Submission to the Universities Advisory Group

Second tranche of 17 questions – due 30 August 2024

Introduction

This feedback represents the views of Universities New Zealand – Te Pōkai Tara (New Zealand Vice-Chancellors' Committee), a statutory body comprising the Vice-Chancellors of all eight universities.

To discuss any matter raised in this submission, or for further information, please contact Chris Whelan, Chief Executive, Universities New Zealand – Te Pōkai Tara at 024-242-5886 or chris.whelan@universitiesnz.ac.nz

This submission answers all 17 questions posed by the Universities Advisory Group (UAG) but clusters some of them to help with communicating the response of the Vice-Chancellors.

In reviewing our responses to the questions there are some overarching messages we ask be kept in mind. These are:

1. By every metric we can identify, we have an excellent university system. In terms of teaching, we enjoy some of the best student retention rates, best completion rates, highest graduate employment rates, and lowest rates of graduate unemployment. By international standards our research is high quality and impactful. Every university is ranked in the top 500 internationally.
2. Our universities are all publicly funded and are expected to be effective and efficient at serving the evolving needs of a diverse range of stakeholders. In the past fifty years, successive governments have significantly increased their investment in higher and further education as a necessary part of our evolution into a knowledge economy. As investment in universities has grown, the expectations have grown that universities will be responsive to government priorities and be efficient and effective in how resources are managed. Universities have evolved in line with these expectations – becoming large complex enterprises requiring substantial coordination and specialisation.
3. A sustainable business model needs leadership and social license across the university community. Leadership and social license will always be in tension, and it is the job of councils and senior leadership teams to manage that tension. In general, universities do this well. Many university senior managers are academics. They bring their academic experience and perspectives to key areas of management and can be supported and held accountable for achieving as leaders. They engage at greater depth than can ever be done through something like an academic board. Although academic boards are key for ensuring the academy supports the broader academic direction of each university (eg, ensuring social license) they are always going to be too broadly based to ever provide the sort of leadership required in a modern university.
4. The sector has a high level of institutional autonomy and academic freedom. This is appropriate and entirely in-line with the policy and operating settings that exist for publicly funded universities in the overseas university systems we most frequently compare ourselves with – the United Kingdom, Australia, Canada, and the United States. In all of

these systems, universities have considerable control over expenditure, but much more limited control over income.

5. In New Zealand the only major problem our universities are dealing with is income. 50.5% of university income is from Government. Since 2019 income from government has only increased 9.2% during a time when inflation has been 24%. A further 17.5% of income is domestic student fee income and the Minister determines the amount that this is able to increase by annually. Since 2019 this domestic student fee income increased by 14% against inflation of 24%. Although universities have attempted to grow income across other areas, overall income has only grown by 14.8%. Universities would not be experiencing the current difficulties if government funding had just kept up with inflation.
6. Finally, we ask the UAG to remember that universities are not the entire higher education system. ITPs (Institutes of Technology and Polytechnics), wānanga, and some private training providers also provide degree and postgraduate level teaching and do research that attracts Crown research funding (including PBRF). UAG thinking about strategy, coordination, differentiation, and investment needs to reflect the fact that it is a complex system with very blurred boundaries.

Questions 1 to 4, and 6: How well qualifications meet the needs of students, employers, iwi, and other communities, and how well the quality assurance system works around them.

1. **How well does the current quality assurance system ensure that universities and university programmes meet the needs of students, employers, iwi and other members of universities' communities?**
2. **Could the current arrangements for quality assurance be improved? What is the appropriate division of responsibility for quality assurance between each university and the system as a whole?**
3. **What should the roles of the Academic Board/Senate, Vice-Chancellor and Senior Leadership Team, and University Council be in quality assurance?**
4. **Beyond quality assurance, what incentives or policies are needed or desirable to promote excellence in teaching, research and knowledge transfer?**

Qualifications

6. **Can the current university arrangements for approval and quality control of qualifications be improved? Should institutions take primary responsibility for their own qualifications, or should this be a system responsibility?**

Organisations like the OECD provide a lot of useful comparative information on issues such as spend on higher education and the percentage of the workforce with a higher education qualification. By contrast very little is published internationally for comparing university systems and their quality assurance arrangements, or for understanding how well qualifications meet the needs of graduates and their employers.

Where we can find international data, the metrics are often defined and captured differently. For example, for systems that rely on surveys, the survey methodologies vary significantly, and the questions put to respondents are rarely the same between countries.

This can be seen in the following illustrative data:

- New Zealand universities all survey graduates within a year of completing their studies. On average:
    - 83.6% were *"satisfied with the quality of their university education"* (as compared with 76-81% in Australia on *"quality of my courses"*[1], and 86% in Canada on *"Overall quality of education at this university"*[2]).
    - 86.1% felt *"their overall university experience had been worthwhile"* (as compared with 76%[1] in Australia on *"the entire university experience"*, and 72%[2] in Canada who *"would recommend the university to others"*).
- 67% of people who start at university in New Zealand complete at least one qualification within 6 years[3]. For Australia this is 62%,[4] Canada 73%,[5] and the United States 62.2%.[6] The UK does not track this metric, but instead counts how many students have either gained a qualification or are still studying towards one after four years.
- Unemployment rates among people aged 25 to65 s with a tertiary qualification (not just universities) is 1.5% in New Zealand compared with 1.9% in the UK, 2.0% in the United States, 2.4% in Australia, and 3.8% in Canada.[7]
- Under-employment rates of tertiary graduates is broadly in line with international norms. The International Labour Organisation reports that, in New Zealand, 2.98% of bachelors graduates are not employed in degree-level employment as compared to 2.29% for Australia, 2.78% for Britain, 2.98% for the United States, and 4.28% for Canada. Figures are similar for graduates with masters degrees – at 3.22% for New Zealand, 2.26% for Australia, 2.27% for Britain, 2.38% for the United States, and 3.86% for Canada.[8]

These statistics suggest there are no obvious quality issues with our qualifications, and they appear to lead to satisfactory outcomes for our graduates.

