



**Tertiary
Education
Commission**
Te Amorangi
Mātauranga Matua



Pūrongo-ā-tau Annual Report

for the year ended 30 June 2019

Ko tō tātou aronga kia ngākau reka te panoni mō te tōnuitanga me te toiora o ngā tāngata katoa o Aotearoa Niu Tīreni mā te mātauranga matua me ngā ratonga umanga

Our purpose is to make a positive difference to the prosperity and wellbeing of all New Zealanders through tertiary education and careers services

This annual report for the year ended 30 June 2019 provides information to enable our stakeholders to assess the operations and performance of the Tertiary Education Commission.

The report covers what we set out to do, what we have done and how we have contributed to the strategic priorities and targets set by the Government. We report on progress against our *Statement of Intent 2018/19-2021/22* and the performance measures in our *Statement of Performance Expectations 2018/19*.

Presented to the House of Representatives pursuant to section 150(3) of the Crown Entities Act 2004.



We are the Government's key agency for investing in tertiary education, training and careers services

We are a Crown agency under the Crown Entities Act 2004 and we are governed by a Board of Commissioners appointed by the Minister of Education. We lead the Government's relationship with the tertiary education sector in New Zealand and provide career services from education to employment. Our investments support more than 700 tertiary education organisations across New Zealand to provide all forms of post-secondary school education, including foundation education, vocational education, higher education and research.

OUR ROLE IS TO:



FUND TERTIARY EDUCATION
ORGANISATIONS, **GROW**
THEIR CAPABILITY AND
MONITOR
THEIR PERFORMANCE



COLLECT AND
PROVIDE INFORMATION
ABOUT STUDY AND
WORK OPTIONS



PROVIDE INFORMATION
& **SERVICES** TO
HELP CAREER SEEKERS
prepare to move to **WORK**
OR **FURTHER STUDY**



STRENGTHEN THE
CONNECTIONS **FROM**
EDUCATION
to employment

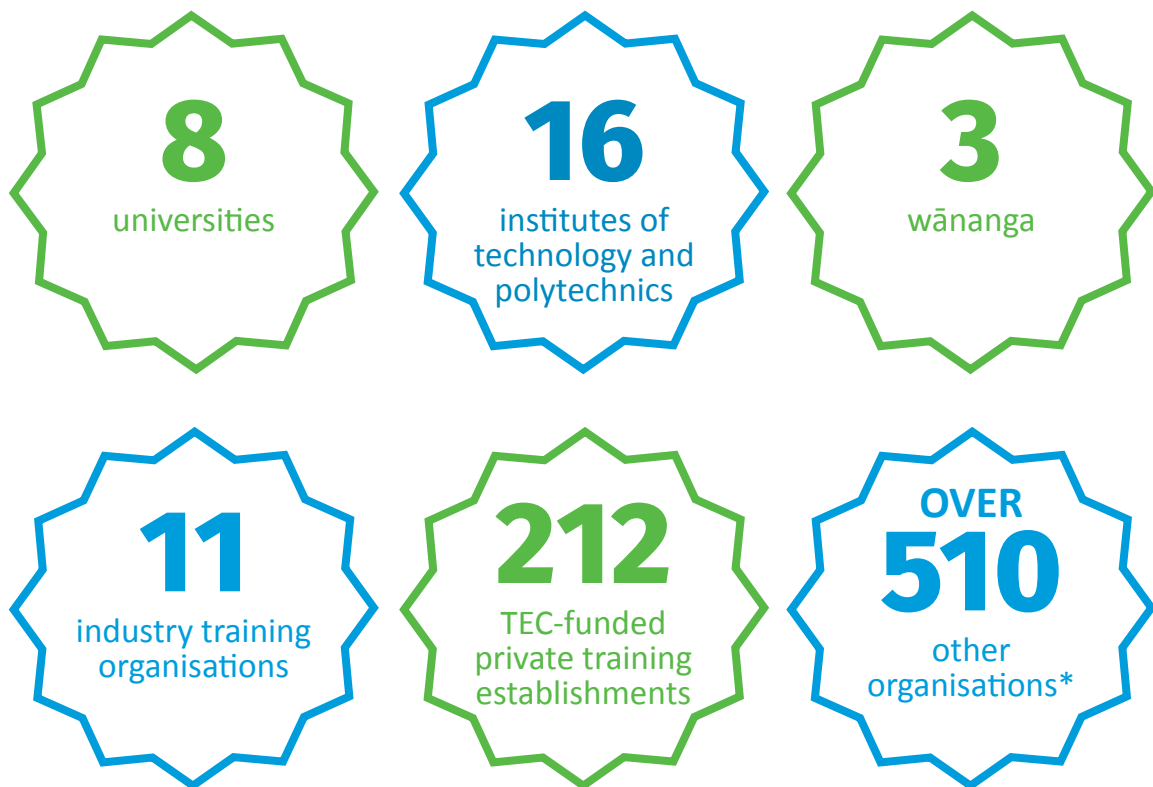
**ADVISE THE MINISTER ON
TERTIARY EDUCATION ORGANISATIONS
AND SECTOR PERFORMANCE AND ON THE
OPERATIONAL IMPACT OF POLICY**

Our year at a glance



3 billion

In 2018/19 we invested approximately \$3 billion into the tertiary education system through funding:



* including other tertiary education providers, adult and community education providers, government training establishments and secondary schools.

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Wāhanga Tahī
Kupu whakataki

Part One
Introduction

Ko tā te Kaihautū whakataki

He tau nekeneke tēnei mō Te Amorangi Mātauranga Matua / *Tertiary Education Commission* (arā, ko te *TEC*) hei whakaū ka urutau mātou hei whakapai ake i ngā putanga me ngā hono mō te pūnaha mātauranga matua, mō te pūnaha umanga hoki o Aotearoa. He tere te huri haere o te hangarau, o ngā wāhi mahi anō hoki, kua pakeke haere, kua matatini haere hoki tā tātou taupori, kua tere te huri haere, te whanake haere ā-ao me te nekeneke haere o tā tātou māketē mahi, ā, kua pēhia tō tātou taiao.

Kia whakaū ai ka pai te whakarite i a mātou kia tautoko, kia rato hoki mō te pūnaha mātauranga matua me te pūnaha umanga i tēnei tau i tīmatahia te mahi ki te whanake i tētahi Kaupapa, Wawata hoki hei arotahi, hei aronga, hei ahu pae waenga hoki mō te kaupapa. Ka āwhina hoki tēnei i te *TEC* ki te hāngai ki ngā putanga e whāia nei i te Rautaki Mātauranga Matua hoki, (arā, ko te *Tertiary Education Strategy*, ko te *TES* rānei), e whakawhanakehia ana i tēnei wā. Ka hangaia ngā whakaarotau o *TEC* i ngā tau e rima kei te haere mai mā te whakatinana i te *TES*, kia whakaū ai kua hāngai mātou ki te whakatutuki i ngā Whāinga Mātauranga a te Kāwanatanga (arā, ko ngā *Government Education Objectives*), arā, ko te hanga i tētahi pūnaha mātauranga kaha ake i te taha o ngā tāngata o Aotearoa.

I te tau kua pahure, he whakaarotau te tiaki i te hauora wā roa o ngā wānanga me ngā kuratini o Aotearoa, arā, ko ngā *Institutes of Technology and Polytechnics (ITPs)* o Aotearoa. Ka mihi au ki te *TEC* mō te mahi whakarite i te *ITP Roadmap*, te tautoko i te Arotake o te Mātauranga mahi me te Whakangungu, arā, ko te *Review of the Vocational Education and Training*, e ārahina ana e te Tāhuhu o te Mātauranga (MoE), nāwai ā, ka huri hei arotake o te Whakahou i te Mātauranga Umanga, arā, ko te *Reform of Vocational Education (RoVE) review*. Ināianei ka arotahi te *TEC* me ētahi hunga whaipānga matua ki te mahi nui kei mua i te aroaro hei whakatinana i te panoni ā-pūnaha e matea ana kia hanga ai i tētahi pūnaha mātauranga mahi toitū, whai hua hoki, kounga ikeike hoki. Ka hiahia te mahi tahi o ngā rāngai i roto i tēnei whāinga, e panoni tonu ai te rāngai whānui.

Ka whai mana ngā tohu mātauranga o Aotearoa ki te ao. He nui te tāpae a ngā ākonga mātāwaka ki te haumako me te matatini o te pāpori me te ahurea o Aotearoa-Niu Tirenī, ā, ka tāpaea ētahi hononga, ētahi tirohanga ā-ao whai uara hoki. Ka mahi tata tonu mātou puta noa i te rāngai ki te taha o *Education New Zealand*, o Te Tāhuhu o te Mātauranga, o Hīkina Whakatutuki (arā, ko te *Ministry of Business, Innovation and Employment*) me te Mana Tohu Mātauranga o Aotearoa (arā, ko *NZQA*) hoki ki te āwhina i ngā kaupapa mātauranga matua ki te tipu, ki te pakari haere hoki i ā rātou hononga ā-ao, ā, mā ā mātou haumi, ka whakahau i ngā kaupapa mātauranga matua ki te whakanui i ā rātou mahi mātauranga ki te ao whānui e tautoko ai tā rātou mahi matua.

He āhuatanga matua te pūnaha umanga whai hua o te māketē mahi tōnui me ngā putanga pāpori, ōhanga hoki mā Aotearoa. E arotahi ana te *TEC* ki te tautoko i te huri haere o te āhua o te mahi me ngā matea ā mua o Aotearoa-Niu Tirenī whānui, kia whakaū ai ka whai angitu ai ia tangata, ia tangata o Aotearoa kia whiwhi āheinga ki te whai umanga manawa reka, ki te whiwhi moni whiwhi toitū mō te wā e hiahia ana e tēnā, e tēnā. He aronga mahi tahi tēnei ka whakaū ai e tika ana te pūnaha umanga mō te kaupapa nei, ā, e whai hua ana te rāngai mātauranga matua hoki.

Ka arotahi tonu ki te whakanui i te whai wāhi o ngā ākonga katoa, heoi anō ka ū tonu ki te takohanga kia whakaōrite i te whai wāhi o ngā ākonga Māori, Pasifika hoki ki te pūnaha mātauranga, ki te pūnaha umanga hoki. Ahakoa kua piki ake te whai wāhi me te eke ki ngā taumata i ngā tau tata nei, arā tonu te ango kei waenga i ngā tauira whai wāhi, whakaoti hoki. E mahi ana mātou i te taha o ngā mātanga o te ao ki te whakamātau i ētahi aronga angitu ākonga kia ahu whakamua te kapi i tēnei ango. Koinei tētahi arotahi mō te tau e tū mai ana.

