial assistance this year. He felt the Crown Commissioner was likely to continue restructuring the organisations, prior to any potential RoVE changes.

The Chief Executive advised the s9(2)(b)(ii) has been resolved quickly and with minimal fuss. s9(2)(b)(ii) will pay back individual students a total of s9(2)(b)(ii), with individual amounts being quite small. The recommendation is to not publish this report primarily because of the potential reputational damage that could result what was from an administration mistake outweighed the need to publish. The Deputy Chief Executive Delivery noted that lessons learned would be taken on board to pass onto other providers. Commissioner Stoddart noted that, when reflecting on the lessons learned, one of the risks to be consider when deciding whether to publish reports, is where the information has come from, whether it's from an inside source, an ex-employee or from TEC's own enquiries.

With regard to Te Wananga o Aotearoa (TWOA), the Chief Executive advised that Dean Winter and his team would be visiting TWOA in the next couple of weeks. The Chief Executive reported on discussion with Jeremy Morley, who had advised he had been employed by TWOA to do some work, and with Te Ururoa Flavell, TWOA's Chief Executive. He advised the collection of the information in relation to the investigation has taken a long time, and the sample size is relatively small, however, there is already a trend showing. The question is whether a bigger sample is sought, even though the current sample is consistent with the internal review.

The Chief Executive noted the information regarding the media report on a facial recognition trial at two tertiary providers, and stressed that the report that TEC was involved was erroneous, and that TEC had had nothing to do with the trial.

With regard to the report on PSA collective bargaining, Commissioner Stoddart queried whether what is reported aligns with the mandate given by the Remuneration Committee. She requested that a paper be brought back to the Remuneration Committee that compares the

mandate with what has been agreed, and suggested there should have been a report back to the Remuneration Committee prior to being reported to the Board.

Action item 190303: Prepare a paper for the Remuneration Committee regarding PSA collective bargaining that compares the mandate given by the Remuneration Committee with what has been agreed.

In response to a query from Commissioner Morris, the Chief Executive confirmed a report would come to the Board from the staff attending the recent “Achieving a Dream” conference in the US.

Action item 190304: Report back from the “Achieving a Dream” conference to be prepared.

Discussion took place around the trends in enrolments. Noting that the information provided does not include international enrolments, the Board asked that an update on international enrolments, including a comparison with overseas trends, be provided, together with an update on ITP enrolments.

Action item 190305: Update on international enrolments, including a comparison with overseas trends, together with an update on ITP enrolments to be provided to a 2019 Board meeting.

Noting the information regarding the current contract with Tribal Education Group for the benchmarking tool, the Chief Executive advised Tribal is a UK company which provides systems that allow data to be collected. Data can also be benchmarked internationally. Data is collected from all TEIs, and the cost is shared equally between TEC, ITPs and universities, however universities are not particularly supportive of paying the fee.

Turning the Finance Report, the Chair noted that the Kia Rite project looked likely to run over budget. The Chief Executive advised the project had taken a lot longer than expected to implement, and more time and money had been spent as a consequence recruiting people into the teams, in addition to higher leave and redundancy costs. The Chair asked that the Board be provided with information on why there was a significant over-run and the learnings from that for the future.

Action item 190306: Provide the Board with information on why there was a significant over-run of the Kia Rite budget and the learnings from that.

The Chair queried whether the number of vacancies and the roles remaining to be filled are compromising TEC's capability, particularly if there are essential roles remaining unfilled. The Chief Executive noted most of the vacancies are in the Strategy and Design directorate, building capability that TEC wants but doesn't yet have. The feeling is that it will take the better part of six months to build that capability. The Deputy Chief Executive Delivery advised the Delivery directorate is making good progress, having taken time to find new Relationship Managers. A few vacancies remain, but these are spread across the directorate, so there is no key business risk.

The Board expressed some confusion around how the Finance report is structured and in particular on how it reports on Grants funding. The Board asked that a reconciliation and breakdown of what makes up the \$168m surplus funding be provided to the ARCC meeting on Wednesday 15 March.

Action item 190307: Provide ARCC with a reconciliation and breakdown of what makes up the \$168m surplus Grants funding.

The Board queried who had made the decision to return \$60m of forecast surpluses back to the Crown and asked that a paper be prepared explaining the processes and procedures, including delegated authority, on how this decision should be made in the future. The Chair noted there was no mention in the Finance report of the agreement for a portion of recoveries/surpluses to be retained and made available for the Board to use at its discretion.

