

Aide-Memoire: ITP Roadmap 2020 Strategy Session

To:	Hon Chris Hipkins, Minister of Education
From:	Tim Fowler – Chief Executive, Tertiary Education Commission
Date:	24 August 2018
Reference:	AM/18/00599

This aide memoire and its attachments support our strategy session with you on 28 August 2018 on ITP Roadmap 2020

1. The TEC is leading the ITP Roadmap 2020 project to look at options for achieving sustainability for the institute of technology and polytechnics (ITP) sector through changes to the structure and operations of the ITP network. The drivers for the project are:
 - a. the significant financial challenges faced by many ITPs; and
 - b. ITPs' need to make changes to their delivery models to stay relevant and responsive to demand-side needs.
2. We are due to provide advice to you by the end of September 2018 on a proposed way forward for the ITP network. Prior to this we have a strategy session booked with you on 28 August 2018. We want to give you a preview of the options on our radar and the main choices and trade-offs they represent, to test your appetite for change before we prepare final advice.
3. A key prefacing question is whether you want ITP Roadmap 2020 to:
 - consider options that involve changes to the respective roles of ITPs and industry training organisations (ITOs), overlapping the scope of the Roadmap project with that of the Ministry of Education's broader policy review of vocational education and training (VET); or
 - limit its analysis and proposals to potential changes to ITP network structures and operations, on the assumption that ITPs and ITOs retain their existing roles and functions.
4. Either way, the TEC and the Ministry of Education will continue to work closely together to maintain connections between the two projects.

The attached A3s present several options for discussion at the strategy session

5. Through our engagement with the sector and its stakeholders, including a co-design workshop earlier this month, we have identified several models (and variations on them) we think warrant more detailed analysis. These are outlined in the attached A3s, prefaced by summary information about the state of the sector and the main savings opportunities available.

6. We welcome a discussion with you about these options. Some potential discussion questions are below. We suggest we cover the first two sets of questions (addressed by the first and second A3) relatively quickly, and focus our discussion on the third set of questions (addressed by the third and fourth A3) about change options.

Potential discussion questions

Current state of the ITP sector

- What's the relative state of ITPs around the sector?
- What are the problems or challenges facing the sector? Which of these are genuinely systemic? Widely spread, but not necessarily systemic? Not systemic?
- What distinguishes the successful ITPs?

What are the opportunities for improving the sustainability of ITPs?

- Where are the opportunities?
- How hard are they likely to be to obtain them?

What are the options for system change?

- *Prefacing question: Should ITP Roadmap 2020 look at options that involve changes to the respective roles of ITPs and ITOs? See paragraph 3 above.*
- How much do the options address the opportunities?
- How much do the options address the systemic and non-systemic challenges?
- What are the main trade-offs at play?
- What might it take to put each option into effect? How much cost, time and risk is government willing to invest in making changes to ITPs?

Next steps

7. You have committed to getting proposals to Cabinet by the end of 2018 on a proposed way forward for the ITP sector. Subject to your feedback at the strategy session, we expect to prepare final advice for you by the end of September 2018 on proposals you could take to Cabinet. We expect to include in this advice:
- information about the process the ITP Roadmap 2020 project has undertaken, including a standalone report on "What we heard from the ITP sector and its stakeholders", which we will seek permission to publish on the TEC website;
 - analysis of the current state of the sector, including assessments of financial and other capability at sector level and for each ITP;
 - identification and high-level quantification of the main opportunities available to generate savings at ITPs and/or improve the quality and relevance of their educational offerings;
 - identification and analysis of the structural change options that could best enable ITPs to realise these opportunities;
 - discussion of the fundamental trade-offs and choices that these different options represent; and

- TEC's advice on the best way forward. This may be a recommendation to pursue a specific option, or a recommendation to choose between two or more options according to the cost and time you are willing to invest in a change process.
8. We do not intend to provide detailed advice at this stage about potential implementation pathways for each option considered. However, we will give an estimation of the cost, risk and time likely to be involved in implementing each option. We will also give a high-level view of any legislative, regulatory, policy or funding change that might be needed to support particular kinds of structural change, including likely implications for Budget 2019.
9. Actions beyond the end of September will depend on where we get to in our conversation with you at the upcoming strategy session and in our subsequent advice, as well as progress on the VET review.