He mahi matua tonu te mahi i te taha o ngā Kaupapa Mātauranga Matua ki te āwhina i te whakahaere, i te whakapai ake i ā rātou mahi, i te mahi tūtohu hoki. Ka tuaritā ki te rāngai ngā kitenga i ngā mahi aroturuki, ngā tātaritanga pai ake i ngā raraunga whānui, ngā arotake i ngā take o te pūnaha whānui hoki kia hāpai i te āheinga kia taea ai e tātou katoa te whai putanga pai ake mō ngā ākonga.

Ka mārama, ā, ka mihia hoki e te Poari ngā nonoi kei te hunga whakahaere me te hunga kaimahi o te Kōmihana, ā, ka mihia hoki tā rātou angitu ki te whanake, ki te rato hoki i ngā momo putanga whānui kua kitea i tēnei tau. He whiwhiwhi hoki tā rātou mahi me ngā matea rāngai me whakaea, i roto i ngā pou tarāwaho kaupapa here a te Tāhuhu, ā, e ai ki ngā hiahia tōrangapū.

Ka mihi hoki te Poari i te tāpaetanga o Kaikōmihana John Morris, te tangata raeroa mō tāna mahi i te Poari, i whakaoti mahi i te tīmatanga o tēnei tau – ka rongona e te Poari te hiahia tonu ki tā John mātanga i te mātauranga, ki ōna wheako whānui hoki.



Nigel Gould

Board Chair, Tertiary Education Commission

Board Chair's foreword

It has been a year of repositioning for the Tertiary Education Commission / Te Amorangi Mātauranga Matua (the TEC) to ensure we adapt to improve the outcomes and connections for the New Zealand tertiary education and careers systems. Technology and workplaces are changing rapidly, our population is ageing and becoming more diverse, our labour market is becoming increasingly more flexible, globalised and mobile and our environment is under pressure.

To ensure we are well placed to support and deliver for the tertiary education and careers systems, this year we commenced work on the development of a new Purpose and Vision to provide a medium-term focus and direction for the organisation. This also positions the TEC to align to the outcomes sought in the new Tertiary Education Strategy (TES), which is currently under development. Giving effect to the TES will shape the TEC's priorities over the coming five years, to ensure we are aligned to deliver on the Government's Education Objectives – shaping a stronger education system with New Zealanders.

The safeguarding of the long-term health of New Zealand's institutes of technology and polytechnics has been a priority of the past year. I congratulate the TEC on the effort that has gone into preparing the Institutes of Technology and Polytechnics Roadmap 2020, supporting the Review of the Vocational Education and Training, led by the Ministry of Education, which together subsequently became the Reform of Vocational Education (RoVE) review. The TEC, together with key stakeholders, will now focus on the huge task ahead of implementing the system-level change that is required to create a sustainable, streamlined and high quality vocational education system. It will require cross-sector collaboration, which will continue to shift the broader sector.

New Zealand's qualifications are internationally recognised. International students make a huge contribution to the richness and diversity of New Zealand's society and culture and bring valuable global connections and perspectives with them. We continue to work closely across the sector with Education New Zealand, the Ministry of Education, Ministry of Business, Innovation and Employment and New Zealand Qualifications Authority to help tertiary education organisations grow and mature their international linkages, and through our investments, we encourage tertiary education organisations to increase their international education activities that support their core business.

An effective careers system is a key component to a productive labour market and social and economic outcomes for New Zealand. The TEC is focused on supporting the changing nature of work and future needs of all New Zealand, ensuring that every New Zealander has the opportunity to acquire the capability to have a fulfilling career and sustainable income for as long as they choose. This will be a collaborative approach to ensure the careers system is fit for purpose, and the tertiary education sector is making a difference.

There is a continued focus on increasing participation for all learners, with a specific commitment to achieve parity of participation of Māori and Pacific learners in the tertiary education and careers systems. While participation and achievement has increased in recent years, there is still a gap between the participation and completion patterns. We are working with world-leading experts to trial learner success approaches to make progress towards closing this gap. This will be a focus for the year ahead.

Working with tertiary education organisations to help them manage and improve their performance and compliance remains a core activity. Findings from monitoring activities, better analysis of comprehensive data and reviews of system-wide issues are all shared with the sector to build capability so we can all achieve better outcomes for learners.

The Board acknowledges the high demands placed upon management and staff of the TEC and their success in developing and delivering the wide range of outcomes that have been a feature of this year. Their task is unusually complex, with the need to meet sector requirements within Ministry policy frameworks, in accordance with government expectations.

The Board also acknowledges the contribution made by Commissioner John Morris, the longest serving member of the Board, who retired earlier this year – John's extensive background within education, and his wide experience, will be missed around the table.



Nigel Gould
Board Chair, Tertiary Education Commission



Ko tā te Tumu Whakarae whakataki

E hari koa ana ahau ki te tāpae atu i te pūrongo ā-tau 2018/19 o Te Amorangi Mātauranga Matua (arā, ko te Tertiary Education Commission, ko TEC rānei). E ū tonu ana mātou ki tā mātou whāinga, arā, he kaupapa ka aro atu ki te kiritaki ka mārama, ka hiki ake tonu i te kounga o tā tātou ratonga kiritaki, ā, ka rato hua pūnaha mātauranga, hua pūnaha rangahau hoki, hua pūnaha umanga hoki.

Kia whakaū ai ka āhei mātou te whakarato ratonga kiritaki whai kounga ikeike kua arotahi mātou ki te whakatō i tā mātou tauira pāhekoheko hou, i te tikanga mahi hou hoki. Ka whakaūngia katoatia e tēnei tauira hou te āheinga umanga, ā, ka whakatūria mātou ki te whakatutuki i tā mātou mahi whānui kia whai hua ai, i a mātou e arotahi tonu ana ki te urupare ki ngā take i te rāngai, ki te hono atu ki ngā kaiwhakawhiwhi mahi, ā, ka hāpai i te mahi whānui a TEC. Kua whakatūria ō mātou tāngata kia eke ki ō rātou taumata ikeike, kia whakaū ai ka mahea, ka arotahi, ka whai hua hoki tā mātou ratonga.

I a mātou e mahi ana i tēnei mahi, kua arotahi tonu hoki mātou ki ā mātou mahi matua o te haumi, o te umanga hoki. Nā tā mātou haumi ki te mātauranga ka haere tonu te piki ake o wariu o ngā hua mō ngā tāngata o Aotearoa.

Nā te kaupapa *Reform of Vocational Education* (arā, ko te RoVE) tā mātou kaupapa *ITP Roadmap* me tā te Tāhuhu o te Mātauranga, arotake i te pūnaha Mātauranga Ahumahi, Whakangungu hoki i whakakotahi ai. Ko tā ngā whakahou he hanga i te pūnaha mātauranga ahumahi kaha, kua whakakotahingia, ka toitū hoki ka rato i ngā pūkenga e hiahia ana e ngā ākonga, e ngā kaiwhakawhiwhi mahi, e ngā hapori hoki kia puāwai ai. I tēnei tau, i oti i a mātou te uiui e pā ana ki ngā whakahou marohi. I whakaritea e mātou ko te Tāhuhu o te Mātauranga ngā kaupapa 109 i ngā wiki e whitu, ā, i haere mai neke atu i te 5,000 kaiwhaipānga. He 2,904 ngā tono i tae mai i te uiuinga, ā, kua whakamōhiotia e ēnei kōrero tētahi kohinga whakahou kua whakapaingia ake.

Ka mahi tonu mātou i ngā pūnaha mātauranga matua, umanga hoki kia whakapaitia mā te ākonga. Kua angitu te whai wāhitanga o tā mātou kaupapa Ōritetanga *Learner Success* ki ētahi Rōpu Mātauranga Reanga Tuatoru hei whakaahu whakamua i ētahi tauira whakaōrite, ā, i whakamātauria ētahi aronga angitu ākonga kaha whai hua e hāpaitia ai ngā putanga taurite mō ngā ākonga Māori, Moana nui a Kiwa hoki.

I whakauru tonu ngā kaiārahi i tā rātou akoranga Kore Utu mō te tau 2019, ā, ka whakaaturia kua huri te Kore Utu i te kaupapa here hou ki te kaupapa kua whakaūngia.

I whanake tonu mātou i te Rautaki Pūnaha Umanga wā roa kia hāngai ki ngā panoni whānui atu puta noa i ngā mea tuatahitanga o te mātauranga, o te taimahi hoki, tae ana ki te RoVE. Kua oti i a mātou te rangahau mākete tīpako kia whakaū ai ka whakaea te Rautaki me ngā putanga i ngā hiahia o ā mātou āhuetanga arotahi me ngā kaupapa kāwanatanga whānui atu.

Ko te *Performance-Based Research Fund*, tā mātou pūtea nui rawa tuarua ka tautoko i te āheinga rangahau i ngā kaupapa mātauranga matua. He arotake te mahi i te tau 2018/19, ā, ka tuari mātou i te \$1 piriona ki ngā whare wānanga i te tuatahi, hei te ono tau i te tau 2019.

I a au e titiro whakamua ana, ka arotahi au kia haere tonu te kaha whai wāhi puta noa i te rāngai, ka whakatutuki i te panoni ā-pūnaha e rato ai te mātauranga umanga tino kounga, toitū hoki. Ka arotahi hoki mātou ki te whakangao ki te whakahau i te whakanuitanga i whai wāhi me te whakatutuki o ngā ākonga Māori me ngā ākonga Moana nui a Kiwa, ki te mahi hei tautoko i ngā ākonga nō ngā āhuetanga taumaha, i ngā ākonga whai kaha hoki.

Tēnei au ka mihi ki te *Executive Leadership Team* o TEC, ki te hunga kaimahi hoki mō tā rātou pukumahi i te tau kua pahure ake nei, me tā rātou manawanui ki te rato putanga mō te rāngai mātauranga.



Tim Fowler

Chief Executive, Tertiary Education Commission

Chief Executive's introduction

I am pleased to present the Tertiary Education Commission's (the TEC) 2018/19 Annual Report. We remain committed to our goal of a customer-centred organisation that understands and continually improves the quality of our customer service, and delivers outcomes for the education, research and careers systems.

To ensure we are able to deliver high quality customer service we have focused on embedding our new integrated business model and way of working. This new model fully embeds the careers function and positions us to effectively deliver on our broader role, while remaining focused on responding to issues in the sector, building relationships with employers and improving the TEC's overall performance. Our people are positioned to be at their best and ensure that our delivery is clear, focused and efficient.

Alongside this work we have also remained focused on our investment and careers core business. Our investment in education continues to deliver increased value for New Zealanders.

The Reform of Vocational Education (RoVE) has brought together our Institutes of Technology and Polytechnics Roadmap 2020 project and the Ministry of Education's review of the Vocational Education and Training system. The reforms are to create a strong, unified, sustainable vocational education system that delivers the skills that learners, employers and communities need to thrive. During the year we completed consultation on the proposed reforms. In conjunction with the Ministry of Education, we organised a total of 109 events over seven weeks, which were attended by over 5,000 stakeholders. Just over 2,900 submissions were received as part of the consultation, and these views have informed a refined set of reforms.

