Strengthen system capability and quality

Objectives

- Improved strategic capacity and leadership at both governance and management levels.
- Increased differentiation and specialisation across the system.
- Greater collaboration with the research sector, the creative sectors, industry, iwi and communities.
- Sustainable growth of export education capability centred on a reputation for quality teaching and pastoral care.
- A stronger system focus on teaching capability and learning environments, to meet diverse learner needs.
- Learners and the wider public have confidence in high levels of quality throughout the system.
- A coherent and reliable system of qualifications, learning recognition and credit transfer.

The expected change – 2002 to 2007

This strategy is a critical area for early development during the life of the TES. Without improvements in overall system capability and strategic capacity, it will be difficult to make progress on the other strategies and objectives in the TES. Improvements in these areas are critical to realising the changes set out in the change messages.

Strengthening system capability and quality requires improved strategic capacity and leadership at both management and governance levels. TEOs should have a greater focus on student success rather than on simply increasing student numbers. They should be developing robust, long-range planning, based on the needs of their communities, regions and the nation. It is expected that TEOs will have an increased focus on their distinctive contribution to tertiary education, and there will be increased differentiation of provision.

This strategy requires that TEOs work much more collaboratively with each other and with key stakeholders. Improved collaboration needs to result in better use of the limited resources available for tertiary education in New Zealand, improved networks of professional practice across TEOs and other institutions, and more integrated course and qualification offerings for learners that draw on the distinctive strengths of different organisations.

A stronger emphasis on quality and innovation in tertiary education teaching and learning is also required, through improving teaching capability and learning environments and developing a more coherent and reliable system of qualifications, learning recognition and credit transfer. One of the main challenges for the sector will be to develop a better common understanding of what constitutes quality teaching and good professional practice.

Included within this strategy is a focus on sustainable growth of export education capability, centred on a reputation for quality teaching and pastoral care. This has been a growth area for the tertiary education sector since 2000. Success in this area is critical to New Zealand’s international image and connections with major trading partners, as well as bringing a range of educational, economic and social benefits to New Zealand. It is also an important source of additional revenue for TEOs. However, there are a number of risks in this area that need to be actively managed by the sector.
The success of this strategy will be evidenced through a tertiary education system that is more robust and is responsive to the needs of learners, research users and key stakeholders. It will be strongly networked within itself and with key stakeholders. There will be much more coherent options and pathways available for learners across the system. The improved confidence of students, employers and the public in the system will also be evidence of success.

The baseline picture in 2002
In aggregate, the financial health of TEOs has improved from 2000 to 2002, with fewer TEOs running operating deficits. This places TEOs in a stronger financial position to take on the changes required in the TES.

There have been a number of new initiatives focused on governance and management capability in TEOs, including the TEI Governance Review and introduction of charters and profiles.

A number of policies are being implemented which are directed at enhancing the focus on quality, including the New Zealand Register of Quality Assured Qualifications and a project on enhancing quality in teaching.

A number of collaborative initiatives have been developed by TEOs over the last few years. These aim to contribute to a variety of outcomes relevant to the TES. Assistance is being provided to encourage further collaboration.

Export education has been an area of rapid growth for the sector. The high reliance on North Asia as a source for international students poses risks in terms of long term sustainability and the possibility of short term disruptions. The recent introduction of a Code of Practice for pastoral care of international students and enhancement of quality assurance mechanisms should reduce risks arising from poor practice in this area.

Further development of monitoring
Development of strategic capability and leadership in TEOs is a critical priority for future monitoring. TEIs will be encouraged to report on and self-assess their management and governance capability. A more systematic basis for ongoing assessment of TEOs' collaborations is also a critical priority. Assessing the value created by these collaborations will be a key challenge.

Key source information for these areas will come from TEO profiles and charters. The work of the Collaborating for Efficiency review groups will also provide valuable benchmark data on existing collaborations. The perspectives of key stakeholders will be vital to the analysis.