Consultation with government agencies

10. We will work closely with the Ministry of Education and Treasury in preparing our advice to you. We will also consult with other government agencies in line with their interests, for example:
- Education New Zealand has a keen interest in understanding the potential impact of change on international education provision and on New Zealand's international brand;
 - the Ministry of Primary Industries wants assurance that ITPs will continue to deliver primary industries provision in the regions; ditto the Ministry of Health re delivery of nursing and other health offerings;
 - the Ministry of Social Development is interested in understanding how changes at ITPs might influence the access of Work and Income clients to training opportunities;
 - the Ministry of Pacific Peoples and Te Puni Kōkiri are interested in understanding how a reconfigured ITP network can best serve their populations of interest;
 - and so on.
11. We will also consider what design features would best enable ITPs to partner with and deliver to the aspirations of iwi and hapū, and how these design features could be incorporated into different potential structural configurations for the ITP network.



Tim Fowler

Chief Executive

Tertiary Education Commission

24 August 2018

Hon Chris Hipkins

Minister of Education

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1. ITP sector - current state

9(2)(b)(ii) and 9(2)(g)(i)

Challenges – systemic

- Declining domestic enrolments, inflexible cost bases, volume-based funding system...
- ...drives search for scale: out-of-region, internationals, extra-mural
- Cost of “hard to reach” and “high needs” provision
- 9(2)(g)(i) [REDACTED]
- Endemic cross-subsidisation, especially via internationals
- Duplication, non-standardised programmes
- ITO/ITP role clarity
- Adapting the workforce model
- Perceptions: poor option compared to University

Challenges – non-systemic

- Individual institutional financial (dis-)stress (Unitec, Whitireia, MIT, Toi Ohomai)
- Large asset bases with low utilisation
- Highly variable relevance to local communities and employers

Holding the mirror up to Wellington

1. Regulatory system
 - Speed and agility
 - Qualification rather than skills focussed
2. Funding system
 - Complexity – very large number of funding pools and hard to navigate
 - EPIs punitive and can drive perverse results
 - Equity funding doesn't reflect cost of “hard to reach” or “high needs” teaching
3. ITO/ITP role clarity and competition – rethinking the way these two sub-sectors operate in relation to each other
4. Alignment with welfare system

Features of current successful ITPs

- Embedded in local community, valued by local employers, high value placed on the student
- Innovation and agility – maintaining relevance
- Tight management of programme offerings and costs
- Achieve scale and more diversified demand (internationals, out-of-region provision)

- Highly variable situation across sector: financial, internal mood, relevance to community/employers, unique characteristics/specialisation
- Many ITPs only achieve scale through serving broader communities than their own regions
- Notwithstanding adverse conditions, some have done well, continued to innovate and maintain relevance
- And SIT managed to do that without charging student fees... so it is possible to thrive in the current environment

2. ITP Sector – other parts of the picture

Future of VET

Likely to show more:

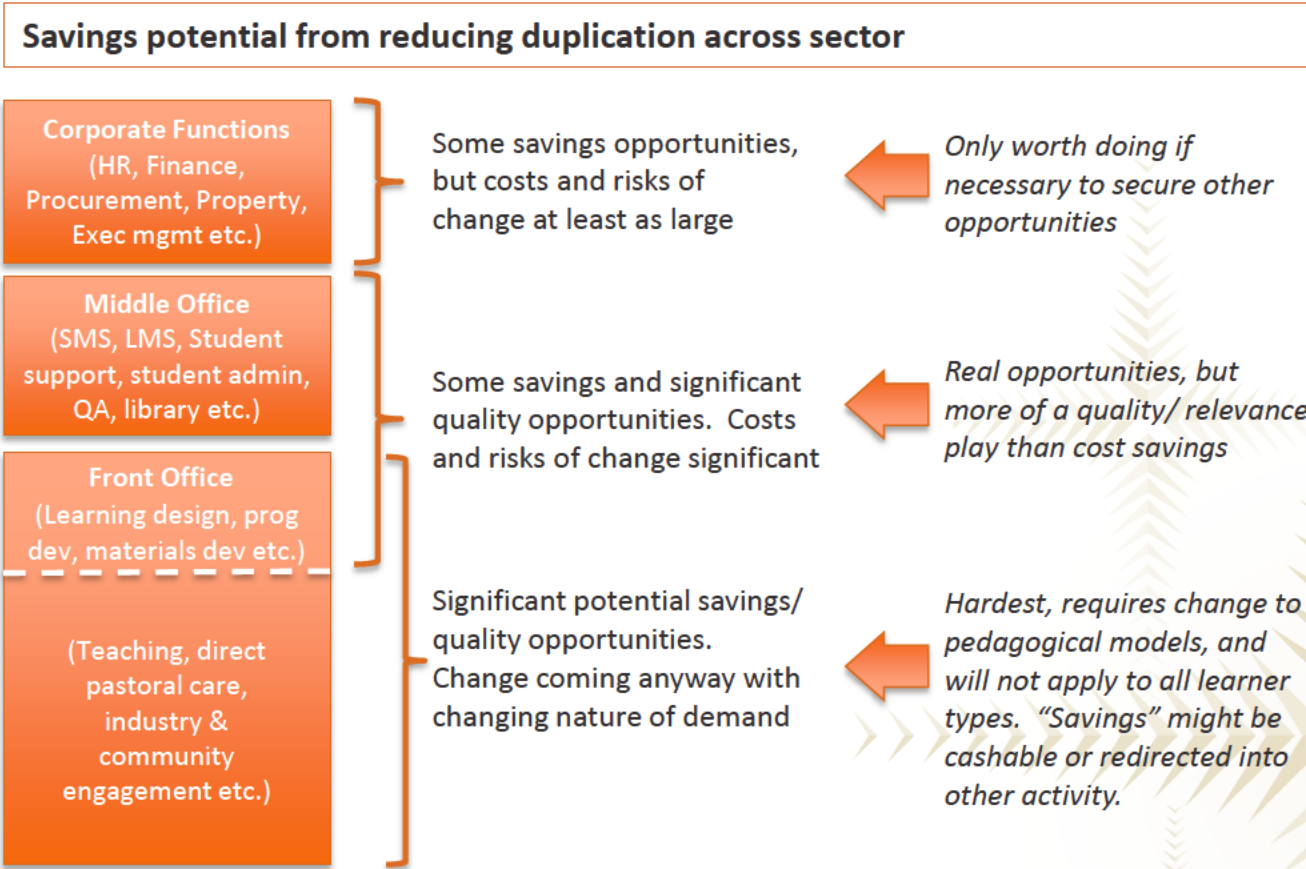
- Workplace-based...
- Blended/on-line learning...
- Consumed in bite-sized amounts...
- Focussed on skills rather than only qualifications...
- With tutors as “Guide alongside” rather than “Sage on a Stage”

Role of ITPs

Serve their regional communities through:

- Developing regional workforces
- Connecting students, employers and education
- Enabling economic development through social investment

High level qualities the sector must have [from co-design process, aligned to your ambitions for ITPs as expressed to Cabinet]				
Deliver to diverse learners	Embedded in local communities	A strong regional presence (with a link to regional economic development)	Responsiveness and agility	Ability to invest
The sector does and will need to continue to successfully support learners of many different backgrounds, aptitudes and circumstances	Close connection with local communities is key to maintaining relevance and local support	The sector is a key component of workforce development, underpinning economic growth, as well as a significant employer in many areas	The sector needs to be highly responsive to changing and new demand, new opportunities, new workforce requirements and employer needs	The sector must have the money and people capability to invest to meet the above expectations



3. ITP sector – options

High level national models proposed via co-design process

1. Mergers	Pros	Cons
a) 1 ITP for NZ	<ul style="list-style-type: none">Creates scale, removes duplicationNational level engagement more possible	<ul style="list-style-type: none">Single point of failure (for 1 ITP option), loss of agilityExpensive and risky change process focussed principally on back office
b) 2 to 5 ITPs	<ul style="list-style-type: none">Creates scale, reduces duplication	<ul style="list-style-type: none">Likely loss of local connectedness, current unique characteristics

2. Structural collaboration	Pros	Cons
Create a shared middle office, potentially adding back office functions over time. ITPs retain large degree of autonomy	<ul style="list-style-type: none">National level engagement more possibleRemoves duplication in middle officeFocussed on potential quality gainsRetains current individual ITP characteristics/value add	<ul style="list-style-type: none">Still complexLots of detailed engineering needed re decision rights (Centre or ITPs?), funding flows etc. – many ways to get it wrong

3. “VET NZ”	Pros	Cons
Join up ITP and ITO functions in single entity, focussed on industry-led provision	<ul style="list-style-type: none">Would align incentives of ITPs and ITOs under a single accountable board	<ul style="list-style-type: none">Single point of failureHigh risk of “lazy monopoly” problems

The core trade-offs...