We continue to work across the tertiary education and careers systems to make improvements for the learner. Our Ōritetanga Learner Success programme has successfully engaged with three tertiary education organisations to progress developing parity prototypes and trialling high impact learner success approaches that improve equity outcomes for Māori and Pacific learners.

Learners continued to enrol for their Fees Free study for the 2019 year, showing that Fees Free has moved from being a new policy initiative to an embedded programme.

We continued to develop a long-term Careers System Strategy to align with broader changes across the education and employment priorities, including the RoVE. We have completed targeted market research to ensure the Strategy and outputs meet the needs of our areas of focus and broader government initiatives.

The Performance-Based Research Fund is our second largest fund and supports research capability in tertiary education organisations. In 2018/19 the fund was evaluated and we will now distribute \$1 billion over the six-year period from 2019, primarily to universities.

As I look ahead, I am focused on continuing a high level of engagement across the sector, delivering on the system-level change that will provide high-quality and sustainable vocational education. We will also focus on investing in encouraging increased participation and achievement of Māori and Pacific learners, as well as working to support learners from disadvantaged circumstances and disabled learners.

I would like to thank the TEC's Executive Leadership Team and staff for their hard work over the past year and their commitment to delivering outcomes for the education sector.



Tim Fowler

Chief Executive, Tertiary Education Commission





Wāhanga Rua
Ko ō mātou whāinga rautaki

Part Two
Our strategic intentions



Ko ō mātou whāinga rautaki

Our strategic intentions

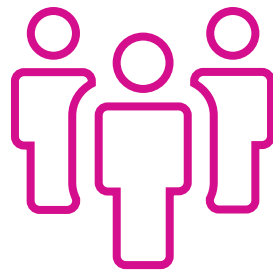
We lead the Government's relationship with the tertiary education sector in New Zealand and provide careers services from education to employment. We play a key role in supporting and developing a high-quality and sustainable tertiary education system. We do this by providing sound, evidence-based investment in tertiary education, training and careers services that meet the needs of our society and economy and by contributing to current and future education system strategies.

Our strategic intentions include four impacts that describe the difference we are seeking to make and reflect Government priorities, policies and the education work programme:



The following pages (pages 13 to 34) outline the progress we have made during the year for each impact.

Our three enablers, people, knowledge and partnerships, support the delivery of our impacts. Further information is on pages 35-45.



IMPACT

1

TE TAUTOKO I NGĀ ĀKONGA
KATOA KIA ANGITU

**SUPPORTING ALL LEARNERS
TO SUCCEED**

**All learners have the opportunity to
develop the skills and knowledge to succeed**

Kei te whai angitu mātou mā tā mātou kaupapa Ōritetanga mō ngāi Māori, mō ngāi Moana nui ā Kiwa hoki

We are building learner success through our Māori and Pacific parity work programme

We want to ensure all New Zealanders have equal access to the lifelong benefits of tertiary education success to improve outcomes for individuals, their families, their communities and the country. We have set an important goal that by 2022 the participation and completion patterns for Māori and Pacific learners will be on par with other learners in the tertiary system and that we will deliver comparable post-study outcomes for graduates over time. We are also seeking to improve system responsiveness to, and outcomes for, socio-economically disadvantaged learners and disabled learners.

In 2018/19 we stepped up our learner success work programme. Key pieces of work included:

- › Supporting Māori and Pacific learners and stakeholders across the country to engage with the Reform of Vocational Education through hui, fono and existing networks, with a focus on enabling the proposed reforms to deliver improved educational outcomes.
- › Engagement with selected tertiary education organisations to trial learner success approaches in line with the successful practices we have seen in other jurisdictions, including Georgia State University. For more on our Learner Success Prototypes please see our feature story over the page.
- › Attending the Achieving The Dream Conference in Los Angeles and visiting selected universities in the California State System. We acquired an array of tools and insights to strengthen our understanding of how best to develop and implement system-wide initiatives at scale that improve outcomes for all learners.
- › Hosted the Ōritetanga conference in early August 2019 in Auckland to highlight and share best practice from Aotearoa New Zealand and around the world on achieving equitable outcomes for all learners. This included two world-leading experts keynoting the conference. The conference was attended by Ministers, local presenters and more than 300 representatives across the education sector and wider community in New Zealand. The conference focus was on:
 - tackling the challenges of increasing student success in a systemic way
 - increasing capacity for data analysis, programme evaluation and building sector communities of practice
 - growing student-centred, culturally relevant, data-informed decision making and support.
- › The implementation of an improvement approach for 15 underperforming tertiary education organisations. We required these tertiary education organisations to develop plans focused on parity for Māori and Pacific learners and worked closely with them to lift their performance.
- › Funding of a research project to test and assess learner analytic methodologies. This research will support tertiary education organisations to better understand and use their data to provide appropriate and effective support to their learners to improve retention and achievement.
- › Funding a project with Victoria University of Wellington to develop a framework and guidance for tertiary education organisations on the ethical use of data for learner analytics.
- › Developing and implementing a work programme to improve outcomes for disabled learners. This work includes: increasing data held, providing best practices resources for supporting disabled learners, introducing specific funding requirements around disability action plans and supporting the review of funding for disabled learners (led by the Ministry of Education).



Learner Success Framework



He Taurira Angitu Ākongā, arā, ko ngā **Learner Success Prototypes**

A system-level shift in performance is required if Māori and Pacific learners are to participate and achieve at all levels of tertiary education on par with other learners.

From other jurisdictions we have repeatedly seen that tertiary education organisations that want to make a difference for learners need to shift from individual interventions and pockets of focus to a systemic learner focus in all aspects of their operations.

A holistic approach is required, involving several key elements:

- › strong leadership within the tertiary education organisation
- › systems and processes designed with the learner in mind
- › a 'guided pathways' approach that makes it clear to learners before they enrol what they need to do to gain the qualification and where their qualification will lead them
- › data and technology solutions that can be used to appropriately track learner progress.

We have developed a learner success approach and supporting tools, based on a continuous improvement framework. One of the tools we have developed is a capability tool. The tool supports tertiary education organisations to identify how they can develop their capability in the areas most likely to improve the participation and achievement of all learners.

In early 2018 we identified and commenced work with three tertiary education organisation partners:

- › The University of Waikato
- › Te Wānanga o Raukawa
- › Waikato Institute of Technology.

We have provided funding to the three partner tertiary education organisations to help us refine and validate our learner success approach and the tools that will build tertiary education organisation capability and organisational focus. This will also give us insights into the most effective and efficient ways to scale and roll out this approach to the wider sector.

Kua whanakehia e mātou he aronga pae tawhiti mō te kaupapa Utu Kore

We developed a long-term approach to the Fees Free Initiative

The Fees Free policy came into effect on 1 January 2018. It provides a year of fees-free tertiary education for new students or two years of industry training for new trainees. We are the lead agency responsible for implementing the policy and we are working with the Ministry of Education on the approach to the policy.

We continued to review and evaluate current operational policy settings and processes to ensure these are in line with the policy intent. Wherever possible we have continued to make improvements to the learner and tertiary education organisation experience and to the fairness and effectiveness of the policy.

In 2018/19 we:

- › continued developing the new Fees Free website to better meet learners' needs
- › worked with the Ministry of Education to identify and contact learners with an unknown status who were potentially eligible
- › undertook sector workshops to support tertiary education organisations to implement 2019 Fees Free
- › completed the agreements with tertiary education organisations for 2019 Fees Free
- › developed the 2019 Fees Free payment allocations.

Learners continued to enrol for their Fees Free study, with many learners carrying over unused eligibility from 2018. This shows that Fees Free has moved from being a new policy initiative to a free-standing programme administered by TEC, in partnership with the Ministry of Education, New Zealand Qualifications Authority (NZQA), Inland Revenue and the Ministry of Social Development's Studylink.

We have merged the Fees Free helpdesk with our new Customer Contact Centre, and we are investing in information systems to make Fees Free a business-as-usual activity.

We continued to invest in its information systems to make it easier for learners and tertiary education organisations to quickly check their Fees Free and eligibility funding status. We also continued our communications with learners across many channels to raise awareness and understanding of how to access Fees Free.

We have also adjusted and increased monitoring activities to ensure providers and learners comply with the obligations of the fund. We take a graduated approach, with a focus on education and engagement, while retaining the ability to deal with deliberate non-compliance.

Kei te haere tonu tā mātou whakahaere i te aronga rautaki hou
mō te pūnaha umanga

We are continuing to work on implementing a new strategic direction for the careers system

Our legislative functions expanded on 1 July 2017 following the transfer of the functions and services of Careers New Zealand. Over the year we continued the development of a long-term Careers System Strategy (CSS). Work on this commenced in 2017/18.

The purpose of the CSS is to raise New Zealanders' education levels and their skills and aspirations to meet the demands of work, now and in the future, and to improve New Zealanders' overall wellbeing. A current focus of the CSS is providing a foundation of information and career planning tools that can be used by all New Zealanders throughout their lives. There are three key deliverables:

1. **Roll out of Inspiring the Future (ItF)** – to broaden the horizons and raise the aspirations of school children.
2. **Careers.govt.nz website refresh** – to provide up-to-date job and career planning information for the site's two million annual users. This includes maintaining and improving our database of information about jobs, required skills and qualifications.
3. **A Career Planning Solution** – a longer-term deliverable, necessary to provide New Zealanders with a clear line of sight to future career paths, by identifying interests, assessing skills and understanding potential job and career opportunities.

The CSS aligns with, and supports, the broader changes occurring across the education and employment priorities, including the transformation of school-based careers education, the review of the National Certificate of Educational Achievement (NCEA) and the Reform of Vocational Education.

In developing and implementing the CSS we work alongside our partner agencies, including the Ministry of Education, the Ministry of Business, Innovation and Employment, the Ministry of Social Development, the NZQA and the Treasury.

In 2018/19 we:

- › Made significant organisational changes to support our careers system focus. We have built new roles and teams so that we can bring a greater customer awareness across all that we do and better connect and integrate our career and education support roles.
- › Completed a procurement process for market research and appointed a vendor. The research will gather key insights from each of the 12 segments that have been identified across the broad range of age and life stages of all New Zealanders in education, work and not in-work. This research will begin in July 2019 and will be completed by December 2019.
- › Completed negotiations and signed the contract to partner with Education and Employers (UK) for the roll out of Inspiring the Future (ItF) to New Zealand schools.
- › Conducted a comprehensive content review of the careers.govt.nz website to ensure currency and accuracy of content. This included a framework to develop new content across a range of priority areas for the Government and broadening the audience for the site and reaching New Zealanders at different stages of their career and education journeys.
- › Completed a procurement process to search the global market for existing off-the-shelf career planning web-based solutions that could meet our requirements.