New Zealand is unusual by international standards in that responsibility for quality assurance is assigned to the university sector's Vice-Chancellors collectively. Section 253 of the Education and Training Act 2020 makes it clear that *"the Vice-Chancellors Committee is the body primarily responsible for quality assurance matters in respect of universities"*. Other sections of the Act detail functions of the Vice-Chancellors' Committee.

Although the Act specifies broadly what the Vice-Chancellors' Committee does, it leaves decisions around how the various functions are done to the Vice-Chancellors' Committee itself. For example, s312 of the Act covers the functions of the Vice-Chancellors' Committee and includes s312(a) *"to set up inter-university course approval and moderation procedures)"*, and (c) *"to list qualifications offered by universities on the Qualifications and Credentials Framework"*. The Act does not specify how either of these functions should be exercised.

Between them, these two provisions cover most of what the Committee for University Academic Programmes (CUAP) does by sub-delegation from the Vice-Chancellors' Committee.

Much of how CUAP operates is a result of practice that has evolved over a long period of time (see inset box). The Vice-Chancellors have the opportunity to amend quality assurance arrangements without amending current legislation.

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[1] QILT 2023, 2023 Graduate Survey – Quality Indicators for Learning & Teaching (QILT), Australia.
[2] CUSC 2021, page ii, Graduating Students Survey Master Report, Canadian University Survey Consortium.
[3] Education Counts, Educational Attainment of the Population.
[4] Selected Higher Education Statistics 2022, Department of Education, Australia.
[5] Higher Education Strategy Associates, link here.
[6] US Statistics at this link.
[7] OECD Data Explorer, link here.
[8] All figures from the International Labour Organisation Database.

Between February 2023 and February 2024, the Vice-Chancellors held a series of workshops to look at how well current quality assurance arrangements are serving the sector. Areas were identified that were working well and areas were identified where there were opportunities for improvement.

The Vice-Chancellors generally support the following:

- University autonomy is fundamental, and they should be responsible for their own University quality.
- Peer review is the gold standard for quality assurance. University quality assurance should be supported by appropriate peer review.
- Having a common framework for quality assurance in our university sector is a strength. The real questions are around what should be devolved to universities and what should be done collectively, or at a sector level to support quality assurance and to demonstrate that it is working appropriately.

CUAP does three things:

1. It provides a consistent template for the academic boards and councils of each university to consider if the university should commit to offering a programme or qualification from both an academic and financial perspective.
2. It allows for peer review of all proposals for new or amended programmes and qualifications – helping universities identify potential or actual quality issues.
3. It ensures that each university's programmes and qualifications are broadly consistent with some basic quality standards at a national level – such as adherence to naming conventions, level on the Qualifications and Credentials Framework, etc.

Where did CUAP come from?

CUAP traces its origins back to the 19th Century in one form or another.

From 1870 to 1962 there was one University of New Zealand which reviewed proposals from its constituent colleges to establish new programmes and qualifications.

When the University of New Zealand was dissolved in 1961 six independent universities came into existence (Waikato followed in 1962, and Auckland University of Technology in 2000). Their coordination was done through the Universities Act 1961. The Universities Act established a University Grants Committee (UGC) and specified it should have some sub-committees. One of the sub-committees specified in legislation was 'Curriculum Committee' that (s31) required the council of each university to submit for approval any proposed course regulations – including those relating to the introduction of new subjects.

The 1961 Universities Act also established the New Zealand Vice-Chancellors' Committee (NZVCC) with its own separate set of coordination and advisory powers.

In 1989 the Universities Act was replaced by the Education Act. This disbanded the UGC and established the New Zealand Qualifications Authority (NZQA). The Education Act also transferred responsibilities for programme and qualification approval to NZVCC, but made NZQA responsible for institutional accreditation (now often referred to as academic audit).

Institutional accreditation (academic audit) was done by NZVCC with some monitoring by NZQA from 1994 until 2011. In 2011 the Education Act was amended formally shifting all responsibilities for quality assurance (including academic audit) to NZVCC.

Universities NZ (UNZ) has been capturing CUAP statistics since 2012. Between 2012 and 2024, CUAP received 2,315 proposals from the eight universities, of these:

- 25.4% (n=588) were amended during the peer review process. The amendments followed feedback from people with subject-matter expertise in other universities. The amendments ranged from minor clarifications to more substantive revisions addressing quality problems.
- 3.5% (n=80) were actually discussed at CUAP because quality issues identified during peer review had not been fully addressed. Of the 80, all but 2 were either approved at the meeting, or were approved soon after a meeting. Since 2012 CUAP has not declined a proposal.

But the current CUAP process is a peer review process developed when the university sector was less mature than it is now. NZVCC see that it is timely to review this alongside academic audit and expectations around the Code of Pastoral Care.

The university sector is in the best position to lead this.

The Vice-Chancellors have asked their Learning and Teaching Committee *(the eight Provosts/DVCs-Academic)* to lead thinking and advice on this over the coming year.

Question 5: How well are the degrees and other qualifications offered by the universities meeting the needs of students, employers, iwi and other communities?

University qualifications generally serve graduates and employers well. However, the current funding system puts constraints on (a) the ability of universities to support priority students (Māori, Pacific, and students with disabilities), (b) the ability of universities to support different learning styles, (c) the ability for universities to support modern teaching models – including work-based learning, and (d) the ability of universities to improve post-study employment outcomes through qualification-relevant work-experience.