Prioritise achieving scale...	...use mergers...	...BUT risk loss of local connectedness, current value add characteristics, and get long and costly change process principally focussed on back office integration
Keep good parts of the current system and eliminate unnecessary duplication	...use structural collaboration...	...BUT still a complex model, and starts to unpick current teaching models
Change entire system boundaries	...use VET NZ...	...BUT a step into the unknown, highly complex, still need to create some independence between standards setting and delivery, and relies heavily on strong industry input

Other approaches that could be part of the mix

4. Regional Ownership Model (ROM)

Partnership with local government to convert rural ITPs to brokers between:

- Students and education providers
- Students and employers

5. Big Picture Model

Correspondence School model – individualised learning plans, using online learning infrastructure, built around internships/in-work and place-based learning – requires large scale

6. Rethink of ITP/ITO roles

[Gets into VET Review territory; but a lighter touch than Option 3 at left – many variations available on these sorts of options, all of which would require further development in consultation with ITOs as well as ITPs]

ITO	ITP
Head office ideally sited with a relevant CoVE hosted by an ITP	As per status quo, with ad hoc mergers/ROMs as made sense
<ul style="list-style-type: none">Set standardsDesign qualifications & programmes collaboratively with ITPsDesign assessment resources and moderate assessmentDictate CRT / RPL expectations and standards that ITPs must followForecast skill needs for industry, in partnership with MBIE	<ul style="list-style-type: none">Host CoVEs (which could be multi-site virtual networks – not necessarily bricks and mortar HQ)Liaise with local businesses to determine regional delivery mixDeliver programmes nationwide, incl. in-work delivery

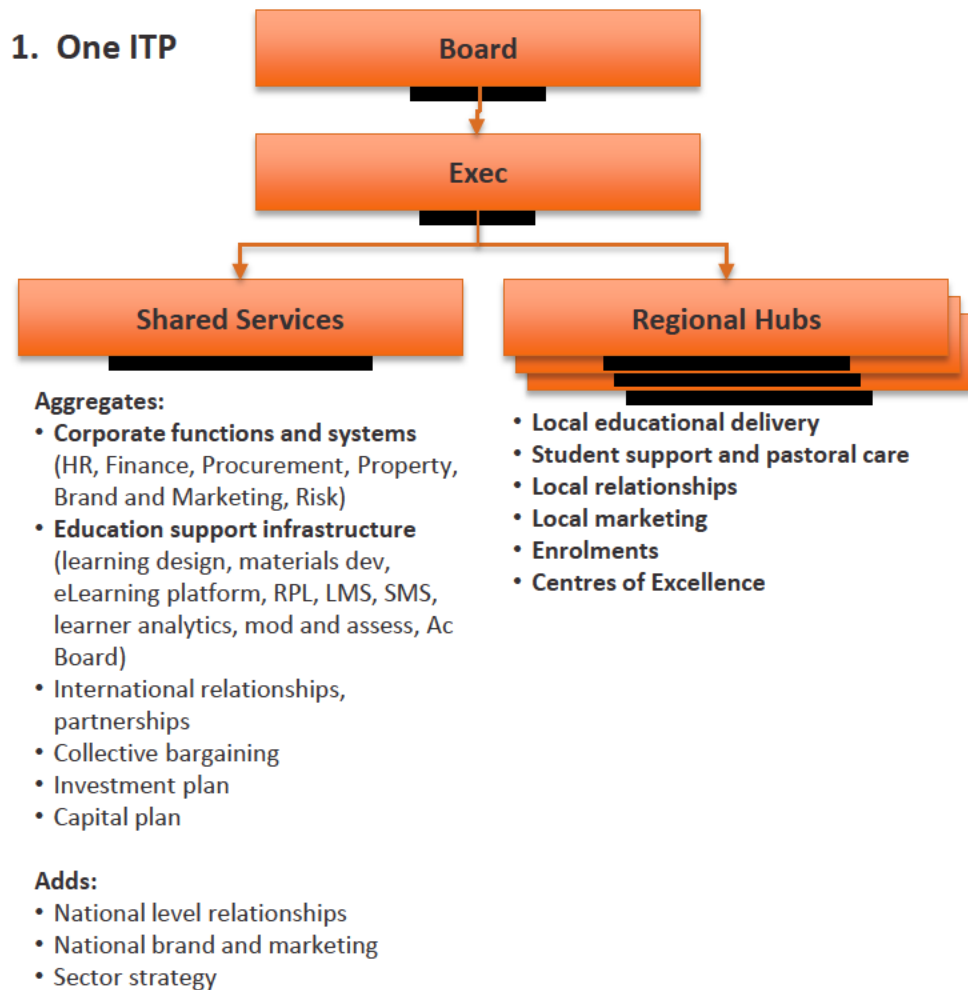
Some mix-and-match options...