He kaupapa ine pānga me te ia mōhiohio Impact measures and trend information

Our priority and business-as-usual activities are key contributors to the impact of supporting all learners to succeed. However, achieving this impact is also influenced by the state of the economy, labour market and learners’ individual circumstances. The following performance information has been used to illustrate progress towards the impact to which our work is a contributing factor.

All learners have the opportunity to develop the skills and knowledge to succeed

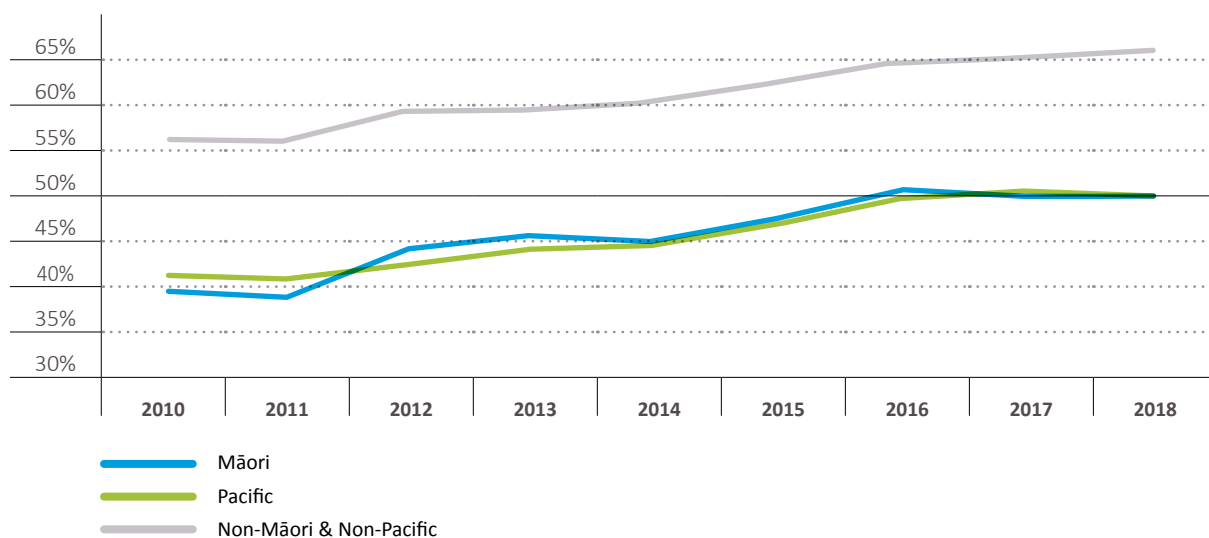
| All learners | | | Trend information | | |
|---------------------------------------------------------------------------------------|------------------------------------|-----------------------------------|------------------------------------|-------------------------|-------------------------|
| Measure | 2018 Actual | 2018 Target | 2017 Actual | 2018 Actual data result | 2017 Actual data result |
| Qualification completion | | | | | |
| Percentage of students (Note 1) completing qualifications at level 7 degree and above | Improved on previous year’s result | Improve on previous year’s result | Improved on previous year’s result | 64% | 63% |

Note 1 – All students enrolled in a formal qualification at a university, institute of technology and polytechnic, private training establishment or wānanga.

Ngā ākonga Māori, ngā ākonga Moana nui ā Kiwa hoki Māori and Pacific learners

While overall participation and achievement has largely increased in recent years for Māori and Pacific learners, there is still a significant gap between the participation and completion patterns of Māori and Pacific learners and those of non-Māori and non-Pacific learners. We are working with tertiary education organisations to close this gap.

Qualification completions at level 7 degree and above



Māori and Pacific Learners – qualification completion

| Measure | Learners | 2018 Actual | 2018 Target | 2017 Actual |
|---------------------------------------------------------------------------------------|------------------|-----------------------------------------|-----------------------------------|----------------------------------------|
| Percentage of students (Note 1) completing qualifications at level 7 degree and above | Māori learners | Not improved on previous year's results | Improve on previous year's result | Not improved on previous year's result |
| | Pacific learners | Not improved on previous year's result | Improve on previous year's result | Not improved on previous year's result |

Note 1 – All students enrolled in a formal qualification at a university, institute of technology and polytechnic, private training establishment or wānanga.

Trend information – Māori and Pacific learners (relative to non-Māori and non-Pacific learners)

Māori and Pacific Learners – trend information

| Measure | Group | 2018 Actual data result | | 2017 Actual data result | |
|---------------------------------------------------------------------------------------|---------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | | Qualification completion | Parity gap | Qualification completion | Parity gap |
| Qualification completion | | | | | |
| Percentage of students (Note 1) completing qualifications at level 7 degree and above | Māori | 50% | -17 percentage points | 50% | -16 percentage points |
| | Non-Māori and non-Pacific | 67% | | 66% | |
| | Pacific | 50% | -17 percentage points | 51% | -15 percentage points |
| | Non-Māori and non-Pacific | 67% | | 66% | |

Note 1 – All students enrolled in a formal qualification at a university, institute of technology and polytechnic, private training establishment or wānanga.

Trend information (no set target)

| Measure | 2018/19 Actual Baseline year | 2017/18 Actual |
|--------------------------------------------------------------------------------------|------------------------------|----------------|
| The TEC's information and tools assisted people in making learning or work decisions | 76% | Not applicable |

| Measure | 2018 Actual | 2017 Actual | 2016 Actual | 2015 Actual |
|-------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Proportion of 20- to 24- year-olds who are not in employment, education or training | 14.5% | 14.5% | 15.5% | 15.1% |



IMPACT

2

TE WHAKAHONO KAIWHAKAAKO
KI NGĀ KAIWHAKAWHIWHI MAHI

**CONNECTING EDUCATORS
AND EMPLOYERS**

**There are strong connections between education
and employment through collaboration and sharing
of knowledge among the system and employers**

Ka tautoko mātou i ngā whakaarotau o te Kāwanatanga mō ngā māketete ahumahi i roto i ngā rāngai whakaarotau

We support Government priorities for strong labour markets in priority sectors

This impact area is focused on connecting educators and employers. We want to see strong connections between education and employment through collaboration and sharing of knowledge among schools, tertiary education organisations and employers. This supports Government priorities for strong labour markets in priority sectors.

Food and fibre sectors

In 2018/19 we established an Industry Advisory Group (IAG) to make recommendations on what we need to do to grow the food and fibre sectors.

The IAG finalised its recommendations, focusing on:

- › building awareness of the opportunities for food and fibre careers and the pathways to them
- › innovation in qualifications and how they are delivered to better meet the needs of learners
- › establishing the partnerships needed to give learners more opportunities for food and fibre sectors careers and to meet the skill needs of those sectors.

We have started implementing the recommendations by:

- › Contributing to the Ministry for Primary Industries – Primary Industries Skills Leaders Working Group that is making recommendations to Ministers for changes across the skills system and workplaces needed to grow the sector. This incorporates some of the work of the IAG.
- › Starting work on a new food and fibre sectors hub on our careers.govt.nz website to promote the industry and pathways into jobs.
- › Developing new career resources to promote pathways into the sectors and distribute through our industry and education stakeholder channels.
- › Working with industry to support innovation in learning packages, qualifications and how they are delivered in the food and fibre sectors. The dairy industry is piloting recognition of prior learning and micro-credential pathways. The food and fibre sectors are already funding micro-credentials, ranging from biosecurity to wool handling.

Additionally, we have been progressing this priority sector focus through the following initiatives:

- › We are working with industry organisations on new apprenticeship models for horticultural production and post-harvest handling. These industry organisations have also approved training scheme provision that provides learning pathways to higher level qualifications that enhance agribusiness management capability.
- › We are working with sheep and beef farming interests on a proposed new Growing Future Farmers training initiative. This will have enhanced educational content and farm expert training input and verification and is designed to be scaled up through a regional network structure. Trainees will move between different Growing Future Farmers farms within regional networks to ensure richer and more in-depth learning.
- › It is intended that Growing Future Farmers be piloted in 2020. It can then be mainstreamed across New Zealand's sheep and beef farming industry. The Growing Future Farmers model supports the directions set in the Reform of Vocational Education, and learning from the model can be leveraged more widely in other industries.

Construction

Over the year we contributed to the Government's Construction Action Plan and partnered with key stakeholders to develop linkages in the sector. This included:

- › Joining the Construction Industry Council sub-group to provide advice on how we can attract, promote and grow the sector through our careers services.
- › Starting to work with the Building and Construction Industry Training Organisation (BCITO), Competenz, Ministry of Social Development and representatives of the prefabricated construction industry to develop micro-credentials for their industry.
- › Completing data analysis of the training and education pipeline, to better understand the needs of the sector. This will enable us to target the investment we need to support the needs of industry.
- › Publishing new construction industry investment targets for our providers to guide them on where we want their investment to be targeted to achieve changes and attract more learners to the industry.
- › Developing a new construction careers hub on careers.co.nz to promote career pathways and jobs.

He kaupapa ine pānga me te ia mōhiohio

Impact measures and trend information

Our priority and business-as-usual activities are key contributors to the impact of connecting educators and employers. However, achieving this impact is also influenced by the state of the economy, labour market and learners' individual circumstances. The following performance information has been used to illustrate progress towards the impact to which our work is a contributing factor.

There are strong connections between education and employment through collaboration and sharing of knowledge among the system and employers

| Measure | 2018/19 Actual | 2018/19 Target | 2017/18 Actual |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Key stakeholder satisfaction that the TEC has helped improve connections between schools, tertiary education organisations and employers | 31% | Baseline year | Not applicable |

He tohu moroiti

Micro-credentials

TEC is now able to invest in micro-credentials that have the potential to help learners, communities and employers to acquire the skills they need, when they need them.

Micro-credentials are new stand-alone education products intended to enable learners to access specific knowledge and skills in cost-effective and time-efficient ways. They are smaller than qualifications, with a tight focus on developing skills to meet the immediate needs of industry, employers, iwi and communities.

Micro-credentials are emerging as an important part of the mix of alternative credentials. They can be rapidly developed and deployed to meet emerging skill demands and enable the tertiary education system to adapt to the changing world of work and support lifelong learning.

We started looking at micro-credentials in early 2017 as part of the Engineering Education-to-Employment work programme. We funded eight micro-credentials feasibility studies in 2018 with organisations, including Otago Polytechnic, Downer and the Achievement in Multi-cultural High Schools (AIMHI) group. At the start of 2019 we began to fund micro-credentials as part of our mainstream investment processes.

We want to invest in highly capable tertiary education organisations that can deliver well-designed micro-credentials to meet the needs of industries and communities and support Government priorities.

All tertiary education organisations eligible for Student Achievement Component (SAC 1-2 and SAC 3+) or Industry Training Fund funding can apply for funding to deliver micro-credentials.