The improvement in TEO financial status may in part be the result of TEOs optimising for current funding arrangements. As funding policies change, it will be important to continue to monitor impacts on TEO financial performance and position.

The development of better information on quality and innovation in tertiary education is also a priority. This will require the development of a range of measures that provide a rich picture of educational delivery and success. It is not possible to assess quality purely on the basis of a single measure. Measures need to be considered across a range of areas, including:

- student achievement (e.g., completion rates, retention rates and progression onto further study)
- student outcomes, in terms of employment and the ability to apply the skills and knowledge gained from tertiary education to work and life in general
- teacher workforce experience and qualifications
- TEO focus on teaching practice, innovation and student achievement
- the confidence of students, employers and the general public in the quality of the tertiary education system.

Information on compliance with the International Student Code of Practice will also be included in future monitoring.
Financial management in tertiary education organisations

Current information on sector capability focuses on the financial health of TEOs. The financial health of an organisation, while limited in scope, does provide a reasonable indication of effectiveness of management control and the ability of the organisation to manage change and risk.

The financial situation of TEIs is improving

There has been concern about the short term financial position of TEIs. In 2000, 13 out of the 36 TEIs had operating deficits and only 11 met or exceeded the recommended threshold of a three percent operating surplus. This situation improved by 2002, with only six TEIs being in deficit and 19 meeting or exceeding the recommended operating surplus.

In 2002, the overall sector operating surplus exceeded the three percent threshold for the first time in several years and rose to 4.2 percent. This reflects the strong financial performance of wānanga, as well as the improved financial performance of other TEIs.

TEIs have exceeded the recommended thresholds on indicators of medium-term viability over the last four years and continue to strengthen their performance on all of these indicators.

Overall financial situation of PTEs is similar to public institutions

Financial information gathered by the Ministry of Education from PTEs which received student component funding through EFTS-based tuition subsidies in 2002 shows that the average financial performance of PTEs on key indicators is reasonable in comparison with TEIs and reflects logical and obvious differences in financial and asset structures. There is, however, greater variance in key performance indicators in PTEs than is the case with TEIs.

Key findings from the analysis of PTE financial information included:

- There appear to be some economies of scale for PTEs, with larger PTEs performing better than smaller ones.
- Smaller PTEs are more reliant on shareholder funds and shareholder loans to maintain viability.
- PTEs that have made improvements in education and business processes have also had improvements in financial viability.
- A number of PTEs are part of a larger group of companies or trusts and are very strong financially when the finances of the whole group are taken into account.

Initiatives to enhance tertiary education organisation governance and leadership

Since the launch of the TES, there have been a number of initiatives put in place to provide support for enhanced TEO leadership and governance.

Independent review of TEI governance conducted

An independent review of New Zealand Tertiary Education Institution Governance was recently completed by Professor Meredith Edwards of the University of Canberra. The review's aim was to examine the governance of the TEIs and establish good practice, identify options for new and changed governance structures and advise on optimal ways of developing overall governance capability.
The report recommends a new framework to achieve good governance practice. It found that while governance is not seriously flawed, there is room for improvement. It found a need for a fresh focus on lifting governance performance with a view to improving strategic positioning, engaging with a wider range of stakeholders and aligning with the government’s tertiary education priorities.

The package of measures recommended includes a National Protocol on TEI Governance which sets out principles for good governance. Once the protocol is agreed, TEIs will be required to report against it in their annual reports. Along with the Protocol it is recommended that Institutional Codes of Governance Practice be developed to reflect the special features, values and approaches of each institution. Both of these would be overseen by an Association of Chancellors and Chairs with representation from across TEIs. A number of legislative changes are also recommended.

Some of the recommendations are already being implemented through governance and management workshops for council members and senior management staff being delivered by the Ministry of Education. Others are being adopted by institutions and sub-sectors. The Ministry of Education has also recently commissioned preliminary work on issues of Māori governance in the sector. Ministers have yet to make decisions with regard to legislative change.