Action item 190308: Paper to be prepared explaining the processes and procedures, including delegated authority, on how the decision to return funds to the Ministry of Education is made in the future.

With regard to BEST, the Chair noted the Board's expectation that the liquidators will pursue any avenues for recovery of the shortfall.

Referring to the Risk Register, the Deputy Chief Executive Delivery noted that Tai Poutini Polytechnic's EER rating had moved from category 4 to category 3, and Wintec has moved from category 1 to category 2. The Chief Executive confirmed that Wintec has put the appointment of a new Chief Executive on hold. He advised that SSC has been consulted and provided advice around what should happen should a Chief Executive leave during the RoVE process.

In response to a query from Commissioner Mace around the increased SAC subsidy rates for agriculture for Lincoln University, the Chief Executive confirmed this increase applies across the Board to SAC3 and above.

The expiry of the recovery exemption for the Canterbury providers

The Chief Executive noted this paper was provided to advise the Board how much had been provided to Canterbury providers and to outline the process to wind up the exemption.

The Board noted the paper.

TEC's compliance with the new information-sharing model standards

The Chair noted that he is required to provide assurance to the State Services Commission (SSC) that TEC is compliant with the new information-sharing model standards. Commissioner Stoddart queried the basis on which the Chair would sign off that assurance and suggested a letter of representation is required. She felt the Board should have reassurance that those involved in investigations understand the expectations of this directive.

The Board asked that a paper be prepared for the April Board meeting setting out the SSC requirements, TEC's actions in relation to those requirements, and providing a letter of assurance from the Chief Executive that the Board Chair can rely upon in order to make those representations to the State Services Commission.

Action item 190309: Prepare a paper setting out the SSC requirements under the new information-sharing model standards, TEC's actions in relation to those requirements, and providing a letter of assurance from the Chief Executive that the Board Chair can rely upon in order to make those representations to the State Services Commission.

Delegations Register

The Board noted the delegations register.

Update on Reform of Vocational Education

s(9)(a) and Chris Collins joined the meeting.

The Chief Executive noted the paper provides an update on the process. s(9)(a) and Chris Collins had been invited to provide more information around the substance of the process and the key things that need to be decided in the next few weeks and months.

s(9)(a) outlined feedback being received on the three proposals. He noted that ITPs see real opportunity to have in-work and not-in-work training and delivery joined up, and the design of the vocational construct. He noted options around autonomy and the details of what decision making rights or function sit where are still being worked through. Discussion took place as to whether TEC could be the central entity, and also around questions of regional responsibility, the positioning of universities, PTEs and wānanga and how that aligns with the rest of the sector.

s(9)(a) noted the ITOs are a very different stakeholder environment. He outlined the reaction from the ITOs, noting it appeared ITOs had been caught completely by surprise by the proposal. Discussion took place about the effects of the proposal on ITOs and how employers either regionally or through ITOs can feel they're engaged in the process.

In answer to a query around what extent the first Cabinet paper could be influenced by the answers from ITPs, s(9)(a) advised all of the feedback would be filtered into the ongoing design work, the consideration of options and high level costings.

Noting that the timeline for preparation of the Cabinet paper and the next Board meeting did not leave much time for the Board to provide input, the Chief Executive noted that this would need to occur out of session. s(9)(a) noted there would also be opportunity for the Board to be further involved once the design process starts.

Commissioner MacCormick raised the issues of strategic risk around treaty partnerships. s(9)(a) noted the importance of wānanga, universities and PTEs in the process, and that reference to the necessity to enhance the opportunity for students to migrate between providers is constantly referred to during this process. Discussion took place on a number of strategic risks to the process, including the impact on students, for example a drop off in involvement and the risk that some domestic students may fall out of the system. s(9)(a) agreed with a comment from Commissioner Mace that it was too early to know the impacts, with only anecdotal evidence available at the moment, but this would be closely watched.

s(9)(a) outlined the financial modelling currently taking place, and was hopeful that would be ready in the next couple of weeks. Discussion took place around the budget. The Board noted a further risk is around retention of staff, and a possible risk around Council members.

The Board asked that it be kept updated on progress via the Chief Executive's updates to the Board and asked that Commissioners be provided with a summary of submissions received.

Action item 190210: Provide the Board regular updates on the progress of the RoVE consultation.

Action item 190211: Provide the Board with a summary of the submissions received on the RoVE proposal.

Discussion took place regarding the Board's meeting with the Minister on 8 April. The Board asked that a letter be drafted to the Minister from the Chair outlining some of the issues the Board would wish to discuss with him.