IMPACT

3

TE WHAKAKAHA AKE I TE ĀHEINGA
KAIWHAKARATO ME TE AROTURUKI MAHI

**BUILDING PROVIDER CAPABILITY
AND MONITORING PERFORMANCE**

**Tertiary education organisations are well managed,
financially sustainable and provide quality education services**

Kei te tautoko mātou i te panoni ā-pūnaha ka rato i te mātauranga ahumahinga rawe, toitū hoki

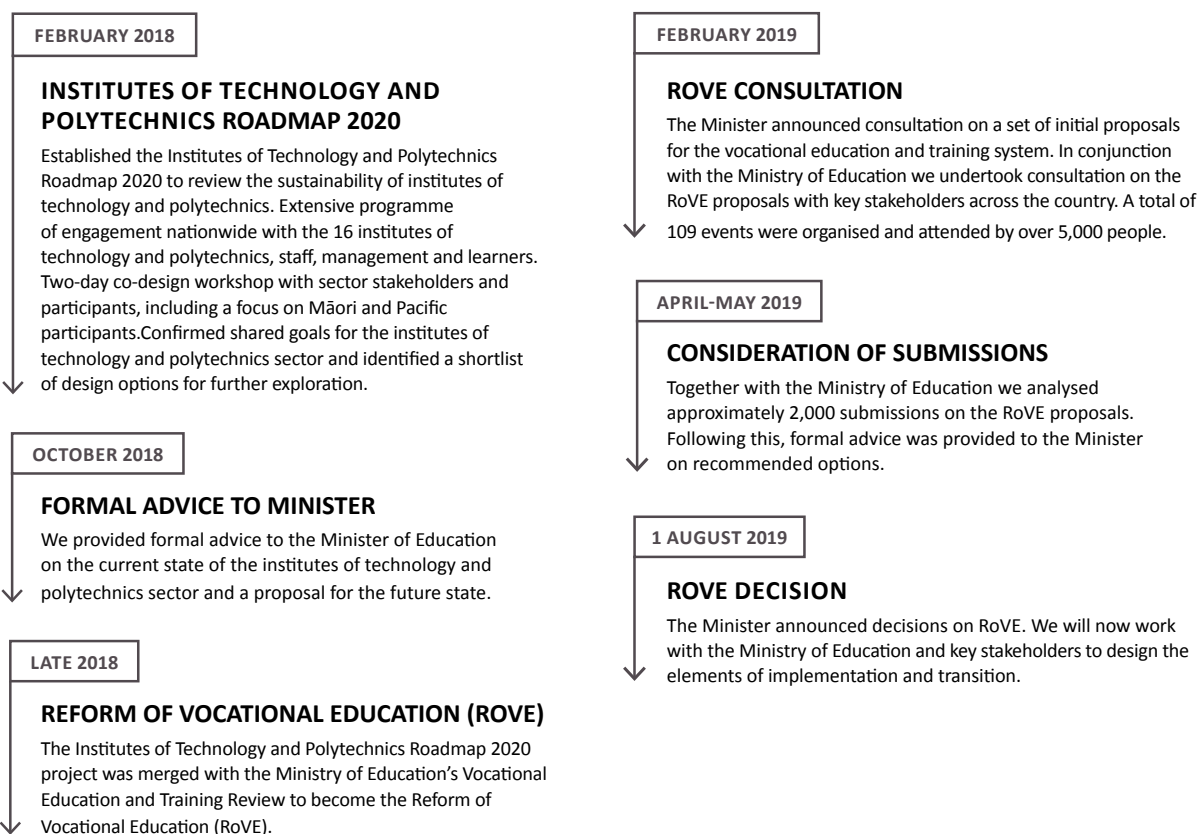
We are supporting system-level change that will provide high-quality and sustainable vocational education

In early 2018 we initiated the Institutes of Technology and Polytechnics Roadmap 2020 programme of work that looked at potential changes to the nationwide network of 16 institutes of technology and polytechnics. This was to safeguard the long-term health of New Zealand's institutes of technology and polytechnics, as a number of these were facing sustainability issues. At the same time we were supporting the Ministry of Education on the Vocational Education and Training review, which had a much broader scope.

Recognising that system-level change was required to provide high-quality and sustainable vocational education, the Minister brought together the two programmes of work in late 2018 to form the Reform of Vocational Education (RoVE) review. Working alongside the Ministry of Education we have engaged with industry, industry training organisations, the institutes of technology and polytechnics sector and the public to create a sustainable, streamlined and high-quality vocational education system. It will enable collaboration and flexibility, with a unified vocational funding system to better meet the needs of employers and provide learners with the training they need in a rapidly changing world.

New Zealand has a deservedly great reputation as a high-quality, safe and caring country for international students to study, live and work in. The RoVE review proposed a number of recommendations that would significantly bolster New Zealand's standing in the international market so that we can remain competitive, agile and responsive to maintain and strengthen our standing on the world stage.

Following the Government's decision to proceed with the RoVE proposals, we are leading the design of the elements of implementation and transition, working with the Ministry of Education and key stakeholders.



Ka haere tonu tā mātou aroturuki i ngā tutukinga mahi o ngā rōpu mātauranga matua, arā, ko ngā tertiary education organisations

We continued to monitor the performance of tertiary education organisations

We monitor the performance of the tertiary education organisations we fund as part of our stewardship of the tertiary education sector. Our monitoring looks at delivery of education, financial performance, governance and management. Our monitoring functions allow us to respond to risks at both the tertiary education organisation and system level, and provide guidance to the sector to help strengthen performance.

A focus for our monitoring function in 2018/19 was the sustainability of the institutes of technology and polytechnics sector. This included working closely with the Ministry of Education through the RoVE programme of work, with an emphasis on the financial management and governance capability of institutes of technology and polytechnics and the needs of the future system. We will continue our detailed financial monitoring of all institutes of technology and polytechnics to reduce risk of further financial failures until the benefits of the programme of work can be realised. This will inform planned improvements to the Financial Monitoring Framework for tertiary education organisations.

In 2018/19 we managed the Government's interventions in at-risk tertiary education organisations, including Unitec, Whitireia and Weltec, and Tai Poutini Polytechnic.

Ka arotahi tonu mātou ki te hiki i te āheitanga o te pūnaha whānui

We continue our focus on building wider system capability

During the year we commenced a comprehensive review of the private training establishment sector. We will focus on better integrating financial monitoring into our risk management. This will help to target our tertiary education organisation-specific monitoring activities and to produce learnings we can use to educate the sector to improve overall performance and compliance.

A key focus during 2018/19 was continuing to grow our educational approach, by sharing information to help the sector to improve performance, ensure compliance and contribute to lift the overall capability of the tertiary system. This includes providing information to enable tertiary education organisations to make well-informed choices and decisions, and providing information and tools to tertiary education institutions to support them to enhance governance capability. As part of this we developed and published a monitoring manual on our website so that tertiary education organisations know what to expect from an investigation. We also published a monitoring update focused on:

- › how to report learning hours in the Services to Tertiary Education Organisations website
- › qualification and unit standard reporting issues
- › questions around Fees Free.

We also continue to focus on building system capability through sharing information by:

- › sharing learnings from our planned series of system-wide reviews, governance advice and other compliance obligations
- › presenting at the Independent Tertiary Education New Zealand roadshows to provide an overview of our monitoring role and activities and share learnings from our work.

Equity Fund review

In 2018/19 we completed a review of the Equity Fund to better understand use of the fund across the sector and determine whether changes to fund settings and monitoring are needed. The review produced valuable information that will be used in the first instance by TEC's Ōritetanga Learner Success team in considering changes to the fund, but could lead to additional monitoring reporting requirements as this work progresses.

Intelligence-led monitoring

During the year we have made significant progress towards implementing an intelligence-led approach to monitoring. This makes better use of historical and current data to identify sector and tertiary education organisation-based risk, where resource can be applied in a proactive manner through a graduated series of interventions, including education, persuasion and, in extreme cases, sanction.

Intelligence-led monitoring ensures the most efficient use of monitoring resource and aligns with a customer-centric approach where education becomes a primary compliance tool.

Governance

We held the annual Governance Network meeting in July 2018 and an induction briefing for new council members in November 2018. This is for the tertiary education institution staff who support council operations and is focused on promoting best practice in governance across the tertiary education sector. We are also reviewing and updating our governance publications and the information provided on our website to continue promoting good governance. We prepared two publications, *'staff and student representation on university and institutes of technology and polytechnics councils'* and *'elections for staff and student members of institutes of technology and polytechnics councils'*, which provided advice on recent changes to legislative requirements to help councils comply with the new legislation.

We will continue to work with the Ministry of Education through RoVE to understand the monitoring needs required for the future system. We will also continue to gather detailed financial information from all institutes of technology and polytechnics to understand their current positions and inform our monitoring to reduce further financial risk and intervention needs.

Appointments to tertiary education institutions' councils

We provided advice to the Minister of Education on appointments to tertiary education institutions' councils that were due during 2018/19. This resulted in 11 reappointments and one cross-council appointment in the institutes of technology and polytechnics sector and two appointments to university councils. A further university appointment is progressing, along with two wānanga appointments.

He kaupapa ine pānga me te ia mōhihio

Impact measures and trend information

Our priority and business-as-usual activities are key contributors to the impact of building provider capability and monitoring performance. However, achieving these goals is also influenced by the extent to which tertiary education organisations take ownership of building their own capability and improving their performance.

As such, our performance measures focus on the actions that we can take to produce and share information, and partner with providers, to help them manage their own performance and compliance. These activities help reduce instances of non-compliance, while the continued strengthening of our risk-based and intelligence-led approach to monitoring improves our ability to detect and respond to compliance issues when they do exist.

The following performance information has been used to illustrate progress towards the impact to which our work is a contributing factor.

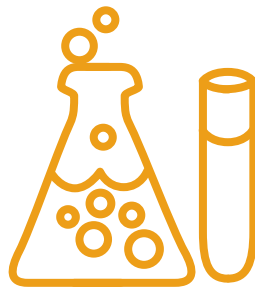
Tertiary education organisations are well-managed, financially sustainable and provide quality education services

| Measure | 2018/19 Actual | 2018/19 Target | 2017/18 Actual |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| At least three system-wide reviews completed each year and results shared with tertiary education organisations (Note 1) | Achieved (3) | Achieve | Not applicable |
| At least three educational activities undertaken each year to support the capability of tertiary education organisations and provide information and guidance on their obligations (Note 2) | Achieved (3) | Achieve | Not applicable |

Note 1 – System-wide reviews of compulsory student services fees and the implications and monitoring of Fees Free have been completed and results shared with tertiary education organisations. A system review of Equity Funding was completed and the results will inform our work across the sector to lift Māori and Pacific learner achievement.

Note 2 – Three educational activities have been completed:

- › one-day annual Governance Network meeting for tertiary education institutions' council support staff
- › induction briefing for new tertiary education institutions' council members
- › presentation to the institutes of technology and polytechnics Chief Financial Officers' Forum on the findings of intensive financial monitoring of institutes of technology and polytechnics.