DQ7+ (SAC), Tuition Fee funding, and Equity funding all work relatively well in the main. They are efficient to administer from both a government and institutional perspective, provide reasonable predictability in funding levels, and have an overall goal (albeit imperfectly realised) of matching funding with costs).

They broadly align with the core funding systems for higher education teaching in many other jurisdictions.

They have all been adjusted at various times through their history, but core aspects of them remain unchanged since they were introduced in the early 1990s.

For example, while there have been a number of adjustments to DQ7+ (SAC) funding rates for particular subjects over the last couple of decades (particularly the sciences and engineering), the funding rates for most subjects are based on the same assumptions, teaching models, and pedagogies that were in place when the EFTS system was set up some 33 years ago.

Where subjects required practicums back in 1991, their funding levels were set at a higher level than subjects that did not require them. Where subjects did not have practicums back in 1991, they were not funded for them and generally remain unfunded for them today. This is increasingly putting New Zealand out of alignment with many other parts of the world where work-integrated learning is becoming the norm for positioning graduates for post-study employment.

Equity Funding has the enormously worthy goal of improving participation and success rates for Māori, Pacific, and students with disabilities, but the amount paid per student is woefully insufficient. For Māori and Pacific it is $355 per EFTS (in 2024) when studying at levels 5 (diploma) to 7 (degree) level, and $494 per EFTS at levels 8 (honours) and above. For tertiary learners with disabilities it is just $31.73 at all levels. Although universities are expected to cross-subsidise these with DQ7+ funding, the reality is that this funding is highly constrained and there are many demands of it.

There are opportunities to better meet the needs of students, employers, iwi, and other communities with different funding systems. All are likely to improve numbers of students who can successfully participate in university education and to improve post-study employment outcomes – with good returns on investment to the Crown from higher earnings – leading to higher returns in income tax, goods & services tax, and company tax.

UNZ have previously suggested and can provide more information on any or all of the following recommendations:

1. Bring more students (and especially those from priority groups) successfully through the senior school STEM curriculum. Universities supporting specialist curriculum delivery in schools where schools lack the student numbers, specialist teaching spaces, and/or suitably trained teachers.
2. Establish a network of student achievement advisors working in regions and areas where university participation rates are well below national averages to help put more students on a pathway to degree-level studies.
3. Lift the equity funding rate to support increased participation and completion rates for priority students.
4. Improve work readiness and employability by funding settings that allow all students to gain qualification-relevant work experience while they study.
5. Address bottlenecks caused by work-placement requirements where supervised practicums are a condition of professional registration – particularly for the health sector.
6. Fund settings that better support delivery of degree level qualifications to people already in the workplace – degree apprenticeship type models.
7. Grow the number of people pursuing postgraduate qualifications by reinstating and extending availability of student allowances to postgraduate students.
8. Support more PhD research being done with and for end-users – generating knowledge of real-world value while producing graduates with knowledge that makes them more employable and impactful whether they end up working in academia or for industry.
9. Encourage Government to direct fund areas where (a) costs traditionally increase faster than core Crown funding and (b) where additional value can be generated - for example, modernising the ICT infrastructure that underpins modern teaching and research.

Questions 7 and 8:

Are the universities matching their range of teaching and research disciplines to New Zealand's current and future needs? In what ways could the system better identify and plan for future needs?

How can the university system best respond to the demand for trans-disciplinary and inter-disciplinary research and graduates?

Universities have to balance a number of factors in deciding what they support and incentivise.

The TEC only funds universities for places in programmes when universities can demonstrate that the large majority of graduates from those programmes are ending up in degree-level employment. This necessarily keeps universities focussed on addressing current real-world skills needs. This is a good thing for students and employers.

At the same time, universities know that most of the students who come to them directly from school are likely to have forty-plus year careers that will see them working across a range of evolving roles and industries with the need to successfully navigate changing technologies, and ways of working.

Universities best serve their students by giving them skills and capabilities that can be applied in a wide range of contexts and that will allow them to keep learning and adapting no matter where their careers take them. Consistent with this, it is a specific requirement of the Education and Training Act 2020 that universities focus on developing intellectual independence in their graduates, which is a foundational attribute for lifelong learning.

In terms of the needs for trans-disciplinary and inter-disciplinary research and graduates, there are more opportunities, but similar risks. Most or all universities have introduced transdisciplinary undergraduate programmes (or options within programmes) in recent years. All offer conjoint and double-degree options that facilitate transdisciplinary studies.

However, although there is often agreement at the headline level as to likely long-term priorities for skills or knowledge, there is also typically disagreement and/or weak funding signals as to the specific long-term needs. For example, a priority area talked about is biotechnology, but there are a wide range of views as to what exactly the skill and knowledge priorities are going to be ten or twenty years from now.

We think that long term requirements around a research workforce and research capability are best addressed through the settings outlined in the Universities Advisory Group Briefing Note on the Performance Based Research Fund – including:

1. Long term research priorities and funding commitments to build and maintain long term research capability (including workforce).
2. Funding to support more doctoral and post-doctoral research to be done with and for end users across areas that align with long term research priorities.
3. A PBRF quality evaluation process that recognises and rewards trans-disciplinary, inter-disciplinary, and pan-institution research - where it is actually transferring actionable knowledge and understanding to end users.

Question 9: What role can existing and emerging technologies play in enhancing learning and research in a high performing sector?

There is a lot more that technology could be doing to support teaching and research, but every university has to navigate factors such as (a) many competing priorities for limited funding, (b) rapid changes in technology, and (c) the fact that technology projects often carry high levels of risk and uncertainty.