Action item 190212: Draft a letter to the Minister from the Board Chair outlining the issues the Board would wish to discuss with the Minister on 8 April.

Board strategy session recap and update on next steps

The Deputy Chief Executive Strategy & Design joined the meeting.

The Chair noted the information provided in the papers. The Deputy Chief Executive Strategy & Design advised the purpose of the paper was to confirm that the Board's feedback had been understood and the actions going forward are correct. Noting that the Board had highlighted the need to be very clear about TEC's mandate, the Deputy Chief Executive Strategy & Design noted TEC's mandate is legislated in the Education Act and there is a delegated mandate that sits in the letter of expectation. He noted there is also likely a social mandate depending on TEC's relationships with its partners. Work is being done at the moment to understand the implications of those mandates to TEC and seeing how far TEC could work along the continuum from "supplier" of funding and careers advice through to an "activist" mode. The Board suggested a capture should also be made of how much the mandate had changed following the merger with Careers NZ.

The Deputy Chief Executive Strategy & Design outlined the work to be done and what would come back to the Board. He confirmed that RoVE was being taken into account in conducting that work.

Data 2020 Design and Deployment planning business case

The Deputy Chief Executive Information and Manager Information Services/Chief Data Officer joined the meeting.

The Chair noted that the paper is seeking release of funding to undertake design of a replacement data collection platform. The Deputy Chief Executive Information noted the total cost of the overall replacement project is expected to cost \$4.5million and has been allowed for in TEC's four and 10 year capital plans. Key to remaining within that cost is containing the scope of the project. He outlined the reasons the current system needs to be, including that current systems will soon come out of vendor support, there is a need to move to a system which is

inherently flexible to cope with future unknown change, and a stable platform is required. He confirmed that the work of the Careers and RoVE teams are being taken into account in looking at the flexibility needed. A very close working relationship is being maintained to make sure that work can be reflected in the same platform infrastructure.

Commissioner Stoddart suggested that a summary of CAPEX projects over the last few years be brought back to the Board to show what has been spent and whether TEC is getting the full benefit from that spend, and if not, an explanation as to why not.

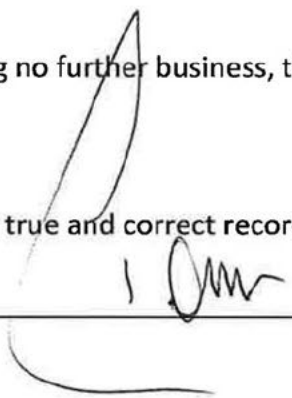
Action item 190213: Information paper to be provided to the Board showing the CAPEX spend, whether TEC is getting the full benefit from that spend, and if not, provide an explanation as to why not.

Minute No. TEC190202

1 The Board of Commissioners (the Board) **approved** the Data 2020 Design & Deployment Business Case.

There being no further business, the meeting closed at 3.50pm.

Signed as a true and correct record:



Chair

Date: 8/4/19



Present

Nigel Gould (Chair)
Vanessa Stoddart
John Morris
Jenn Bestwick

Phil O'Reilly
Alastair MacCormick
Vivien Sutherland Bridgwater

Apologies

In attendance

Sir Christopher Mace
Tim Fowler, Chief Executive
Gillian Dudgeon, Deputy Chief Executive Delivery (part-meeting)
s(9)(a), PwC (part-meeting)
Chris Collins, RoVE Programme Director (part-meeting)
John Soulis, Deputy Chief Executive Corporate & Finance (part-meeting)
Jennifer Pearce, Executive Officer (part-meeting)

Commissioners Only Session

Commissioners held a closed session.

Commissioners and Chief Executive's Session

Commissioners held a closed session with the Chief Executive.

Welcome and Apologies

The Chair opened the meeting and welcomed everyone. Apologies were received from Commissioner Mace.

Minutes of previous meetings

Minute No. TEC190401

1 The Board of Commissioners (the Board) **adopted** the minutes of the 11 March 2019 Board meeting as a true and correct record.

Matters Arising from Previous Meetings

Matters arising from previous meetings were noted, in particular that a summary of submissions received from the RoVE consultation was likely to come to the Board out of session.

Declaration of Interests

Commissioners' declarations of interest and consequential actions are recorded under the items to which they relate.

Chief Executive's report

The Chief Executive noted he would deal with matters in the scorecard by exception.