IMPACT

4

TE WHAKARAHI AKE I TE KOUNGA
O TE RANGAHAU ME TE ĀHEINGA HOKI

**INCREASING RESEARCH QUALITY
AND CAPABILITY**

**Research-based institutions contribute to New Zealand's
success through innovation, connections and collaboration
and building a world-class, innovative workforce**

Ka rato mātou i te aromātai kounga pūtea rangahau (PBRF)
mō te tau 2018

We are delivering the 2018 Performance-Based Research Fund (PBRF) Quality Evaluation

The PBRF is our second largest fund and supports research capability in tertiary education organisations. The fund is made up of three components. The largest (55%) is the Quality Evaluation, a periodic (typically six years) assessment of eligible researchers' performance.

In 2018 we successfully ran the fourth Quality Evaluation round. As part of the 2018 exercise we:

- › supported the submission and assessment of 8,269 evidence portfolios of research from 36 tertiary education organisations
- › trained 262 peer-review panellists across 13 peer-review panels on how to undertake the assessment process
- › undertook and finalised two independent audit processes that included a process assurance audit and data evaluation audit of tertiary education organisations and an internal audit of our processes.

Based on the results of the assessment process, we will allocate \$173 million in funding in 2019.

Following the completion of the assessment process in December 2018, we publicly released the interim results of the Quality Evaluation, including the indicative funding allocations. Extensive work, done in collaboration with the sector, was undertaken to design a new approach to reporting the results. The aim was to make these more accessible to a wider audience and to give greater meaning to the results. We achieved this by reducing the size of the written reports and using new tools to convey complex data, including developing interactive charts, easy-to-read infographics and data visualisations.

Once the interim results were released in April 2019, a formal complaints process began, giving tertiary education organisations the opportunity to raise any concerns on the basis of administrative or procedural errors. Sixteen complaints were received and investigated, with assistance from our legal support team. The result of this process is that no formal complaints have been upheld, a first for the Quality Evaluation. Participating tertiary education organisations will receive their final 2019 funding allocations in September 2019.

Kua oti i a mātou ētehi tino whakapai ki te haumitanga tūmau mō te tau 2019

We made key improvements to the 2019 Investment Round

Each year we invest around \$3 billion in tertiary education in more than 700 tertiary education organisations across New Zealand. Most funding is administered via the annual Investment Round.

Reducing disparities in participation, retention and achievement for Māori and Pacific learners was important to our assessment of 2019 Investment Plans. As we look ahead to the 2020 Investment Round, we will continue to ramp up our focus on ensuring that tertiary education organisations' Investment Plans reflect an organisational commitment to achieving parity for all learners.

New and refreshed Plan Guidance and Investment Briefs were published to guide tertiary education organisations on the priorities we want them to address in their 2020-22 Plans.

We provided greater clarity about our broader and more targeted strategic priorities in Supplementary Plan Guidance. We also introduced a new process for tertiary education organisations submitting additional funding requests to help ensure our investment supports provision that aligns with our priorities.

In approaching our investment decisions for 2020-22, we have continued to move away from sub-sector views and have increased our focus on the system outcomes we want to achieve for learners who participate in foundation, vocational and higher levels of learning. At each of these levels we have identified the key shifts we want to achieve and published information on these in Investment Briefs. New for this Plan round were four Investment Briefs focused on industry training, as well as new Investment Briefs focused on secondary-level initial teacher education and the construction industry.

The Investment Briefs are supported by our powerful suite of information products, to which we added industry training performance and updated post-study outcomes. These information products show individual tertiary education organisation and system performance and commitments in the areas we have prioritised. We have made greater use of post-study outcomes data to highlight some areas where learners appear to be getting a poorer return from their study. Over time, we will continue to develop and enhance information about post-study outcomes, and more of our investment will be based on our understanding of outcomes rather than input and output measures, such as equivalent full-time students and Educational Performance Indicators.

For the 2019 Investment Round we also made significant changes to our Plan content requirements and assessment criteria. These changes streamlined the criteria and placed a clearer focus on the potential strategic contribution a tertiary education organisation's proposed plan can make and our level of confidence that the tertiary education organisation will be able to successfully deliver what they are proposing.

In 2018/19 we developed and implemented more robust processes than in previous years, and we will build on this as we look to further simplify and streamline the processes for the 2020 Investment Round. We processed the end-of-year wash-ups for 2018, recovering around \$47 million in tertiary funding.

He kaupapa ine pānga me te ia mōhiohio

Impact measures and trend information

Our priority and business-as-usual activities are key contributors to the impact of increasing research quality and capability. However, achieving this impact is also influenced by other government agencies and their investments, including the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, government policy and global trends.

The following performance information has been used to illustrate progress towards the impact to which our work is a contributing factor.

Research-based institutions contribute to New Zealand's success through innovation, connections and collaboration and building a world-class innovative workforce

| Measure | 2018/19 Actual | 2018/19 Target | 2017/18 Actual |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------|----------------|
| The TEC works with the Ministry of Education to undertake agreed reviews of Centres of Research Excellence (CoRE) performance against fund criteria | No reviews undertaken (Note 1) | Achieve | Not applicable |
| Research degree completions (measured by Performance-Based Research Fund-eligible research degree completions) (Note 2) | 3,984 | Previous year $\pm 5\%$ | 4,062 |

Note 1 – No CoREs reviews were scheduled or expected to occur during 2018/19. The TEC is working on the CoREs 2019/20 selection round with the Ministry of Education and other agencies.

Note 2 – The postgraduate Research Degree Completions is a measurement of the number of PBRF-eligible postgraduate research-based degrees completed in participating tertiary education organisations, assessed on an annual basis.

Trend information (no set target)

| Measure | 2018 Actual | 2017 Actual |
|---------------------------------------------------------------------------------------|-------------|-------------|
| Percentage increase in amount of external income for PBRF-eligible providers (Note 1) | 13.7% | 7.9% |

Note 1 – The External Research Income is a measurement of the amount of income for research purposes received by participating tertiary education organisations from external sources, assessed on an annual basis.



Tāngata
People



Mōhiotanga
Knowledge



Mahi Ngātahi
Partnership

KO Ō MĀTOU KAIWHAKAĀHEI OUR ENABLERS

To deliver on our strategic intentions it is essential that we have the right people, technology, and resources, and a customer-focused organisation. We ensure that our organisational structures, systems, processes and practices support our people to perform at their best and enable effective decision making at all levels of our organisation.

E toru ō mātou kaiwhakaāhei ka tautoko i ā mātou pānga We have three enablers that support our impacts

- › Tāngata | People
- › Mōhiotanga | Knowledge
- › Mahi Ngātahi | Partnership

We achieve our impacts and deliver better outcomes for New Zealanders through developing our internal capability, building a strong knowledge base and striving to build effective partnerships.



Tāngata People

Our people enabler is about being a great employer, with a workplace where high-performing people and teams want to be. They are connected to our purpose, developed to be their best and have the skills and desire to deliver results.



This year we positioned ourselves to respond to the ongoing changes in the tertiary education and careers systems by finalising our organisational restructure and reflecting the changes in our policies, systems and processes.

We redesigned the TEC through our Kia Rite change process

The Kia Rite change process started in 2017/18, creating a flexible new structure and ways of working for the organisation. The goals of the redesign are to have a unified organisation bringing together investment in tertiary education and careers services, establishing relationships and partnerships to support the work we do, effective and efficient delivery that is valued by stakeholders and influencing the education and careers systems to perform better so we see better life outcomes in New Zealand.

A programme of work is under way to move us past the Kia Rite change process and towards successful implementation of our new ways of working. It will set the strategy for the organisation, create the work environment and development approach that enables our people to be their best and ensure our delivery is clear, focused and efficient.

Our programme to move from change to success will continue through to the end of 2020. The project focus will keep evolving as we complete work, embed our changes and shift to the next phase of performance.

We continued to focus on lifting our cultural capability

In line with our focus on participation and achievement of Māori and Pacific learners in tertiary education, we are building up our cultural capability. We have had an initial focus on te reo Māori and te ao Māori. Cultural capability is also a core part of our internal approach to diversity and inclusion, so we will be defining priority areas for 2019/20.

Supporting our people to grow their cultural intelligence is critical to building strong external relationships. It will mean our people are well placed to deliver on our organisation's goals by reflecting, and being competent in understanding, the diversity of learners and stakeholders.

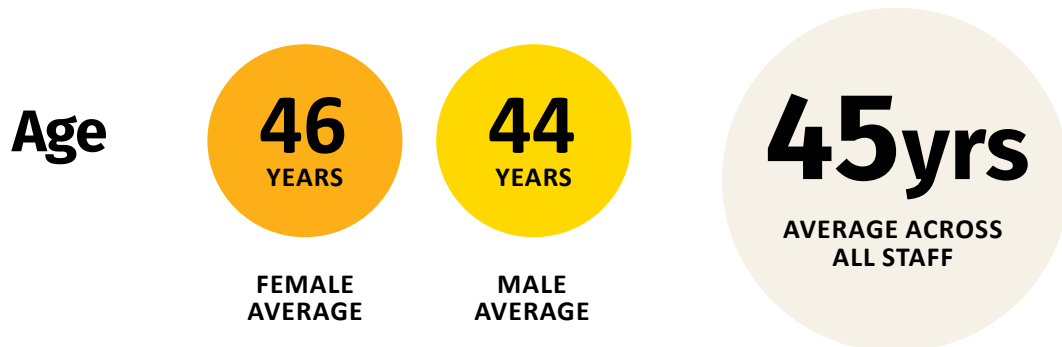
To achieve this we:

- › launched the concept and importance of cultural intelligence with our staff
- › delivered activities in our Māori Language Plan with the aim of having te reo Māori widely used within TEC, including writing part of our annual report bilingually
- › launched resources for staff in Te Wiki o Te Reo Māori on commonly used Māori words and phrases at TEC to support correct pronunciation, helping us to build relationships and credibility
- › developed a cultural intelligence app, Koi, which recognises the two official languages of New Zealand, outside of English (te reo Māori and New Zealand Sign Language) and launched it in November 2018.