**Charters and profiles bring greater focus on strategic direction**

The introduction of charters and profiles for TEOs heralds a greater focus on TEO strategic direction. Charters require TEOs to articulate their mission and role within the tertiary education system and their alignment with the TES. Profiles will provide a more systematic annual review of TEO achievement against educational as well as financial targets. They will support good business practice and complement other organisational planning tools. They will be a basis for both internal and external monitoring and accountability with a range of stakeholders, including government.

Charters and profiles will be fully implemented across the sector by the end of 2004.

**Other developments**

The Innovation and Development Fund aims to foster new and innovative ideas, and to develop TEOs’ capability to improve the operation of the tertiary education system. It is also designed to help TEOs align with and deliver on the TES and national goals. The fund will make available $40 million over four years from July 2003, with $20 million available for projects to be undertaken from 1 January 2004 to 30 June 2005.

One hundred and thirty-three applications, totalling $134 million, were received for the 2003 funding round. Nine projects have been approved, covering Māori development, foundation education curriculum alignment between schools and polytechnics, industrial design and research and industry training.

The Industry Training Amendment Act 2002 included a new requirement for ITOs to provide leadership to their industries on skill and training matters. Guidelines have been developed, in consultation with ITOs, to provide the framework for implementing this new role. ITOs are required to reflect this in their charters and develop objectives, performance indicators and a reporting framework in their profiles for 2005.

ACE collaborative networks have been set up to better connect ACE to the rest of the tertiary system and effect a more strategic approach to ACE provision. Innovation and development funding has been made available for ACE providers.

**Initiatives to enhance quality**

Since the launch of the TES, a number of initiatives have been put in place to improve the focus on the quality of tertiary education and research at a system level.

**Greater emphasis on quality within the Integrated Funding Framework**

One of the aims of the new PBRF is to encourage greater attention to the quality of research within the tertiary education sector. The funding allocation process includes research quality assessments of all research staff in participating TEOs. Information on the quality assessments has been reported publicly.
In the future, a small proportion of the student component of the integrated funding framework will be allocated on a performance basis. This will signal the importance placed on TEOs having a focus on quality and achievement, as well as participation and access. A technical working group has been convened to develop measures and indicators for the allocation of the performance element. Their report on options has been provided to Ministers.

**Project to focus on enhancing quality**

The Ministry of Education will be leading a project in 2004 focusing on Enhancing Quality. The project will focus on how to support a culture of quality and how quality assurance arrangements can be better used to enhance quality teaching and learning in tertiary education. The project will be in two stages. The first will be a scoping exercise involving the tertiary education sector, key government agencies and stakeholders. The second will involve a working group considering what can be done to enhance the quality of teaching and learning in tertiary education.

**Strategic review and plan for tertiary education workforce**

The government has agreed to establish a strategic review and plan for the tertiary education workforce in 2003/04. This review is proposed to ensure that the workforce meets the future needs of the reformed tertiary education system and will contribute to ensuring that New Zealand’s tertiary education system meets the requirements of New Zealand’s knowledge society.

**Single register of quality assured qualifications implemented**

In March 2001, agreement was reached to develop a register of all tertiary qualifications in New Zealand. Previously, each quality assurance body had maintained its own register of qualifications, resulting in fragmentation of the qualifications system across provider types.

The key purposes of the New Zealand Register of Quality Assured Qualifications are to:

- clearly identify all quality assured qualifications in New Zealand
- ensure that all qualifications have a purpose and relation to each other that students and the public can understand
- maintain and enhance learners’ ability to transfer credit by the establishment of a common system of credit
- enhance and build on the international recognition of New Zealand qualifications.

The Register sets criteria for qualifications to be included. All existing qualifications have been included. They are currently being updated to ensure they meet the criteria for the Register. This process will be completed by August 2006.