All New Zealand universities have aging ICT infrastructure that is increasingly a barrier to supporting best practice in teaching, research, and student support/experience.

For example: student success can be greatly enhanced by real-time information on how students are engaging and performing in their studies. This requires a high level of design and implementation of student management systems, learning management systems, and curriculum management systems. These are hugely expensive systems that take years to implement with enormous risk and cost for the institution. Although universities and their students are likely to see real benefits from upgrades or replacements, the reality is that the risk and cost of doing so is so high that universities tend to just maintain and add to existing capability for as long as possible.

Learning can be greatly improved by technologies such as:

1. Simulation environments – learning environments like virtual reality where students can practise surgical procedures or carry out science experiments. These require massive computational power and significant bandwidth.
2. Engaging learning environments – learning and teaching tools that adapt to each individual learner, are immersive and able to more effectively engage students through gamification and richer interfaces. These require significant investment to develop and maintain.
3. Real-world operating environments – laboratories and workshops equipped with the tools and software used by employers. These require universities to have access to a much larger range of hardware and software than has been traditionally possible.

4. Near-campus learning environments – we increasingly expect students to do practicums or internships and to study while they work. These students will need access to online resources and tools so they can enjoy the same learning experience, whether on-campus or nearby. This requires new enterprise ICT architectures to ensure all learning tools and resources work wherever learners are located.
5. Smart integrated systems – pattern-spotting systems that work across every part of a university's ICT network, linking diverse systems ranging from student management to electronic door security. These help identify and organise both learning and personal support as early as possible for students who may be struggling or at risk of failing.

All of these require fast networks with substantial bandwidth, a lot of processing power, expensive software, and specialist expertise for configuration and user support.

All of them are already being deployed, but the speed and scale of deployment is highly constrained by available funding, and the amounts required to do them well.

Even the Artificial Intelligence tools available online are a valuable part of today's learning and research environment, but different AI platforms are configured for different needs and the licensing costs quickly add up.

There could be opportunities for taking a coordinated approach to investment across these areas – for example common timetabling, admission, or enrolment systems where economies of scale might be realised if these high-cost items were purchased and implemented as a collective.

Question 10: How can planning and decision-making at both system and university levels be structured to ensure investment in cutting edge disciplines and technologies important to New Zealand?

See the *Universities Advisory Group Briefing Note on the PBRF*. We suggest that Government and the higher education sector should be working together to identify long-term research priorities. Where priorities are identified:

1. Government should be investing (or co-investing with industry or universities) in dedicated research infrastructure and/or entities.
2. Investing, developing and maintaining a research workforce that aligns with those longer-term priority areas.
3. Creating the equivalent of the CRI sector's Strategic Science Investment for the university sector – so universities can invest in infrastructure and a workforce in areas that align with long term priorities. Give universities more certainty about funding to maintain core infrastructure and people by delinking funding from volume-based student funding and/or variable research funding.

Although individual universities should always remain responsible for their own capital budgets and maintaining core built and ICT infrastructure, there should be more ability for consortia of universities to make the case for Crown capital funding in cutting edge areas where returns are uncertain but have significant potential returns to NZ-inc.

Question 11: How could teaching and research in academic disciplines with low demand best be supported in New Zealand's university system?

At present there is no nationally available source of information on low demand programmes or courses.

We do have data that tells us - for every detailed field of study (such as Physics or Astronomy) - how many universities were offering programmes/qualifications in them, and how many students were majoring in total across those universities by level of study (bachelors, honours, etc).

For example, in 2022 we know there were 25 students enrolled in Level 7 (bachelors) studies majoring in Computer Science Data Structures at four different universities.

We do not, however, know at a sector level how many distinct specialisations or subjects are offered within detailed fields of study. Although we know there were 2,465 people studying Foreign Languages at seven different universities in 2022, we don't know how many were studying German, or French, or Mandarin, etc. And, although we know there were 935 people studying classics at five universities in 2022, we don't know how many of those were learning Latin, or Greek, or some other ancient language.

In total we know that 175,010 students were enrolled in programmes in 2022 that were spread across 256 fields of study. On average each field of study was being taught at 3.7 of the eight universities, with an average of 184 students at each university in each field of study (Table 1).

Noting that these data do not give us information within fields of study that hold many distinct specialisations (such as languages) we can still see a range of subjects that may be regarded as both (a) low demand, and (b) potentially strategic. The table below is bachelors level 7 only.

Table 1: Fields of study enrolments by university at bachelors (Level 7) only

Broad Field of Study	Narrow Field	Total Students Enrolled*	Total Universities Offering	Avg students per Uni
Earth Sciences	Geophysics	5	3	1.7
Other Eng and Related Techs	Environmental Engineering	5	3	1.7
Earth Sciences	Oceanography	5	2	2.5
Civil Engineering	Transport Engineering	10	2	5.0
Civil Engineering	Geotechnical Engineering	15	3	5.0
Teacher Education	Teacher Education - Tertiary	10	2	5.0
Human Welfare Studies and Services	Youth Work	10	2	5.0
Law	International Law	20	4	5.0
Law	Legal Practice	20	4	5.0
Librarianship, Information Management	Librarianship	10	2	5.0
Computer Science	Data Structures	25	4	6.3
Other Natural and Physical Sciences	Forensic Science	20	3	6.7
Law	Taxation Law	20	3	6.7
Mech & Ind Engineering and Technology	Industrial Engineering	15	2	7.5
Aerospace Engineering and Technology	Aerospace Engineering	15	2	7.5
Environmental Studies	Environmental Sustainability	30	4	7.5
Medical Studies	Obstetrics and Gynaecology	15	2	7.5
Earth Sciences	Atmospheric Sciences	30	3	10.0
Medical Studies	Pathology	20	2	10.0
Public Health	Environmental Health	30	3	10.0
Language and Literature	Translating and Interpreting	20	2	10.0
Computer Science	Artificial Intelligence	80	7	11.4
Process and Resources Engineering	Chemical Engineering	50	4	12.5
Geomatic Engineering	Mapping Science	50	4	12.5
Law	Criminal Law	85	6	14.2

