

## **A system in change - post script to the international review**

### ***Introduction***

An assessment of the New Zealand tertiary education system by a panel of overseas experts finds many positive aspects in the New Zealand system and makes no recommendations for radical change.

Their report is supportive of the goals adopted in the government's 2002 tertiary reforms, and many of the findings support the current initiatives.

The panel's observations and report were completed before the next steps in the tertiary education reforms were announced in April 2006.

This article provides a general overview of the direction being taken following extensive consultation with the sector and other interested groups.

### ***Overview***

Under the current reforms, tertiary education organisations will be funded on the basis of three year plans outlining how they will meet the education and training needs of students, employers and communities under a package of measures aimed at improving quality in the sector.

The changes are the first steps in a new approach designed to ensure tertiary education has greater quality and relevance. The objective is a sector that produces larger numbers of skilled graduates in areas the economy needs, and provides greater value for the government's investment in tertiary education. The new system will be introduced from 1 January 2008.

Decisions regarding funding levels for the different parts of the sector will be guided by:

- Education priorities set by the annual Statement of Tertiary Education Priorities (STEP) and analysis of skill and learning needs
- The relative performance of different sub-sectors in achieving educational outcomes
- The need to maintain and build capability in each sub-sector
- Patterns of skill and learning needs across the sector – of employers, students and communities
- The relative cost of different forms of provision.

Once these decisions are made, the amount of funding that each tertiary education organisation gets will be based on the plan that it must agree with the Tertiary Education Commission (TEC).

### ***Tertiary Education Organisations to invest in a plan***

The TEC will periodically issue investment guidance that identifies areas in which it is seeking greater commitments in line with the STEP. Tertiary Education Organisations (TEOs) will agree three year plans with the TEC that will determine funding over that period. These will:

- Cover the mix and level of services to be provided over the three years
- Provide agreed performance measures
- Reflect the needs of the region and stakeholders and detail how the plan contributes to government priorities as detailed in the investment strategy.

The new system will ensure stakeholders have a greater influence on the education and training that is provided. This will be achieved through their input into the STEP and TEC's investment

strategy as well as the planning process of individual TEOs. TEOs will not be funded unless they can demonstrate that they have analysed, and are consistently meeting, specific stakeholder needs, and are achieving the outcomes sought.

### ***New funding mechanism***

The current Student Component funding system will be replaced by a new system with two components:

- A student achievement component covering the government's contribution to the costs of teaching and learning
- A TEO component covering the government's contribution to costs associated with the organisation carrying out its distinctive role.

#### *Student achievement component*

This will be calculated on the basis of the nature of the programme, the volume of teaching and learning and the nature of the student. Existing funding categories will be maintained, but subsidy rates within categories may need to be changed:

- Through time as costs in the sector change
- To reflect any changes made to the level of the student achievement component resulting from a transfer to the TEO component

This component will use a measure based on the number of students participating in each course and on the existing system of credit values.

#### *TEO component*

This will be made up of two funds:

- A core component supporting the costs associated with the organisation's role and distinctive contribution
- A strategic fund that promotes innovation (based on competitive proposals) and contributes to the cost of making major changes (negotiated from within a fixed pool)

Further work is to be done on the relative size of the two components and the implications of that for existing funds including existing subsidy rates.

### ***Distinctive contributions***

The competitive funding model has spread expertise in the tertiary sector too thinly, and not always in the areas of greatest need. Under the new approach, tertiary education organisations will be expected to play to their strengths and reduce undesirable overlaps. There needs to be greater differentiation to ensure a diversity of education and the development of critical mass and expertise within organisations.

### ***Ensuring greater quality***

As the investor in tertiary education on the government's behalf, the TEC is responsible for ensuring public money is being properly spent. The TEC will want to know that the organisations receiving funding are performing well. A robust quality assurance and monitoring system is therefore being developed to ensure goals are being met and performance maintained.

This system will include:

- All tertiary organisations funded through the TEC being required to undertake a self-assessment
- A system of external validation being developed that includes a regular review cycle as well as scope for reviews when risk or performance issues are identified

The existing standards used in the quality assurance system will be reviewed in consultation with the sector and where change is required a further plan will be developed. A common set of benchmarks and performance indicators will be developed in consultation with the sector, for use in performance monitoring.

The quality assurance function should be independent from the purchase and monitoring function. The function of monitoring performance of tertiary publicly funded tertiary education organisations will remain with TEC.

As part of this, the government has asked the TEC, Ministry of Education and New Zealand Qualifications Authority to consider how the TEC could discharge its responsibility for ensuring public money is being well spent, through a commissioning process. This could involve the TEC commissioning NZQA to undertake the quality assurance function for the sector, with the exception of the universities.