The Chief Executive advised that the fees free project is moving from a stand-alone project to business as usual. The next phase of policy development to decide whether fees free will roll into 2021 is underway. He outlined a number of factors which might see a targeted arrangement for fees free going forward.

With regard to the Data 2020 project, the Chief Executive advised Vice Chancellors had been asked to nominate someone to be part of the Steering Committee on their behalf, and as a result Mark Loveard, Chief Operating Officer from Victoria University had joined the Steering Committee. He advised this would be a very positive development by ensuring the project delivered on university needs.

In response to a question from Commissioner MacCormick as to whether there is any risk around the Kia Rite project, the Chief Executive advised that any risk is largely around business implementation off the back of new people joining TEC and the delay in business process change. The main risk is in the Strategy and Design Directorate where the vast majority of vacancies exist. Until it is known whether there will be a successful Budget bid around Careers, there is provision to carry on that work until the end of June only.

The Chief Executive noted that the decrease in contractor numbers had tailed off, largely due to the Reform of Vocational Education project (RoVE). Although some contractors were lost from the Corporate and Finance area, they were offset by contractors coming into RoVE project.

In response to a query from the Board, the Deputy Chief Executive Corporate and Finance advised that the forecast in terms of contractors involved business as usual was accurate, but it was hard to predict contractor numbers going forward for RoVE.

Noting that the number of views on the Careers website is trending down, and in response to a query from Commissioner O'Reilly as to the reason for this, the Deputy Chief Executive Delivery advised it was likely that that this was due to the time of year.

The Chief Executive and Deputy Chief Executive Delivery advised the change in helpdesk queries and call service level was partly as a result of the new year and partly due to new staff needing to be brought up to speed. The Chief Executive said he had been advised that the specific issues that caused the degradation had been identified and that the expectation was that the numbers would gradually improve as the issues were addressed.

Turning to his report, the Chief Executive noted the year end position for both Whitireia and WelTec is significantly worse than it was projected to be as recently as September 2018. He advised the Board that Neil Barns, who had been appointed as Commissioner, had been proposing a merger process for Whitireia and WelTec, however the Minister had rejected that proposal but made it clear that the organisations need to continue to make savings. The Chief Executive advised it was almost certain that further Government funding would need to be provided to Whitireia/WelTec to see them through this calendar year, which TEC had earlier projected. In response to a query from the Chair as to the make-up of the Advisory Committee, the Chief Executive advised that he understood both the Minister and Neil Barns had had input into those appointments.

The Chief Executive provided an update from a recent meeting with the ServiceIQ Board, noting that the board was very complimentary about how the investigation process had been managed. ServiceIQ is aware it will have to repay \$2.8million, and a repayment schedule is currently being worked through.

Noting the cost overrun on the Kia Rite project, the Chair queried the Chief Executive's responsibility to ensure projects stay within the budget set by the Board. He noted the Board's expectation that projects are managed within a budget, and if there is some overspend with no contingency, an indicator back to the Board would be expected, together with the reasons for that. The Chief Executive acknowledged this expectation and apologised to the Board that these issues had not been brought back to the Board. He advised part of the reason for the overspend was that redundancy costs were higher than expected, and outlined discussions the Executive Leadership Team had held around this. The Deputy Chief Executive Corporate and Finance noted that savings had been made due to vacancies remaining unfilled, and that the market had had to be revisited two or three times for some roles. Discussion took place around the need to take learnings from the Kia Rite

project. The Chief Executive advised that he was happy with the position reached in terms of the delivery side of the business, although the cost of getting to that position had been a lot more than anticipated.

The Chief Executive provided further information regarding the accident and fatality at NorthTec. Further information had been sought from NorthTec, including an explanation for the delay in advising TEC of the incident.

Referring to the information regard 2018 Fees-free enrolments, the Chair noted the low level of participation by wānanga and asked whether there had been any review as to why this had occurred. The Chief Executive advised that wānanga tend to have students re-entering tertiary education, with the average age of wānanga students being mid-40s, and it was anticipated that a large number of those would have undertaken some form of tertiary education in the past. In addition, a number of the courses offered by the wānanga are already free. For example, 90% of what Te Wānanga o Aotearoa offers is fees free and has been for some years. He agreed with Commissioner MacCormick that few fees free students would come from the Open Polytechnic.

In response to a query from the Board as to whether fees free is achieving its objective, the Deputy Chief Executive Delivery advised the Ministry of Education is conducting a review of the policy. She advised consideration is being given to expanding some of the marketing channels around fees free to a broader group. The Chair felt there were two pieces of information missing, one being the position in 2017 as a baseline pre-fees free and what's emerging in patterns for this year. The Chief Executive and Deputy Chief Executive Delivery advised further information regarding trends would be available in May after the April SDR.