**Note that 'Total Students Enrolled' is necessarily data rounded to the nearest multiple of 5 per Statistics NZ privacy requirements.*

Assuming at least half the students enrolled in modern languages, performance (music, drama, etc), and classics are also in programmes where there are similarly low ratios of enrolments per institution, we can estimate that at least 1% and possibly as many as 2% of all students are in programmes that are significantly loss-making for the institution due to very low enrolment volumes. That is somewhere between 1,500 and 3,500 students.

Whether these programmes are important enough to warrant some form of support to ensure continuation can't be answered here, but there are probably some rules of thumb that could be applied in the main. These might include support for programmes that meet any one of the following:

1. Are the majority of graduates going on to employment in roles that directly utilise the knowledge imparted in the particular narrow field of study? *For example, are people with geotechnical engineering qualifications working as geotechnical engineers?*
2. Are there particular skills or abilities that we need to keep in New Zealand that are mainly sourced from people who complete these courses or programmes?
3. Where courses or programmes are taken as a 'minor' or 'specialisation' in a larger degree, does the country benefit from having graduates with that combination of skills? *For example, there could be value in having people with business degrees or advanced research qualifications who speak one or more modern languages other than English*.
4. Will a graduate in a broader field of study will struggle to gain meaningful employment in that field of study without mastering something from a low enrolment programme? *For example, it may be impossible to work in fields like history, archaeology, etc without the ability to read source documents in their original language. In 2022, 40 students completed bachelors degrees in archaeology, 140 in classics, and 420 in foreign languages.*

Assuming a low-enrolment course or programme is considered 'of national significance', there is the question of how best to support continuation. There seem to be three possible approaches, with some variation between them.

Before outlining the three approaches, the concepts of 'Blended/Hybrid Learning' and 'Online Learning' need to be understood:

- **Blended/Hybrid learning** – this is the environment most students have available to them if they have enrolled for in-person/on-campus learning. Although students can visit physical campuses and attend lectures and tutorials in person, these same students could do most or all of their learning without ever visiting a campus by watching recordings of lectures online, attending tutorials online, participating in group work online and accessing all library and learning materials online.

- **Online learning** – this is the environment for students who sign up for an education where the intention is that most learning will be done online. Curriculum will have been developed by their academic teachers, but the design and implementation of how it is delivered will have been done by distance education specialists. This is a form of online learning that takes learners through a programme of study in a structured (typically modular) way with tutors and other teaching staff able to monitor progress and assist where appropriate. This mode of delivery has high upfront costs to design and deliver and a wide range of ongoing costs to ensure students are supported and successful. Online delivery of this sort costs about the same as on-campus in-person learning and can be more expensive given the substantial upfront design and implementation costs associated with developing learning modules. For disciplines where there are laboratories, workshops, and/or practicums, online delivery can include practical in-person teaching and learning. For example,

students doing an online chemistry programme might spend one weekend in every four on a university campus doing practical laboratory work.

The three approaches to supporting continued delivery of low-enrolment but strategically important teaching are:

Approach 1: Bespoke

Student demand is from just a few students from time to time with delivery mostly distance via Blended/Hybrid learning mechanisms. This approach will generally work best where just two or three universities are involved.

Under the bespoke model, one or more universities would have an agreement with a host university for their students to be able to enrol to do courses at the other university. By gaining enrolments from the other universities, the host university would maintain or gain the volume for provision to either remain financially viable, or to minimise subsidies across the system as a whole.

Under this bespoke model, the student would need to enrol at both universities. Unless learning was already implemented in a primarily online mode, it would be via the blended/hybrid learning mode available to students who are primarily on-campus learners.

Both universities would need to coordinate to minimise timetabling clashes for the student(s) and to deal with issues such as student pastoral care, and cross-crediting credits gained. The student would never pay more than a normal student fee and so additional costs borne by each university would need to be covered by additional funding.

Note that this is the model currently being employed by the University of Otago and Victoria University of Wellington for delivery of teaching of German, Latin, and Greek. Victoria University of Wellington is delivering German to students of both universities, and the University of Otago will soon be delivering Latin and Greek.

Approach 2: Online [Fully implemented distance learning]

This approach would be best when student numbers will be large enough and consistent over time and where delivery can be done effectively via properly designed and implemented online learning. This approach could scale to cover all eight universities.

Under this model students from any university would be able to gain some of their credits through online learning administered by one host university. The key players would be:

1. The home universities – the universities students are enrolled with.
2. The host university – the university that has developed curriculum, and is delivering the online learning, providing support, running assessment and making recommendations regarding credit gained.
3. The implementing university/entity – this is the entity that takes the curriculum of the host university and that designs and implements the online learning modules. This may be the curriculum university or some other university/entity with the expertise, scale, and infrastructure to implement online learning efficiently and effectively.

Under this model the student would see the online course as just another offering of their home university – but taken fully online.

The home and host universities would deal with all the logistics associated with pastoral care, student support, and credit recognition.

This model would have a substantial upfront cost to develop online materials and then some ongoing costs for maintaining them. There would also be costs borne by both the home university and the host university.