We selected a learning management system vendor and platform

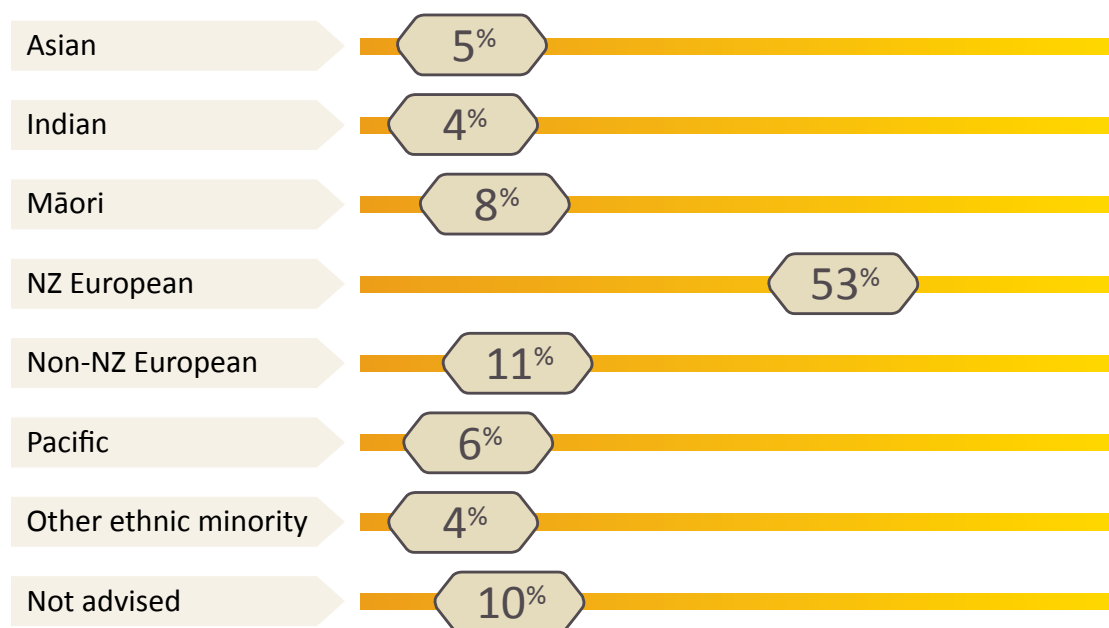
During the year we launched Cūrious, our learning management system (LMS). The LMS is one accessible and engaging way to support the growth of the knowledge and skills our people need to deliver to customers. The first e-learning materials released were about induction, privacy and key business systems. We have a content strategy and roadmap for the next two years. Looking ahead, the focus with e-learning will be on induction, corporate responsibilities and professional development skills. There is very good staff engagement with Cūrious and they appreciate the self-direction and flexibility it gives them with their learning.

Who we are





Ethnicity



Length of service



YEARS

FEMALE AVERAGE



YEARS

MALE AVERAGE



We have established an Enterprise Portfolio Management Office

The Enterprise Portfolio Management Office (EPMO) has been established to operate at the strategic level to ensure the project, programme and portfolio selection, governance and delivery activities are managed in a consistent, transparent and robust way.

The EPMO's purpose is underpinned by its five core functions of:

- › Providing a centre of excellence for all of our project and programme activities
- › Administering and reporting on our portfolio of projects and programmes
- › Providing the organisation with project delivery resources
- › Carrying out project quality assurance reviews
- › Providing business process governance and capability.

Progress to date

The EPMO is currently establishing a portfolio management practice and enterprise dashboard reporting for all projects and programmes. A portfolio governance group with executive sponsorship has also been established to provide governance and oversight of the organisation's portfolio.

The creation of a centre of excellence for all of our project and programme activities is under way, with revision and publication of the project management templates and creation of an assurance framework.

A business process improvement initiative is currently under way to ensure all our business processes are correctly documented, up to date and have the appropriate process owners. Several workshop training sessions have been held for business process owners.

He kaupapa ine pānga me te ia mōhiohio Impact measures and trend information

Tāngata | People

| Measure | 2018/19 Actual | 2018/19 Target | 2017/18 Actual |
|---------------------------|----------------------------|---------------------------------------|----------------------------------------------------|
| Core unplanned turnover | 14.23% (Note 1) | 14% | 10.8% |
| Level of staff engagement | No survey held (Note 2) | State Sector Benchmark or above | 62.8% (below State sector average of 68%) |

Note 1 – Many factors could have contributed to this slight increase in core unplanned turnover, including our recent restructure.

Note 2 – No engagement survey was held during 2018/19. We are procuring a new survey tool and will hold a new engagement survey later in 2019.



Mōhiotanga Knowledge

Through our knowledge enabler we are developing the right tools and information to support good decision-making. This will support learners, tertiary education organisations and the TEC to make better informed decisions and will ultimately enable the tertiary education system to operate more efficiently and effectively.

Kei te hanga mātou i tētahi pokapū kounga ikeike mō ngā hua raraunga, mōhiohio hoki

We are building a centre of excellence for data and information products

We continue to build data and information partnerships and tools that combine, package, present and share information for learners, tertiary education organisations and us.

During the 2018/19 year we released our first public-facing information products:

- › Educational Performance Indicators for tertiary education organisations — universities, institutes of technology and polytechnics, wānanga and private training establishments can now view their Educational Performance Indicator data through interactive charts.
- › PBRF Quality Evaluation and Researcher Demographics — we used to publish these as static reports that took months to produce and contained hundreds of pages of tables. We replaced these with two webpages and a set of interactive charts that allow users to select the data they wish to analyse.

We also implemented our first data-sharing Application Programming Interfaces (APIs) to improve the learner experience of Fees Free. APIs are an efficient way to share data between organisations and are at the core of our information sharing efforts.

During the year we also started developing our operational and governance policies and processes ahead of our move to cloud-based services.

Kei te kōkiri whakamua tonu mātou i tā mātou kaupapa Whakahaere Pūtea, Utu hoki

We are continuing to progress our Funds Management and Payments project

We started the Funds Management and Payments (FMP) project in 2017/18 to improve our business processes and the quality of the information we use to support our funding decisions and payments. Once completed, it will replace a large number of complicated spreadsheets with standard functionality in our financial management information system.

Our new processes supporting FMP are aligned to the new organisational restructure and have been extended to incorporate our investment round processes. End-user training and the transition of FMP to the business were completed in late July 2019.

Ka haere tonu tā mātou whakapai i ā mātou pūnaha, tukanga hoki We are continuing to improve our systems and processes

During the 2018/19 year we continued to progress programmes of work that will improve our business systems and processes. This included our improved risk management, contribution to the New Zealand Business Number, and progressing Data 2020.

We are delivering a robust risk and assurance function

We use risk management to support effective decision making at all levels of the organisation in the pursuit of our key objectives. This is achieved by:

- › providing accurate and timely management information on the key areas of risk exposure and the actions required to mitigate risk (including those responsible for delivering these actions)
- › ensuring a consistent and proportionate approach to the identification, assessment and control of risk
- › supporting the pursuit of opportunities through an appropriate balance of risk taking and risk management
- › fostering and encouraging a risk-aware culture where risk management is seen as a key enabler to organisational success.

We have a risk management framework that provides for the regular identification, review and management of risk at a strategic and operational level. The framework is aligned to the International Standards Organisation (ISO) standard in Risk Management (ISO 31,000). We employ a three lines defence model:

- › First Line – Our People.
- › Second Line – Risk Management support.
- › Third Line – Internal Audit.

We are improving the maturity of our risk management

Over the year we made further progress to embed risk management as a key business process that supports our governance, assurance and decision-making.

We have:

- › Completed a full refresh of our Risk Management Framework, which includes developing new risk-evaluation guidelines specific to our operating context.
- › Implemented a quarterly cycle of risk review and reporting for each Directorate. The results are reported to the Executive Leadership Team and the Audit, Risk and Compliance Committee. This supports the visibility, oversight and management of our key risks.
- › Aligned our risk review and reporting with the business planning process to ensure we have a direct line of sight between our key operational objectives and the risks to achieving these.
- › Embedded the Risk Management Framework within our EPMO to ensure a consistent approach to the management of our key project risks. We have also developed a risk framework to support our Monitoring and Crown Ownership function.

Improving our risk management maturity will remain a key focus into 2019/20. The next priority is to undertake a full review of our strategic risks focusing on the wider environmental risks facing our organisation and the sector.

We have completed phase one of our New Zealand Business Number (NZBN) recognition work

The New Zealand Business Number is a key initiative of the Government’s Better for Business programme. The implementation of a New Zealand Business Number will affect several of our Information, Communications and Technology (ICT) systems that use an education sector reference number as the unique identifier for education providers.

We have completed the first phase of our New Zealand Business Number (NZBN) recognition work and improved our implementation of the NZBN.

Data 2020 detailed design is under way

We are working to replace existing data collection systems. This is a priority as from 2020/21 the systems will run out of vendor support. This will pose an increased security risk to the tertiary education and careers system that will impede implementation of sector change initiatives, such as a unified funding system.

Additionally, the implementation of a unified funding system to support the Reform of Vocational Education will require the three existing tertiary data collection systems to be replaced with a new, flexible data collection platform.

The Data 2020 project will implement a new flexible data platform that will provide improved flexibility, timeliness and usability.

During 2018/19 we commenced the detailed design and implementation phase of the Data 2020 project.

We are working with a range of stakeholders to co-design a solution. This includes engagement with Ministry of Education, NZQA, universities, polytechnics, wānanga and private training establishments to fully understand their business needs.

He kaupapa ine pānga me te ia mōhiohio Impact measures and trend information

Mōhiotanga | Knowledge

| Measure | 2018/19 Actual | 2018/19 Target | 2017/18 Actual |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Availability of core information and communications technology (ICT) services and applications (excluding planned outages) | 98.54% | 98.5% | 99.5% |
| Availability of core information and communications technology (ICT) services and applications we provide for tertiary education organisations (excluding planned outages) | 98.75% | 98.5% | 99.2% |



Mahi Ngātahi Partnerships

We strive to build effective partnerships that help us to achieve better outcomes for New Zealanders.

A key success for the year was implementing our new customer relationship management system.

Kiritaki

Our new customer relationship management system Kiritaki will support us to deliver higher-quality customer service

We want to be a customer-centred organisation that understands and continually improves the quality of our customer service. Our new system Kiritaki supports us to have a shared and consistent experience when engaging with our customers, and all our customer-related information will be accessible from a single tool containing our customer information and interactions.

Using a planned approach we rolled out Kiritaki to our customer-facing teams and then rolled out Kiritaki across the rest of the organisation. All of TEC now has a central point of reference for all customer engagements by all staff. This helps us to continually build stronger relationships with our customers by consistently understanding and anticipating their needs, analysing and reporting on the quality of our interactions, and supporting our people to connect.

We are continuing to engage with the business to ensure that staff know when and how to record external customer interactions in Kiritaki, as part of their day-to-day activities. We will now commence reporting on the use of Kiritaki and measure how this is supporting us to meet the needs of our customers.

I whakamōhiohia mai e ō mātou kiritaki he aha ā mātou mahi pai, he aha ngā mahi me whakapai ake
Our customers told us what we are doing well and what we can do better

Our annual customer survey¹ is a key tool for understanding what our customers think about us. These customers include tertiary education organisations, government agencies, employers and schools. As we continue to develop and change our approaches, it is important to monitor how this is affecting our customers.

The 2018/19 results gave us a strong message about what we are doing well and what we can do better, including telling us that:

- › our staff are the TEC’s strength
- › we need to improve some of our systems, processes, information and ways of communicating with our customers.

