

Tertiary Education Report: Review of the appointment of the Commissioner of Unitec

Date:	3 July 2019	TEC priority:	High Priority
Security level:	In Confidence	Report no:	B-19-00861
		Minister's office No:	

ACTION SOUGHT		
	Action sought	Deadline
Hon Chris Hipkins Minister of Education	<p>note that section 195D(6) of the Education Act 1989 requires that you review the appointment of a Commissioner annually.</p> <p>agree that the need for a Commissioner at Unitec Institute of Technology remains and that Murray Strong continues as Commissioner.</p> <p>sign and send the draft letter to Murray Strong, if you agree that he remains.</p>	23 July 2019
Enclosure: Yes	Round Robin: No	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)				
Name	Position	Telephone		1st contact
s9(2)(a)	Principal Advisor	s9(2)(a)	[REDACTED]	✓
Gillian Dudgeon	Deputy Chief Executive – Delivery	s9(2)(a)	[REDACTED]	

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT							
<input type="checkbox"/> CERA	<input type="checkbox"/> DPMC	<input type="checkbox"/> ENZ	<input type="checkbox"/> ERO	<input type="checkbox"/> MBIE	<input checked="" 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 Withdrawn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

Hon Chris Hipkins, Minister of Education

It is recommended that you:

1. **note** that section 195D(6) of the Education Act 1989 requires you to review the appointment of a Commissioner annually.
2. **agree** that the need for a Commissioner at Unitec Institute of Technology remains and that Murray Strong continues as Commissioner.

AGREED / NOT AGREED

3. **sign and send** the draft letter to Murray Strong, if you agree that he remains.
4. **agree** that the Tertiary Education Commission releases this paper proactively with potentially commercially sensitive information withheld.

AGREED / NOT AGREED



Gillian Dudgeon

Deputy Chief Executive – Delivery

Tertiary Education Commission

3 July 2019

Hon Chris Hipkins

Minister of Education

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Purpose

1. The purpose of this briefing is to review the appointment of a Commissioner at Unitec Institute of Technology (Unitec) and seek your agreement for Murray Strong to remain as Commissioner.

Requirement to review the appointment of an Commissioner

2. On 23 July 2018, you announced that you were dissolving the Unitec Council and appointing Murray Strong as Commissioner under section 195D of the Education Act 1989 (the Act).
3. Section 195D(6) of the Act states that you must review the appointment “*at least once in every 12 months following the appointment*”. There are no requirements for what this review entails. However, section 195D(7) of the Act states that as soon as you are satisfied “*that the risk that gave rise to the appointment of the Commissioner has reduced to such an extent that it is appropriate that the institution be administered by a Council, a new Council must be appointed*”.

Review of the appointment a Commissioner at Unitec

There is a continued need for a Commissioner to remain in place at Unitec

4. When a Commissioner was appointed in July 2018, Unitec were projecting a cash shortfall for 2018 and 2019 and had a significant need to right-size its operations given the large decline in EFTS it had experienced over recent years. In August 2018, Cabinet agreed to provide an interest-free Crown concessionary loan facility of up to \$50 million to ensure Unitec could meet its operating commitments and to support its right-sizing initiatives (SWC-18-MIN-0105 refers).
5. While significant progress has been made since the appointment of a Commissioner, Unitec is still reliant on Crown financial support to be viable. Unitec remains ‘high risk’ on the Financial Monitoring Framework and we have an overall risk assessment for Unitec of ‘extreme risk’. Unitec reported a \$29 million deficit in 2018 and is forecast to record another large deficit in 2019. As such, we recommend that a Commissioner continues to be required at Unitec to make the necessary changes and return it to a financially sustainable position.