Approach 3: Hub and Spoke [Online and In-Person learning]

This approach would be best when student numbers will be large enough and consistent over time to justify the costs of properly designed and implemented online learning, but where some in-person teaching, laboratories, workshops, and/or practicums are required in the region where the student is studying. This approach would also scale to cover any number of participating universities.

This approach really just takes the previous approach a step further to deal with the issue of having to do both online and in-person learning.

Using the same concepts of 'home university', 'host university', and 'implementing entity' as for Approach 2, this approach might see scenarios like the following:

> ***Scenario: Performance music.*** *The host university provides online learning to cover all necessary theory and knowledge. The host university works with the home university to ensure that there are on-campus facilities for teaching and performance associated with assessment. The home university employs many of the music tutors, but where skills are not available locally, the host university arranges itinerant tutors to travel regularly to the region.*

This model would have both a substantial upfront cost for developing online resources, but also greater ongoing costs associated with provision of facilities and in-person teaching.

It would be more expensive than can be supported under current DQ7+(SAC) funding rates, but less expensive than trying to have multiple universities maintain full programmes by themselves.

Implementation of the three approaches

For all three approaches, the university sector would need to take the lead in (a) identifying the areas where student demand is low but there is a case for ongoing provision, and (b) in working up a proposal along the lines of one of the three approaches, including costings.

The TEC would need a dedicated fund of some sort to supplement DQ7+ funding to provide top-ups where the business case is seen as sensible.

Business cases should be relatively light touch with agreed tests/standards to help universities understand when it will be worth investing the time and effort in working them up.

Current TEC rules for providers not being able to sub-contract teaching would need to be relaxed for these low demand programmes. There are also some StudyLink complications to work through if students were enrolled with more than one provider.

Question 12: What scale and mix of international fee-paying students is appropriate for the NZ university system?

Universities New Zealand does not support any arbitrary cap being imposed on the sector while the net benefits from international fee-paying students are so high.

Universities are necessarily very focused on international connections for factors other than revenue generation including:

- They foster ongoing research collaborations and knowledge exchanges. International doctoral students who return home and work at universities in their home countries are much more likely to continue doing joint research with academics in New Zealand.
- They allow New Zealand universities to recruit from the best international doctoral graduates.
- They develop multi-cultural competencies in domestic graduates and help our domestic graduates better understand what is required to successfully work across borders.
- They help New Zealand business by providing market insights into their own countries.
- International students who graduate and return home are more likely to recommend New Zealand to other students, to return as tourists, to trade with us, and to generally remain friends and supporters of this country.
- They provide a stream of skilled labour for our economy. We know that around 21% of international students are still working in New Zealand five years after graduating. Ten in every eleven of those graduates are in ANZSCO Level 5 (highly skilled jobs requiring degree-level qualifications)[9].

However, revenue generation is also important for universities. On average, around 13% of 2023 university revenue came from international students. The students help universities maximise utilisation of existing assets (including people), provide scale-efficiencies, and improve the investment case for new infrastructure (both built and electronic).

This revenue actually reduces the cost of universities and domestic student education to taxpayers. Without this revenue, either Government would need to pay more for domestic student tuition, or universities would need to reduce what could be offered to fit available funding.

International students provide universities with an average of $27,000 in revenue each year and they typically enrol 3.8 years – for a total of $102,600. According to NZIER[10], every $1 earned by a university flows through to $1.6 for the wider economy in spending on transportation, recreation, living costs, food, visits by friends and family, etc.

The 2023 Annual Reports of the universities show that there is significant variation across the universities in the percentage that international students represent of the overall student population (Table 2).

Table 2: International student EFTS by University as a percentage of all EFTS

	Auckland	AUT	Waikato	Massey	VUW	Canterbury	Lincoln	Otago	TOTAL 2023
International EFTS as % of all EFTS	20.8%	12.8%	19.5%	15.8%	9.2%	7.7%	21.0%	6.8%	**14.0%**

[9] https://www.universitiesnz.ac.nz/latest-news-and-publications/what-happens-international-students-who-remain-new-zealand-after

[10] NZIER, Economic Impact of NZ's Universities, 2022 update

But this variation does not appear to correlate in any obvious way to anything that might imply an adverse impact across areas such as (a) the quality of education provided to domestic students, (b) places available to domestic students, or (c) the overall quality of teaching and research.

Questions 13 and 14: University staffing

How can universities continue to attract and retain high quality staff and develop the next generation of staff? What should be the universities' obligations with respect to early career teaching and research staff including postdoctoral fellows?

Are universities appropriately setting the proportions of teaching, research and administrative staff and the mix of those on long-term and short-term employment contracts? If not, what policy changes should be considered?

See previous briefing notes provided to the Universities Advisory Group on the following topics:

- Future of the Performance-Based Research Fund
- What are the key issues and potential solutions regarding the academic workforce
- Have universities become overly centralised and 'managerial'?

In broad terms, everything comes back to funding levels, how funding is applied, and how universities most efficiently and effectively satisfy the expectations of funders and students.

Question 15: Are current arrangements for university governance and management appropriate for ensuring optimal performance, quality assurance, and strategic focus on institutional and national needs?

The most recent published meta-study on university governance arrangements is a 2009 World Bank[11] study. It looked at 74 countries and observed:

- Since the 1990s all public university systems have moved away from the academic-led model of collegial, consensus-based, decentralised decision-making because it offered insufficient accountability and insufficient ability to navigate the complex expectations of funders.
- Although there is massive variation in university governance arrangements, the dominant approach is to ensure that universities have as much freedom and flexibility as possible, while being simultaneously held accountable for their performance in pursuit of government policy objectives.
- All universities have governance bodies but the mechanisms to appoint boards and board chairs varies widely. New Zealand has what is probably the most common model – in that it uses formulas for various stakeholders or constituencies to appoint members, and the appointment of the board chair is a merit-based choice by the board members themselves *[pages 9-10]*.