- Create structural collaboration, and also i) do tactical mergers to address key viability/scale issues (e.g. TPP, WITT, NorthTec into larger ITPs; Unitec/MIT; Whitireia/WelTec) and/or ii) redesign rurals into Regional Ownership Model.
- Build structural collaboration (including back office integration) from a small core of institutions, then expand to others.
- Follow current sector initiatives: 2 x structural collaborations (different models) plus 1 outlier

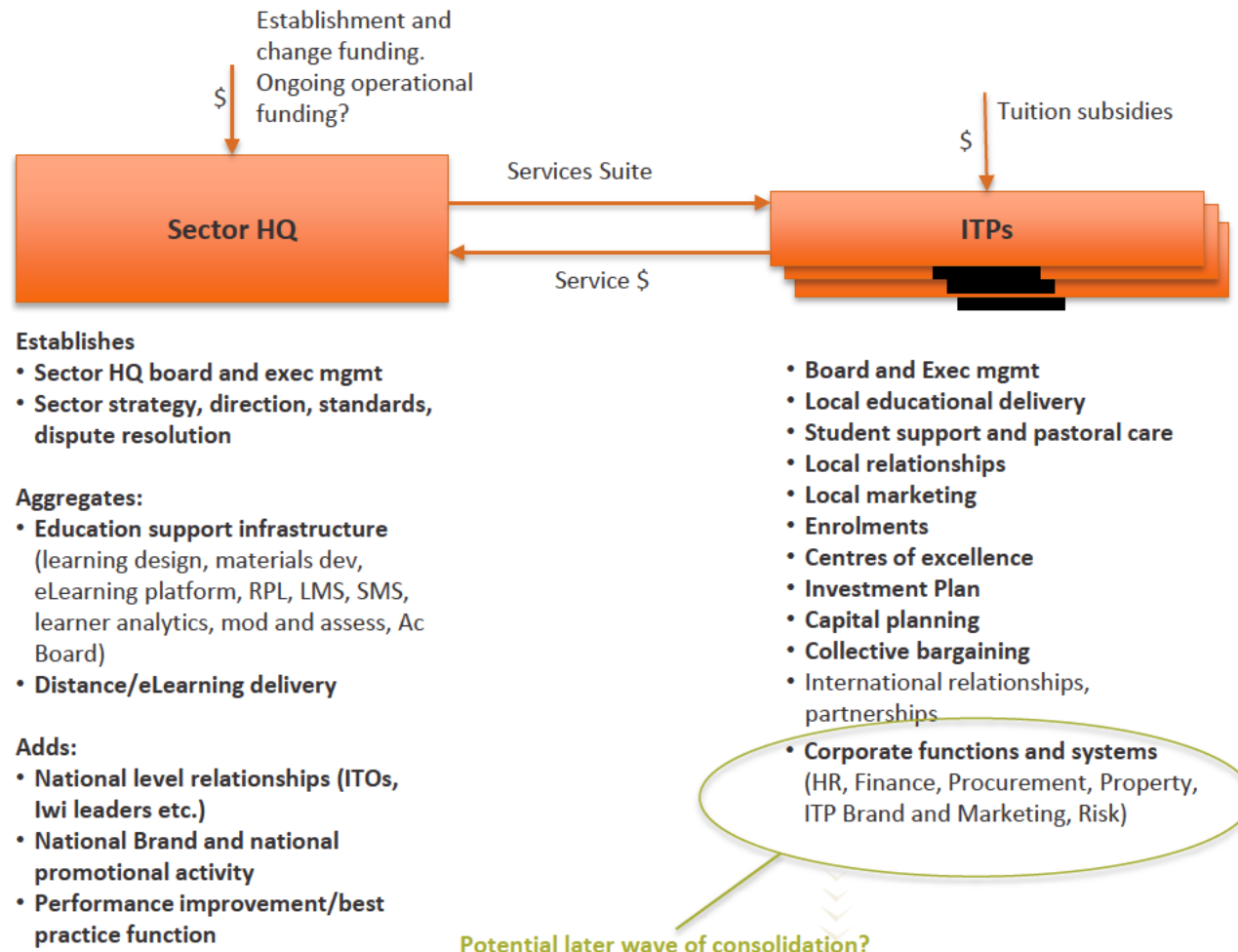
4. ITP Sector - options

There is a wide variety of detailed design choices, but the basic models are illustrated below...

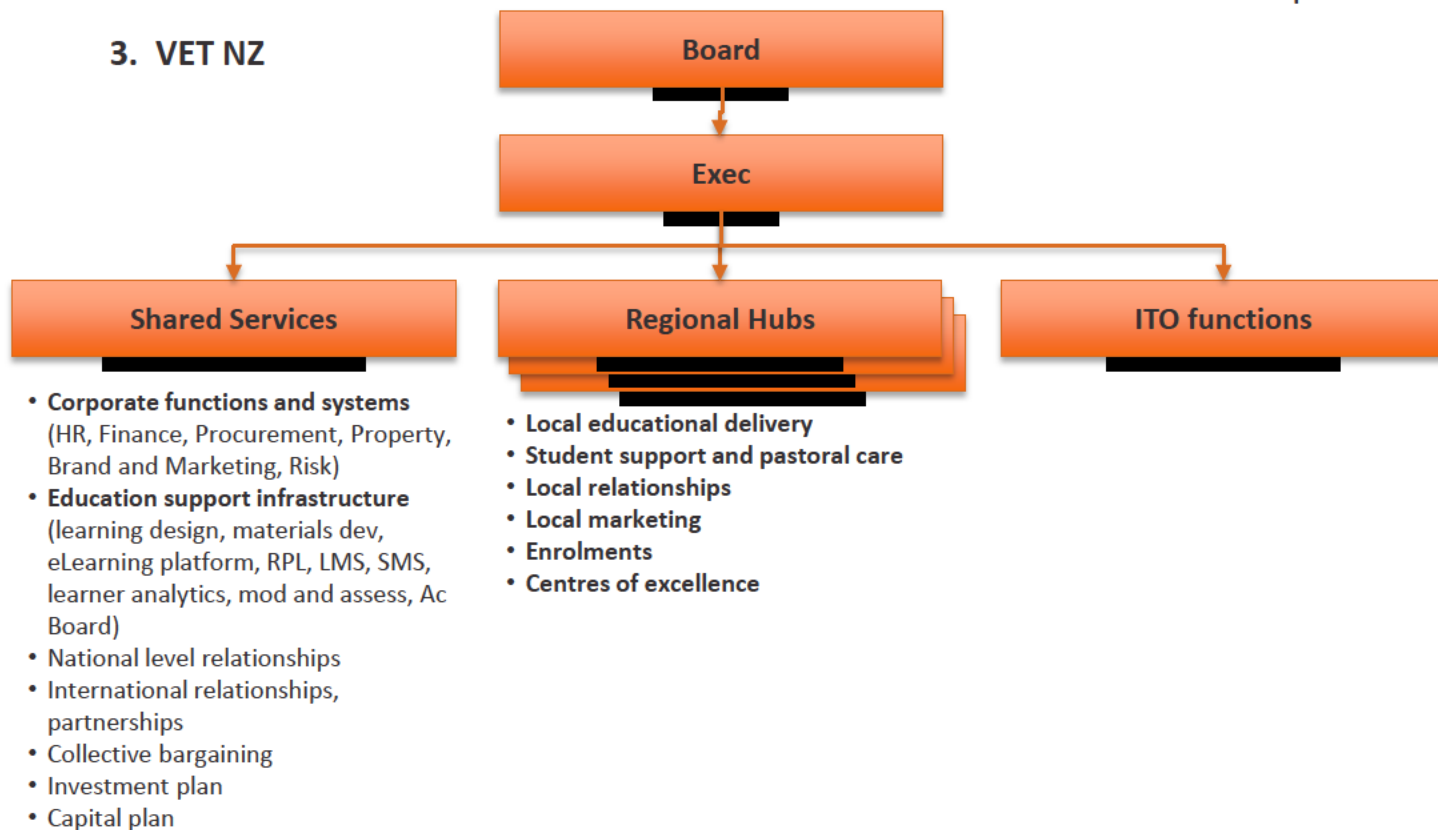
1. One ITP



2a. Structural Collaboration – “Sector HQ” model



3. VET NZ



2b. Structural Collaboration – ITP-owned model