We believe the Commissioner has performed well

6. We consider it is appropriate to review Murray’s performance against three key documents:
 - the Memorandum of Understanding (MoU) between the TEC and Murray Strong, including our expectations and desired outcomes of the appointment.
 - the Unitec Renewal Plan – the internal document that is the blueprint for the change programme to right-size the institution and realise the value of the land to be sold; and
 - The Crown concessionary loan agreement between the Crown and Unitec signed on 31 August 2018.
7. Overall, we consider that Murray has performed well over the past year and met the expectations we agreed as part of the MoU. He has overseen the implementation of the Renewal Plan which has four key objectives:
 - To design a sustainable operating model and structure for a minimum of 6,000 EFTS for 2020 and beyond;
 - To realise overall cost savings of 20% across the organisation (\$25 million);
 - To engage effectively with its people and key stakeholders throughout the process;
 - To enable Unitec to recover and grow in core areas of opportunity.

8. The Renewal Plan is currently on track with cost savings of around \$15 million achieved in 2018 and a further \$15 million budgeted for 2019. Over this period, Unitec's academic portfolio has been rationalised by around 15%. Throughout the implementation of the Renewal Plan, the Commissioner and Unitec leadership team have focussed strongly on making the changes people-led, improving communication with staff, and lifting staff morale. Over the past year, Unitec has regularly measured staff engagement and confidence in the leadership team, and the results have improved significantly. Student satisfaction and student experience metrics have also improved substantially in 2019.
9. Unitec has drawn down \$35 million of the \$50 million Crown loan and is currently working with the TEC to establish if it requires all of the remaining \$15 million. It has complied with the terms and conditions of the loan agreement, including meeting all reporting requirements. Unitec is generally meeting, or is on track to meet, the performance targets agreed with the TEC.
10. We have recently agreed the Crown loan repayment conditions and approach with Unitec as required by the loan agreement. As part of its Renewal Plan, Unitec also finalised its property strategy in early 2019, which is Unitec's strategy for disposing of property assets and the key contributor to Unitec's ability to repay the Crown loan.
11. In addition to the above achievements, Murray has worked extremely collegially with the TEC and ensured a strong working relationship between the TEC and the Unitec leadership team. There is a good information flow between us, and we have a standing invitation to his advisory committee meetings. Murray has also contributed to the ITP Roadmap 2020 project and subsequently the Reform of Vocational Education (RoVE) work programme.

Next steps

12. We recommend you send a letter to Murray Strong noting you have reviewed and confirmed the need for a Commissioner to remain in place at Unitec. We have drafted a letter for you to send to Murray in Appendix One.
13. We will continue to work closely with Murray as part of our intensive engagement with Unitec. Murray will remain supported by his advisory committee and John Fisk from PwC who continues to provide independent expert financial advice.

Appendix One: Draft letter to Murray Strong

Murray Strong
Crown Commissioner
Unitec Institute of Technology
Private Bag 92025
Auckland 1142
murray@r2future.com

Dear Murray

As you are aware, on 23 July 2018, I dissolved the Unitec Institute of Technology (Unitec) Council under section 195D of the Education Act 1989 and appointed you as Commissioner. Section 195(D)(6) of the Education Act 1989 requires that I review the appointment annually.

While Unitec has made significant progress over the past year under your leadership, Unitec is still reliant on Crown financial support to meet its operating commitments and further work is needed to return Unitec to financial sustainability. As such, I consider it important that a Commissioner remains in place to make the necessary changes and return Unitec to a financially viable position.

I would like to congratulate you and the Unitec leadership team on the good progress that is being made on the implementation of the Unitec Renewal Plan. In particular, I am pleased to note that Unitec is on track to achieving its cost-savings targets while at the same time measurements of both student and staff satisfaction have increased. I encourage you to build off the success achieved to date.

I note that Unitec has now drawn down \$35 million of the \$50 million Crown concessionary loan and you are currently working with the TEC regarding the need for all of the remaining \$15 million. I also understand that you have recently agreed with the TEC the repayment conditions and approach for the Crown concessionary loan.

Thank you again for your work to date as Commissioner of Unitec. I understand you and the Unitec leadership team have developed a strong working relationship with the TEC and I urge you to continue to work closely with the TEC and other officials over the next year as Unitec continues along its recovery path.

Yours sincerely

Hon Chris Hipkins
Minister of Education

cc: Tim Fowler, Chief Executive, Tertiary Education Commission