Section 276 of the Education and Training Act 2020 limits a council to 8-12 members. If a council has 12 members (as is the case for all universities at present) then four of those members are appointed by the Minister by written formal notice to the council.

[11] Saint, William. Guiding Universities: Governance and Management Arrangements around the Globe. World Bank, October 2009.

Section 278 of the Education and Training Act 2020 covers all the matters to be considered when university council members are appointed. These include:

- S278(3) There must be at least one staff member appointed by the staff of the institution and one student member appointed by the students of the institution.
- 287(7) Before making a ministerial appointment to a council, the Minister must seek, and consider, nominations from the relevant council.

By longstanding practice, the Vice-Chancellor of each university is an ex-officio member of the council.

This means that there are at most five positions that Councils themselves can use to address skill gaps at the governance level. For many universities that is less than five positions in practice as many have two staff representatives, and/or an alumnus appointed by an election through the court of convocation, and/or an iwi appointee.

All eight university councils have skills matrixes to identify where there are gaps in skills at the council table. Universities report that all councils provide nominations and their skill matrixes when ministerial appointments are due to be made. However, reported experience has shown an inconsistent process by which those communications feed into the eventual appointments, and, in some cases, leaving unanticipated critical skills gaps on councils. In this regard s.278(7) is not, in our experience, consistently operating to ensure that required skills and experience are maintained on council.

UNZ would support an improved process to ensure that more attention is paid to the needs of councils when ministerial appointments are made.

With regard to the appointment of chancellors, UNZ would not support moving away from the current model where the council itself selects the chancellor. Managing the diverse councils and work programmes would be made considerably more difficult if council did not support the chancellor as being the right person to hold that role. Having council appoint the chancellors ensures they are accountable to the council and the communities represented by the council.

Question 16: What is the role and scope for academic-led decision-making that is desirable in a university?

See the Universities Advisory Group briefing note *'Have universities become overly centralised and managerial'* for a more general discussion on the nature of managing and supporting a modern university.

The 2009 World-Bank meta-study on university governance arrangements across 74 countries notes a global shift in the role of academic-led decision-making since massification of universities internationally in the 1980s. This is summarised best in the following excerpts from the study:

> *"For most of the 200-year history of modern Humboldtian higher education, university arrangements for governance and management remained largely unchanged. The dominant model was characterized as a "republic of scholars" in which academic freedom and the pursuit of knowledge were the overriding values. Institutional decision making was collegial, consensus-based, and decentralized within a multitude of departmental, faculty, and institutional committees. The institutional leader – variously titled president, rector or vice-chancellor – was elected from among the university's most esteemed scholars to fulfil ceremonial and administrative duties as a primus inter pares. The institutional mission was to preserve knowledge, add to accumulated understanding, and transmit this intellectual inheritance to the next generation. Any*

attempt to introduce accountability for performance was routinely rejected as an attack on academic freedom. A similar stance was likely to greet efforts to promote educational efficiency, relevance, or quality assurance. This was the business model that prevailed in academe until well into the 20th century." [World Bank pages 1-2]

By the 1990s most universities had moved away from the "republic of scholars" model to an "autonomy with accountability" model where "*institutions have the freedom and flexibility necessary to control their own fate"* but are simultaneously *"held accountable for their performance… in pursuit of government policy objectives*." [World Bank, page 3]

The reason given for the change is that the "Republic of Scholars" model "…*offered insufficient accountability for the use of public resources […] […]Steadily more complex and sophisticated operating environments prompted the inclusion of financial management and legal specialists among board members. Where graduate unemployment was high, concerns with improving the relevance of university education to the labour market and the national economy prompted the incorporation of representatives from the private sector and professional associations. And as institutions pursued financial diversification through more systematic fund-raising and various types of institutional partnerships, the need was sharpened for a further broadening of the mix of skills contained with the board. As these changes in board composition occurred, universities transitioned from an "old autonomy" in which they were accountable largely to their own members, to a "new autonomy" in which they became broadly accountable to society at large through a high diversity of board representation." [World Bank pages 10-11]*

Question 17: Are the policy-setting structures and arrangements for higher education optimal? Are there options for improvement?

The Universities Advisory Group has noted that no one is thinking about the strategic direction of the system or how it should be responding to a range of issues.

At one level we disagree - as this is something that the university sector itself does through the New Zealand Vice-Chancellors' Committee and its various standing and sub-committees. But in terms of thinking at a Government level, we agree.

Current policy and investment settings mean that the country is not realizing the full potential of its universities. The university system itself is ambitious to do more and every minister for at least the past decade has wanted more. And, although the system is delivering more value, step change has not been achieved.

Some key factors include:

1. We have Government strategies like the Tertiary Education Strategy that only seem to exist because legislation requires that they exist. They contain long lists of non-binding high-level goals and priorities, but lack any real intervention logic, or plans for how goals will be achieved. They don't play any meaningful role in current thinking about the higher education system.
2. We have a long history of unfunded mandates – attempts to lever greater outcomes from universities through existing funding. These are goals and objectives imposed on universities without additional funding. Recent examples include (a) learner success, (b) disability action plans, and (c) Code of pastoral care obligations. Though they are all worthy and desirable, they have not come with additional resourcing.

3. University costs (salaries, buildings, information technology, etc) have typically increased by around 1.5 times CPI over the past twenty years. Until around 2019 Government funding of universities broadly matched CPI. Universities were able to address shortfalls through investment in systems, processes and other organisational changes that drove efficiencies and kept costs within overall income.