The Register was made available to the public in July 2003 through the KiwiQuals website (http://www.kiwiquals.govt.nz). This site allows people to search for information on all quality assured qualifications in New Zealand.

The next step of implementation is to improve credit recognition and transfer. The NZQA have developed a Credit Recognition and Transfer Policy. As part of this, providers have agreed to have credit recognition and credit transfer processes in place from January 2004. These processes will be checked by the quality assurance bodies.

**Collaboration**

An important aspect of the TES is to encourage greater collaboration between TEOs and between TEOs and key stakeholders. This theme is reinforced in the change messages and the objectives.

It is intended that greater collaboration will help achieve a range of outcomes including:

- greater contribution to Māori development aspirations
- greater contribution to Pasifika development aspirations
- improved pathways from school to tertiary education and within tertiary education, particularly from foundation education
- improved employment outcomes for graduates
- meeting emerging and future skill needs
- improved contribution of research to national social and economic development
- improved development of professional practice in teaching and research.
Increased collaboration will contribute to these outcomes through:

- greater engagement of the tertiary education system with stakeholder needs and requirements
- enhanced linkages in provision across providers
- improving the mix of available courses to better meet current and future needs
- developing joint ventures for education provision and research
- achieving critical mass in areas of regional and national importance
- making the best use of limited resources by reducing duplication of provision, increased specialisation, greater differentiation and resource concentration
- better international linkages.

Collaboration will involve development and extension of initiatives with:

- Māori iwi, hapū and whānau
- Pasifika communities
- business and industry, where ITOs will play a key role
- other TEOs, including PTEs as well as public providers
- schools
- tertiary providers internationally
- CRIs and research associations.

A number of collaborative initiatives have been developed by TEOs over the last few years. Some examples relating to each of the outcomes mentioned above are set out below to illustrate the range of initiatives currently in place. More systematic data on TEO collaborations will be developed as part of future monitoring.

Greater contribution to Māori development
Te Tapuae o Rehua is a joint venture company between Ngāi Tahu Development Corporation, Christchurch Polytechnic, Lincoln University, the Christchurch College of Education, Canterbury University and the University of Otago. The focus of the company is to put in place high quality Māori curricula and increase Māori participation in tertiary education. Te Tapuae o Rehua facilitates the provision of high quality education opportunities to encourage scholarship, personal development and leadership by drawing on the collective skills and resources of the partnership. It aims to establish a reputation for excellence in the fields of Mātauranga Māori, te reo, Māori education and in the professional and technical fields of industry to meet the needs of iwi, the region and the nation.

Greater contribution to Pasifika development
The Manukau Institute of Technology is working with churches in the local area and their Pasifika congregations in a community education outreach programme, entitled the Otara Future Learning Village. The initiative focuses on subjects that contain foundation skills. Classes are located initially at churches, moving to the Institute campus when extra facilities are needed. A key to the success of the venture is community ownership. The Institute first worked with church ministers and then took every opportunity to talk directly with the congregations and local Pasifika community groups about their learning needs.

Improved pathways from school to tertiary education and within tertiary education
Auckland University of Technology has formed a community partnership with 22 decile 1 to 4 schools with high Māori and Pasifika student bodies to assist Māori and Pasifika students to make the transition to tertiary education.

A group of Invercargill businesses formed the Southland Joint Funders Committee to help the Southern Institute of Technology establish its zero fees programme. The provision of zero fees for programmes has encouraged non-traditional users of tertiary education to participate. The benefits from this initiative include an increased proportion of students from lower socio-economic backgrounds. There has also been an increase in the number of female and Māori students.