The Chief Executive outlined what would be occurring during the visit of Professor Tim Rennick and Tristan Denley from Georgia State University later in the year. The Chair queried whether there would be an opportunity for a face to face meeting with the Board.

Turning to the Finance report, the Deputy Chief Executive Corporate and Finance noted that, based on feedback from the Audit Risk and Compliance Committee, the report had been changed to make it clearer. He explained the changes that had been made. He said the key points to note is that TEC is currently running under budget which was forecast first in the February budget, and the deficit is likely to be closer to the \$4million mark. With regard to the RoVE costs, he advised he had met with the programme manager this morning and a new forecast would be ready in the next few days.

With regard to capital expenditure, the Deputy Chief Executive Corporate and Finance noted the forecast spend was slightly under \$8million, with the Data 2020 project expected to come out at \$7.2million. Pressure is being put on project managers to provide realistic forecasts.

The Deputy Chief Executive Corporate and Finance drew attention to the new graph showing the breakdown of recoveries that it was hoped provides a better picture and better visibility. He noted the information regarding the fiscal view of how funding is going for the financial year 2018/19. \$93million of unallocated funding currently ring-fenced may end up being a recovery if it can't be invested in the next few months. The Chief Executive drew attention to the information regarding the end of the Canterbury recovery exemption, noting that any underspends in the 2019 year would be recoverable. He noted that, for the most part, this happens at the beginning of 2020 if major fluctuations are noted, intervention can occur before then.

In response to a query from the Chair, the Chief Executive outlined the current position relating to Taratahi Agricultural Training Centre and Westpac.

In response to a query from Commissioner MacCormick regarding the recalculation of the PBE IPSAS 23 grants accounting adjustment, the Deputy Chief Executive Corporate and Finance provided an explanation of how these grants have been dealt with. He noted that the calculation would be done on a monthly basis from now on rather than at year end.

With regard to the Risk Register, the Board asked that a trend arrow be added to the RAG status.

Action item 190401: Add a trend arrow to the RAG status in the Risk Register.

The Chief Executive provided an update on Lincoln University. He advised that since the last Board meeting, Lincoln has settled its insurance payment and outlined discussions that had taken place to reach that point. He also provided an update on discussions between the University of Canterbury and Lincoln University, and between Lincoln University and AgResearch with regard to AgResearch leasing or buying land. Discussion took place regarding Lincoln University, and the Board asked that a comprehensive "where to from here" paper be provided.

Action item 190402: Provide a comprehensive "where to from here" paper regarding Lincoln University.

Update on Reform of Vocational Education

s(9)(a) and Chris Collins joined the meeting.

The Chair said that having read the paper, a concern was raised as to whether having a major process underway to develop various aspects of a consolidated model at the same time as consultation is underway could give the impression that there was a pre-determined outcome to this process, which would be a reputational risk for the Minister and TEC. The Chief Executive and s(9)(a) both spoke to this issue and reassured the Board that this was not the case. The Chief Executive advised that the short lead times meant that consultation and the

development of possible future models needed to be carried out in parallel, and that during the consultation process, the TEC, Ministry of Education and the Minister had all front-footed this issue. The Chair also raised questions around the extent to which promises may have been made to various stakeholder groups during consultation and whether this would constrain the government in making choices. s(9)(a) and the Chief Executive advised that the project team had been extremely careful to review video and voice recordings of the consultation sessions and they were confident that commentary or commitments made during the consultation would not bind the government.

The Deputy Chief Executive Delivery noted that during the consultation, the teams had been at pains to demonstrate that it was not a case of proposing 16 ITPs in to one, but that it was creating the establishment of an entirely new entity that would take the best component parts of ITPs and industry training.

Commissioner Stoddart noted that Commissioners had a real interest in understanding the outputs from consultation and the Chief Executive confirmed that as soon as the 2500 submissions were analysed, the Board would be provided with that analysis.

Commissioner MacCormick queried whether two models for the IST would be submitted to the Minister. s(9)(a) noted that it was highly likely a base case would be included of saying nothing changes, together with various options. IT was noted that the Minister had already rejected the October submission from the Board.