4. Since 2019, however, we have experienced rapid inflation and Government funding has not kept up. Since 2019 Government funding from all sources has increased just 9% over a period when inflation has been 24%

Table 3: Headline income from the combined annual financial statements of the 8 universities.

Income Line by Source	Total Income 2023 $m	Total Income 2022 $m	Total Income 2021 $m	Total Income 2020 $m	Total Income 2019 $m	% Change 5 Yrs
Fee Income from Students	$1,208	$1,059	$1,122	$1,148	$1,168	**3.4%**
Income from Government (all sources)	**$1,941**	**$1,942**	**$1,959**	**$1,834**	**$1,778**	**9.2%**
Govt SAC/DQ7	*$1,410*	*$1,422*	*$1,441*	*$1,328*	*$1,279*	*10.3%*
Fees Free	*$161*	*$167*	*$168*	*$149*	*$149*	*8.3%*
Govt PBRF	*$308*	*$302*	*$304*	*$302*	*$304*	*1.5%*
Other Govt Funding (mainly research)	*$61*	*$51*	*$45*	*$54*	*$46*	*31.4%*
Other Income	$1,799	$1,492	$1,333	$1,203	$1,363	**32.0%**
Total	**$4,948**	**$4,492**	**$4,414**	**$4,184**	**$4,309**	**14.8%**
					Inflation Q1 2019 to Q2 2024 ->	24.0%

5. Successive governments have announced initiatives and goals that have been welcomed by the university sector but that have ultimately failed or underdelivered because of factors such as (a) the initiative being worked up as Budget-Secret or in-confidence to ministers without sector input and a clear identification of all the factors (including funding) to ensure success, (b) funding being time-limited making the investment of time and money by universities uncertain and unduly risky, and/or (c) responsibility for design and implementation sitting in the wrong part of the system – a government agency that then expects universities to make things work sometimes with compliance and reporting out of all proportion to the funding being provided.

We know that the Universities Advisory Group are considering the following:

- A higher education ministry to oversee policy and strategy for higher education and associated research, and/or
- A Higher Education Council – a small group of academics, economists, and senior policy officials to develop long term strategy.

Although a new Ministry could solve some of the boundary issues that currently exist between education and research policy, it is likely to just create a whole range of new boundary issues between higher education, vocational education, compulsory education, and skills/workforce planning. It will be expensive, disruptive, and take time to generate results. It is hard to see a model where benefits are likely to exceed costs.

A Higher Education Council might work, but it would have some major obstacles to overcome if it was to be useful. The main challenges will be:

- How it gets more than lip-service support and buy-in from ministers, ministries and universities. It will be easy to develop priorities and goals, but hard to build support and agency from funders and implementers if they are not fully and meaningfully embedded in the process.

- How it can impose priorities without controlling investment levels and settings.
- How it can avoid creating distortions and unintended consequences as a small arms-length entity that isn't actually responsible for navigating all the agendas and trade-offs that universities have to make with very finite resources.
- How it can deal with the boundary issues caused by the fact that universities are not the entire higher education system. ITPs, wānanga, and some private training providers also provide degree and postgraduate level teaching and do research that attracts Crown research funding (including PBRF).

We do not think either a new ministry or a Higher Education Council is likely to be that effective.

Instead, we recommend exploring a model that would periodically bring together ministers, policy agencies, and universities to jointly agree priorities, and to oversee the development of strategy, planning, advice, and budget cases.

There is no international model that exactly matches what we are proposing, but we are aware of comparable models in jurisdictions where unlocking value requires coordination and agreement by more than one minister and/or more than one policy agency.

In the international education space, the United Kingdom has an Education Sector Advisory Group[12] that annually brings together relevant ministers, Government agencies, and providers to agree priorities, to identify obstacles/opportunities, and to oversee a secretariat that works to advance them. Australia has a comparable Council for International Education in Australia[13].

Both Universities UK and Universities Australia report that these bodies are generally valuable and effective.

In Canada there is the Council of Minister of Education Canada.[14] This brings together ministers of all the provinces of Canada to discuss policy and to advance projects of mutual interest.

In New Zealand there was a 'Strategic Dialogue' process that operated successfully from 2014 to 2018. It brought together the Vice-Chancellors and the chief executives of MBIE, the Ministry of Education, and the Tertiary Education Commission. From time to time the chief executives of Education New Zealand and the New Zealand Qualifications Authority were also involved.

The process was supported by a secretariat comprising policy staff from all the agencies involved – including Universities New Zealand.

The Strategic Dialogue process saw chief executives jointly identifying common priorities and problems and the secretariat working up advice and plans across areas such as (a) workforce planning, (b) equitable outcomes for Māori and Pacific students, (c) the funding system, etc.

The Strategic Dialogue process was very effective at having universities and government agencies develop common framing and thinking about priorities and problems. But it did not clearly lead either to advice to ministers or to firm commitments to action. As a result, it fizzled out once it ran out of topics to work up.

We suggest establishing a Higher Education Sector Advisory Group along the lines of the UK model supported by a secretariat similar to that used for the Strategic Dialogue process here in New Zealand.

The secretariat could look something like the Higher Education Council model – with senior academic expertise, economic/financial expertise, and policy expertise.

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[12] https://www.gov.uk/government/publications/education-sector-advisory-group-minutes/education-sector-advisory-group-minutes-11-july-2023--2

[13] https://www.education.gov.au/council-international-education

[14] https://www.cmec.ca/11/About_Us.html

We suggest that an early priority would be identifying the areas where universities and ministers mutually agree that there is more value to be unlocked and then agreeing a prioritized work programme for a secretariat to advance under the oversight of ministers, policy agencies, and the Vice-Chancellors.