The Tertiary Alliance between Bay of Plenty, Northland, Tairawhit, Taranaki and Waiairiki Polytechnics, and the University of Waikato aims to facilitate a range of access to tertiary education in the region that is as wide as possible by providing clear academic pathways through agreed articulation, credit and contractual teaching arrangements. Together, the institutions have developed programmes...
that reflect their co-operative approach to education. The Unitech certificate, for instance, allows students to study for a qualification offered jointly by a polytechnic and the University of Waikato. Another benefit is the agreed recognition of each other’s qualifications, providing students with much greater flexibility within their tertiary education.

Improved employment outcomes for graduates
Pukapuka Training Academy has established a partnership with Rakon Ltd for students in its electronics course. The programme covers generic skills and production-specific training. Practical experience is delivered at Rakon Ltd’s premises. The programme has been particularly successful in attracting Pasifika trainees, with 80 percent of those completing the programme going into employment in electronics.

Meeting emerging and future skill needs
Lincoln University and the Nelson Marlborough Institute of Technology (NMIT) are working with the Marlborough District Council, the Marlborough Research Centre, and the Marlborough wine industry to launch a Centre of Excellence in Wine Education based on the Marlborough campus of NMIT. As part of the collaboration, an articulation has been created between the NMIT Diploma in Viticulture and Wine Production and the Lincoln University Bachelor of Viticulture and Oenology that will enable students to take the degree in Marlborough.

The School of Engineering at the University of Auckland and the School of Forestry and Technology at Waikari Institute of Technology have entered into a partnership to create a centre to meet the needs of the forestry industry. Forestry is moving from a production strategy dominated by commodity products to a value-added production and marketing strategy. The courses developed target both full-time undergraduate students and staff already working in the industry.

Improved contribution of research to national social and economic development
Researchers at the University of Auckland have been actively collaborating with dairy scientists at Fonterra Research Centre to identify dairy active compounds that could provide improved ingredients and nutraceuticals.

Lincoln University and Massey University are working with Wool Pro to maximise technology development and uptake in the sheep industry. Wool Pro staff work closely with university staff on research and development, technology transfer, education and training. The initiative aims to keep the New Zealand sheep industry in its position as a world leader.

Improved development of professional practice in teaching and research
Toi Whakaari, the New Zealand Drama School, has implemented partnership and exchange relationships with the California Institute of the Arts, the University of Wisconsin and a number of other institutions with professional theatre programmes in the United States, the United Kingdom and Australia. These partnerships represent a shared commitment to performance research. The School’s relationship with the University of the Incarnate Word, Texas, is focused on creative and research work with ethnic minorities. Links are in development with La Mancha International School of Image and Gesture, Santiago, Chile, which shares an interest in the physical language of the actor. Through the international programme, Toi Whakaari students are able to undertake secondments throughout the world.

Initiatives to support increased collaboration
A number of projects have been established to support increased collaboration.

Collaborating for Efficiency
The Collaborating for Efficiency project was devised to assist TEIs to make the transition to a new operating environment based on co-operation and collaboration. Supported by the TEC and the Ministry of Education, five reviews were conducted, covering use of capital assets, entrepreneurial opportunities, staffing, library services and collaboration with Māori whānau hapū and iwi. A key outcome of the project has been the identification and analysis of good practice that is already occurring and encouraging these practices to be emulated where appropriate.

Partnerships for Excellence
The Partnerships for Excellence Framework is aimed at increasing private sector investment in tertiary education, and thus producing positive outcomes through fostering better linkages between TEIs, industry and business.
Funding is provided from government for large scale investment projects if it is matched by private sector investment. In 2003, 11 applications for funding were received from eight TEOs. The proposals are being assessed by the TEC and decisions will be announced during the second quarter of 2004. Two proposals have already been approved: the development of a ‘Leading Thinkers’ advancement programme by the University of Otago and the establishment of a new business school at the University of Auckland.

**Polytechnic Regional Development Fund**

The Polytechnic Regional Development Fund is designed to strengthen partnerships between polytechnics, local companies, regional development organisations, industry training organisations and iwi, and to encourage skills development initiatives that meet the needs of local employers. To qualify for an award, a proposal from the polytechnic and its local partners must demonstrate consistency with the economic development strategy being developed by their region and with the TES and the STEP.