Extensive discussion took place regarding the value of the various models. Commissioner O'Reilly queried TEC's role in the communications engagement process with regard to the proposals. Specifically, he suggested it was not TEC's place to promote the new model in the face of public criticism. The Chief Executive noted that TEC's role has been around providing information and that an even handed factual approach has been taken to this engagement. In this case, TEC has not actively refuted some of the significant misinformation that has been in the public domain. Commissioner MacCormick noted the lack of clarity generally about what is known about the industry training system and specifically how it works. He noted that there is a lot of training that can only take place in the workplace and we would not want to put that in jeopardy. His observation was that many of the ITOs are flexible and it is difficult to see how ITPs could replicate their arranging of training.

An extensive conversation took place on how the Board would approach the conversation with the Minister later that afternoon. The Chair noted that in the first instance the Board would want to highlight the opportunity offered by such a major change but that clearly the Board is also concerned around the risks to the existing system and the future opportunities from getting the design and implementation wrong.

s(9)(a) and Chris Collins left the meeting.

TEC Statement of Intent 2019/20 – 2022/23 and TEC Statement of Performance Expectations 2019/20

The Chair asked that feedback on the Statement of Intent and Statement of Performance Expectations be provided directly to the Deputy Chief Executive Corporate and Finance.

Performance-based Research Fund 2018 Quality Evaluation – Approval of the results and 2019 indicative allocations

The Chair commended the Deputy Chief Executive Delivery and her team for a very logical and defensible recommendation, built around a very good logical base. He queried the reason for reducing the amount of funding, and whether, given the surplus of SAC funding available, consideration had been given to increasing the funding. The Chief Executive advised that would be a decision for the Minister following advice from the Ministry of Education. He noted, however, that this funding comes from a different place than SAC so would require some work at the Minister's end to do that. He felt it was highly unlikely the Minister would act on that prior to conducting the PBRF review, which Minister Salesa has accountability for and is due to commence this year

Commissioner MacCormick noted that the terms of reference for the review would be critical, and TEC should have input into those terms of reference.

The Chair noted the Board is happy with the outcome and directions of the Quality Evaluation, the only issue is given the significant investment achieved within the sector in this category of activity and the steady state investment has been made, and the availability of SAC funding, that some thought be given to investment in this area.

Minute No. TEC190402

1 *Based on the advice and recommendations of the Chief Executive, the Board of Commissioners (the Board)*

- A. **Approved** the results of the 2018 Quality Evaluation of the Performance-based Research Fund (PBRF) as detailed in Appendix 1 of the paper;
- B. **Approved** the indicative 2019 PBRF allocations which now include the results of the 2018 Quality Evaluation process (Appendix 2 of the paper); and
- C. **Agreed** that the indicative funding be published as part of the interim results report.

Update on financial positions of institutes of technology and polytechnics

The Board noted the paper.

Reducing obligations for ITPs and ITOs in the investment round

The Board noted the paper is very sensible and reasonably determined.

Minute No. TEC190403

1 *The Board of Commissioners (the Board):*

- A. **Approved** the proposed approach of offering, at TEC's discretion, Institutes of Technology and Polytechnics and Industry Training Organisations an exemption from the need to provide all the parts of investment plans (Plans) required by TEC under Section 159R(1) of the Education Act 1989; and
- B. **Delegated** approval of exemptions from Plans for specific tertiary education organisations (TEOs) to the Chief Executive.

Update from Audit Risk and Compliance Committee meeting of 15 March 2018

Commissioner MacCormick, as Chair of the Audit Risk and Compliance Committee (ARCC), provided a verbal update on the ARCC meeting held on 15 March 2018.

Policy update – improving procedure and policies

1 *The Board of Commissioners (the Board) **approved** the following policies:*

- *Cash Management policy*
- *Insurance policy*
- *Grants Funding Debt Management policy*

New model standards of information-sharing

Commissioner MacCormick suggested a change to the wording of the letter of comfort from the Chief Executive to the Chair that ARCC be provided with up-to-date copies of the conflicts of interest register within a month of that register being completed.

Delegations register

The Board noted the delegations register.

Update from Remuneration Committee meeting

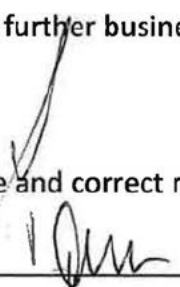
Commissioner Stoddart provided a verbal update from the Remuneration Committee meeting held prior to the Board meeting.

Meeting with the Minister

The Board discussed the upcoming meeting with the Minister

There being no further business, the meeting closed at 4.15pm.

Signed as a true and correct record:



Chair

Date:

