

## **Tertiary Education Report:           Priorities for Focus funding**

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### **Executive Summary**

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You have asked if the Priorities for Focus funding allocated by the TEC to universities in December 2008 can be put on hold and, if so, what the operational implications of such a decision would be.

Under the legislative framework for funding tertiary education, established by the Education Act 1989, the Minister issues a funding determination (section 159L) which the TEC is then required to implement, independently from the Minister.

*[Information deleted in order to maintain legal professional privilege]*

Priorities for Focus funding was subject to a funding determination by the previous Minister for Tertiary Education, as an element of the Tertiary Education Organisation Component. The TEC approved funding allocations in December last year of \$30 million over 2009 to 2011.

*[Information deleted in order to maintain legal professional privilege]*

Withholding Priorities for Focus funding may result in a loss of opportunity to support initiatives, particularly those which support Māori and Pacific student achievement. However, withholding this funding would have little direct operational effect as it is unlikely staff have been employed or projects initiated prior to formal approval.

The Minister of Finance has instructed departments to undertake a line-by-line review to identify savings as part of Budget 2009. Priorities for Focus is being considered as part of this process. Officials will provide you with options for reprioritising the Priorities for Focus funding from 2011 as part of the advice on the reprioritisation process.

### **Recommended Actions**

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It is recommended that the Minister for Tertiary Education:

- a. **note** that the legislative framework for funding tertiary education organisations provides that the Minister determines the design of funding mechanisms under

section 159L of the Education Act and requires the TEC to exercise its statutory powers (under section 159O and 159YA) independently of the Minister;

*[Information deleted in order to maintain legal professional privilege]*

- f. **note** that the New Zealand Vice-Chancellors' Committee was consulted on the allocation methodology and are aware that funding decisions were to be made; and
- g. **note** that the TEC proposes to formally advise universities of the approved funding allocations for 2009 and 2010, and that the allocation for 2011 is indicative and subject to appropriations and is part of the next investment plan cycle.

**Rob McIntosh**  
Deputy Secretary  
Strategy and System Performance  
Ministry of Education

NOTED / APPROVED

**Hon Anne Tolley**  
Minister for Tertiary Education

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## Tertiary Education Report: Priorities for Focus funding

### Purpose of Report

1. On 15 December 2008 the Tertiary Education Commission (TEC) provided you with a briefing note on the 2008 Priorities for Focus funding round allocations, in advance of the TEC communicating the results of the allocations process to universities. This report provides you with the two pieces of additional advice you requested in relation to this briefing:
  - a. whether there was an option to put this funding on hold; and
  - b. if funding was to be withheld, what the operational implications would be.
2. This report also signals that Priorities for Focus funding is part of the line-by-line review to identify savings as part of the 2009 Budget process, as instructed by the Minister of Finance.

### Background

3. In March 2007, Cabinet confirmed the establishment of the Priorities for Focus element of Tertiary Education Organisation Component (TEOC) funding.
4. Priorities for Focus provides a mechanism for the government to provide additional funding to support a range of specific priorities. There is currently \$16.478 million (GST excl.) set aside per annum, of which \$10 million is for the university sector.
5. The funding mechanism for Priorities for Focus funding was determined by the previous Minister of Tertiary Education under section 159L of the Education Act (the Act). Under section 159O of the Act the TEC was required to develop the funding rules and administrative process necessary to give effect to the Minister's determination, and then to implement the funding mechanism accordingly.
6. In December 2008, the TEC Board approved funding allocations totalling \$30 million payable over the next three years, in respect of 34 proposals across all eight universities and the New Zealand Vice-Chancellors' Committee (NZVCC).
7. The Auckland University of Technology also received an additional \$2.7 million from Priorities for Focus in 2009 (funds made available from an underspend from 2008).

### Can the Priorities for Focus funding be put on hold?

8. The legislative framework for funding tertiary education organisations provides that the Minister determines the design of funding mechanisms (such as Priorities for Focus) under section 159L of the Education Act. The Act then requires the

TEC to exercise its statutory powers (under section 159O and 159YA) independently of the Minister.

9. Once the design of the funding mechanism has been determined by the Minister under the Act, and the TEC has made its funding allocation decisions, the Minister has limited scope under the Act to direct the TEC with regard to the implementation of the funding mechanism.

*[Information deleted in order to maintain legal professional privilege]*

11. There is scope for the Minister to provide advice or guidance by way of clarification of the design and principles in the funding mechanism, to avoid confusion or misapplication of funding.

*Priorities for Focus funding in 2009 and 2010 – the current investment cycle*

*[Information deleted in order to maintain legal professional privilege]*

*Funding in 2011 - the next investment cycle*

13. There is more scope for the Minister to act in relation to Priorities for Focus funding approved for 2011 as this falls outside of the current three year investment cycle. *[Information deleted in order to maintain legal professional privilege]*

14. In these circumstances, the Minister could clarify the intended scope of the existing funding mechanism and inform the TEC that its approval should be modified accordingly (prior to notification).

15. More detail on the legal advice provided is set out in Appendix One to this paper.

### Assessing the future of Priorities for Focus funding

16. Officials will provide you with options for reprioritising Priorities for Focus funding from 2011, which will include an option to reduce this funding, as part of the line-by-line review advice due on the 16 January 2009.

## Operational implications of putting the Priorities for Focus funding on hold

17. University Priorities for Focus funding provides an opportunity to support targeted initiatives.
18. For the 2009-2011 period, Priorities for Focus supports the following types of initiatives:
  - a. **Māori and Pacific achievement initiatives:** Increasing participation and achievement for Māori and Pacific students and creating pathways from schools to tertiary education. The distribution of this allocation across the universities has been weighted towards universities located in areas with larger Māori and Pacific populations (\$5 million).
  - b. **Network initiatives:** Enhancing differentiation and collaboration among regional groupings of universities (\$3.5 million).
  - c. **University cross-sector initiatives:** Increasing collaboration across the whole university sector. In particular, an integrated approach for measuring graduate outcomes and a research project on future university workforce needs (\$1.5 million).
19. Although the allocation decisions have not yet been communicated formally, the NZVCC was consulted on the design of the allocation methodology and are aware that funding decisions were to be made.
20. Putting the current Priorities for Focus funding allocations on hold (or reprioritising funding from 2011) would have little direct operational effect as it is unlikely staff have been employed or projects initiated prior to formal approval.
21. However, putting allocations on hold may result in a loss of opportunity to support current and future initiatives, particularly those which support Māori and Pacific student participation and achievement, as universities may not continue these types of projects without the existence of the fund.

## Risks

*[Information deleted in order to maintain legal professional privilege]*

23. Reviewing Priorities for Focus funding from 2011 is likely to reopen discussion with the Vice-Chancellors regarding public funding and student fee policy more generally, with a focus on keeping critical capability, academic quality and business feasibility.

24. Reviewing Priorities for Focus funding from 2011 is also a risk in terms of progress in relation to Māori and Pacific student participation and achievement.

## Conclusion

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25. The legislative framework for funding tertiary education organisations is set out under the Education Act 1989. The Act requires the TEC to exercise its statutory powers to fund TEOs independently of the Minister. *[Information deleted in order to maintain legal professional privilege]*
  
26. Officials are preparing advice for you on Priorities for Focus funding, following the 2008-2010 investment cycle, as part of the line-by-line review to identify savings as instructed by the Minister of Finance.

Appendix One: Further legal advice on withholding Priorities for Focus  
funding

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*[Information deleted in order to maintain legal professional privilege]*