Three funding rounds have been held since 2002, providing $3.1 million to 24 projects. The projects cover meeting training needs of local industries, developing new provision, addressing specific skill shortages, research and development, industry and business development and resource management.

**E-Learning Collaborative Development Fund**

The E-Learning Collaborative Development Fund is designed to improve the tertiary education system’s capability to deliver e-learning that improves education access and/or quality for learners, and to help achieve co-operative and strategic implementation of e-learning in TEOs. The fund will make available $28 million over four years from July 2003, with $14 million available for projects to be undertaken from 1 January 2004 to 30 June 2005.

One hundred and five applications were received for the 2003 funding round, totalling $93 million. Fifteen of these were approved for funding. Approved projects cover areas such as building capability to deliver e-learning, resources and support for tertiary staff, infrastructure and software development and improving use of e-learning by Māori and in the workplace.

**Export education**

This strategy includes a focus on sustainable growth in export education capability centred on a reputation for quality teaching and pastoral care.

From 1999 to 2002, there was rapid growth in the number of international students studying in formal tertiary education in New Zealand. The total number of international students studying in the TEOs which received government funding increased from 8,922 in July 1999 to 26,979 in July 2002. Numbers enrolled in English language schools were around 42,000 for the year to 31 March 2002. (A small proportion of the language school students may also be counted in the formal students.)

Key areas of concern have been the increased reliance on students from North Asia and issues relating to pastoral care of international students. These concerns have been highlighted in the private language school area where the sudden closure of two large providers had significant impacts on students and other providers.

**Greater proportion of international students from North Asia**

A key criterion for sustainability of export education is that there is a diversity of international students in terms of country and region of origin. This limits the impact of sudden changes in demand from particular countries, and for particular programmes and fields of study, and spreads the impact and benefits of international students more widely across the tertiary education sector and more evenly throughout individual TEOs.

From 1997 to 2002, there has been a consistent pattern of around 70 to 80 percent of international students coming from Asia. In 2002, 63 percent of international students were from North Asia (China, South Korea and Japan).

In terms of proportional growth, the fastest growth has been from China. In 1997, there were only 103 Chinese students studying in New Zealand. In 2002, there were 13,734 in formal programmes at TEs and publicly funded PTEs. The next highest areas of growth have been India, the Middle East region and South Korea. Over the same time period there has been a significant decline in the number of students from Malaysia.
From 1997 to 2002, universities maintained a share of just over half of the international students studying in publicly funded tertiary providers in New Zealand. While the numbers studying in polytechnics grew, their share of the total numbers declined, with PTEs taking an increasing share from 2000 on. Numbers of formal international students at colleges of education remained minimal. However, the colleges do provide education to international students through contracts with other education jurisdictions. These are not counted as formal students. Wānanga had almost no international students.

The Code requires all education providers enrolling international students to offer services for international students that are tailored to meet their needs. Support services for international students must include a dedicated resource for enquiries about pastoral care, an orientation programme, and assistance to students facing difficulties adapting to the new cultural environment. In addition, education providers must offer information and advice on: accommodation; courses; driving and driver licensing laws and road traffic safety; welfare facilities; sexual and reproductive health services; relevant New Zealand laws; and harassment and discrimination.

The Code was strengthened in 2003 to include greater follow-up requirements on education providers with international students ‘in trouble’. The Code now requires education providers to offer assistance or appropriate referral for students with additional needs and if they are not considered to be living in an appropriate accommodation situation.

Education providers are expected to review their own performance under the Code at least annually and, since the strengthening of the Code in the middle of 2003, have also been required to make the outcomes of these reviews available to the Code Administrator (Ministry of Education). The Administrator has agreements with quality assurance bodies for ongoing monitoring of compliance with the requirements of the Code.