We value the honest feedback from our customers and, as in previous years, we are using the survey results to take action and make improvements to how we work.

He kaupapa ine pānga me te ia mōhiohia
Impact measures and trend information

Mahi Ngātahi | Partnerships

| Measure | 2018/19 Actual | 2018/19 Target | 2017/18 Actual |
|-----------------------------------------------------|----------------|----------------|----------------|
| Percentage of survey respondents that trust the TEC | 43% | Baseline year | Not applicable |

¹ The online survey was conducted by Nielsen between 19 June and 3 July 2019. The survey has a margin of error of +/- 4.1%.



Tauākī Kawenga

Statement of responsibility

In terms of the Crown Entities Act 2004 and the Education Act 1989, the Board of the Tertiary Education Commission Te Amorangi Mātauranga Matua is responsible for the preparation of the Tertiary Education Commission's Financial Statements and the Statement of Performance and for the judgements made in them.

The Board of the Tertiary Education Commission is responsible for any end-of-year performance information provided by the Tertiary Education Commission under section 19A of the Public Finance Act 1989.

The Board of the Tertiary Education Commission has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and reporting of the Statement of Performance. In the Board's opinion, these Financial Statements and Statement of Performance fairly reflect the financial position and operations of the Tertiary Education Commission for the year ended 30 June 2019.

Signed on behalf of the Board of the Tertiary Education Commission:



Nigel Gould
Chair
Tertiary Education Commission



Dr Alastair MacCormick
Chair
Audit, Risk and Compliance Committee
Tertiary Education Commission

7 October 2019

7 October 2019

Pūrongo kaitirotiro motuhake

Independent auditor's report



To the readers of the Tertiary Education Commission's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of the Tertiary Education Commission (TEC). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of TEC on his behalf.

Opinion

We have audited:

- » the financial statements of TEC on pages 82 to 107, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- » the performance information of TEC on pages 12 to 45 and 52 to 80.

In our opinion:

- » the financial statements of TEC on pages 82 to 107:
 - › present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - › comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- » the performance information on pages 12 to 45 and 52 to 80:
 - › presents fairly, in all material respects, TEC's performance for the year ended 30 June 2019, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - › complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 7 October 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Commissioners and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Commissioners for the financial statements and the performance information

The Board of Commissioners is responsible on behalf of TEC for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Commissioners is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Commissioners is responsible on behalf of TEC for assessing TEC's ability to continue as a going concern. The Board of Commissioners is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of TEC, or there is no realistic alternative but to do so.

The Board of Commissioners' responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to TEC's Statement of Intent 2018/19 to 2021/22, TEC's Statement of Performance Expectations 2018/19 and relevant Estimates and Supplementary Estimates of Appropriations 2018/19.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- » We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- » We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TEC's internal control.
- » We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Commissioners.
- » We evaluate the appropriateness of the reported performance information within TEC's framework for reporting its performance.
- » We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Commissioners and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on TEC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause TEC to cease to continue as a going concern.
- » We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Commissioners is responsible for the other information. The other information comprises the information included on pages 1 to 9 and 110 to 115, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of TEC in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in TEC.



S B Lucy
 Audit New Zealand
 On behalf of the Auditor-General
 Wellington, New Zealand



Wāhanga Toru
Tauākī whakatutukitanga
Part Three
Statement of performance

We spent over **\$3 billion**

investing in tertiary education and **supporting**
the tertiary education and careers systems

This diagram shows the amount of money we spent from each appropriation.



An appropriation is a sum of money authorised by Parliament for a particular use.



The following sections detail our performance measures for each appropriation and how our appropriations link to our impacts.



This appropriation **supports**
the Tertiary Education and
Careers Systems

Administration of
and Support for the
Tertiary Education
and **Careers Systems**



\$69.1 million

We use these appropriations

TO INVEST IN

tertiary education

Tertiary Tuition and Training (multi-category appropriation)

This includes:

- › Community Education
- › Tertiary Education: Student Achievement Component
- › Training for Designated Groups
- › Fees-free Payments



\$2,605.7 million

Tertiary Education Research and Research-Based Teaching



\$316.5 million

Centres of Research Excellence



\$49.8 million

Access to Tertiary Education



\$23.6 million

Tertiary Sector / Industry Collaboration Projects



\$23.1 million

Secondary-Tertiary Interface



\$18.5 million

Tertiary Scholarships and Awards



\$15.2 million

University-led Innovation



\$4.0 million

Support to Apprentices



\$0.1 million

Mā tā tātou nopenope ā-mahi e āhei ai
tātou te tautoko i ngā pūnaha mātauranga
matua me ngā pūnaha umanga





Our operational appropriation enables us to support the tertiary education and careers systems

We lead the Government's relationship with the tertiary education sector and provide career services from education to employment.

Te taha Whakahaeretanga ā-Tari, te Tautoko hoki mō Ngā Pūnaha Mātauranga Matua
me Ngā Pūnaha Umanga

Administration of and Support for the Tertiary Education and Careers Systems

This appropriation is intended to ensure New Zealand has effective and well-managed tertiary education and careers systems.

| This appropriation links to our impacts | | | |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Supporting all learners to succeed  | 2 Connecting educators and employers  | 3 Building provider capability and monitoring performance  | 4 Increasing research quality and capability  |

| Administration of and Support for the Tertiary Education and Careers Systems | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|------------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| REVENUE | | | |
| Crown revenue | | | |
| – Tertiary Education Commission | 69,090 | 63,905 | 69,531 |
| – Māori Education Trust (Ministry of Education administered) | 109 | 109 | 109 |
| Contract – Migrant Futures | 1,629 | 1,613 | 1,364 |
| Interest | 1,560 | 1,241 | 1,656 |
| Contract – Pre-purchased English Language Tuition | 703 | 630 | 480 |
| Other revenue | 2,143 | 1,273 | 2,161 |
| Total revenue | 75,234 | 68,771 | 75,301 |
| EXPENSES | | | |
| Tertiary Education Commission | 77,539 | 74,077 | 70,623 |
| Māori Education Trust (Ministry of Education administered) | 109 | 109 | 109 |
| Total expenses | 77,648 | 74,186 | 70,732 |
| Surplus/(deficit) | (2,414) | (5,415) | 4,569 |

Revenue and expenses are above budget owing to \$5 million of additional Crown revenue to fund our Review of Vocational Education (RoVE) operational costs. This was partially offset by a higher staff vacancy rate.

| Measure | Dimension | 2018/19 Actual | 2018/19 Target | 2017/18 Actual |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|----------------------|----------------|
| Monitor and Evaluate | | | | |
| Percentage of TEC-funded tertiary education organisations who agree that they were kept informed throughout the monitoring process | Quality | 70% | Baseline year | Not applicable |
| Information and Insight | | | | |
| Percentage of users who agree that the content on the careers.govt.nz website is relevant to their needs | Quality | 88% | 80% | 75% |
| Percentage of education organisations surveyed who agree that our information tools are accessible and useful | Quality | Accessible 59% Useful 63% | Baseline year | Not applicable |
| Influence | | | | |
| Percentage of education organisations accessing career development resources and services that agree this has helped improve their careers services | Quality | 86% (Note 1) | 80% | 81% |
| Percentage of TEC-funded tertiary education organisations who agree that TEC information and engagement helps them to support Māori and Pasifika students to succeed | Quality | 37% | Baseline year | Not applicable |
| Percentage of employers who agree that a TEC initiative has helped improve their organisation's/industry's connection with stakeholders in the careers system | Quality | Initiative discontinued (Note 2) | Baseline year | Not applicable |
| Invest | | | | |
| Percentage of TEC-funded tertiary education organisations who agree that the guidance and engagement received was useful to inform their investment plan process | Quality | 47% | Baseline year | Not applicable |
| Percentage of payments the TEC makes to tertiary education organisations that are accurate and timely | Quality Quantity Timeliness | 99.95% (Note 3) | 100% | 100% |
| Business enablers (including advice and support to Ministers) | | | | |
| The overall satisfaction rating given by the Minister of Education on the Tertiary Education Commission (as per the Common Satisfaction Survey (Note 4)) | Quality | 7 out of 10 | Maintain or increase | 8 out of 10 |
| Recommendations on ministerial appointments to tertiary education institution councils are made and the appointment process is managed in a timely way | Timeliness | 100% | 100% | 100% |

Note 1 – This result is as at 31 December 2018 as the Tertiary Education Commission's responsibility for Professional Development Services ceased at the end of 2018.

Note 2 – These industry events were discontinued early in the year owing to the development of the Careers Systems Strategy. Only four evaluations were received from the two industry events held. All four reported 100% satisfaction with the events held.

Note 3 – During 2018/19 the correct amount was paid to the correct tertiary education organisation for all 15,750 payments. Eight (.05%) of the 15,750 payments were made later than agreed timelines.

Note 4 – The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of advice on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied. This is the second year of ratings from the Minister of Education. We were one of three education sector agencies that dropped one percentage point from last year.



Ka tuku haumi tātou ki te mātauranga,
whakangungu hoki tua atu i kura tuarua

We invest in all forms of post-secondary school education and training

We invest in tertiary education so that New Zealanders are equipped with the knowledge and skills needed for lifelong success. We invest in all forms of post-secondary school education and training. This includes foundation education, adult and community education and research. We also fund some programmes that link schools with tertiary education.

Financial year targets and results are shown as 2017/18 and 2018/19. Calendar year targets and results are shown as 2017 and 2018.

We contribute to, but do not control, the sector output measures we report on. The 2018 sector measure results have been impacted by a number of factors.

The economy continued to perform strongly in 2018, with low unemployment and very high labour participation rates. This meant that more learners chose to go into employment rather than enter or remain in education, contributing to slightly lower participation, retention and completion of education. Historically, a proportion of these learners return to study.

While this type of decision-making impacts all learners, it often has a greater impact for Māori and Pacific learners who can have greater financial pressures to work instead of remaining in study.

As overall demand for tertiary education has decreased, tertiary education organisations are likely to be working with a greater proportion of less prepared students. These are students who are less able to immediately enter the labour market and who need greater support when they enter the tertiary education system. These students are also less likely to be retained in the education system and successfully complete courses or qualifications.





He Akoako, he Whakangungu hoki i te Taumata Mātauranga Matua

Tertiary Tuition and Training (multi-category appropriation)

The overarching intention of this appropriation is to contribute to improved lifetime outcomes of New Zealanders through the provision of skills from tertiary education, training, foundation learning programmes and community education, with a focus on Tertiary Education Strategy priorities.

This multi-category appropriation consists of four categories:

- › Community Education
- › Tertiary Education: Student Achievement Component
- › Training for Designated Groups
- › Fees-free Payments

| This appropriation links to our impacts | | | |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 1 Supporting all learners to succeed  | 2 Connecting educators and employers  | 3 Building provider capability and monitoring performance  | 4 Increasing research quality and capability  |

| Tertiary Tuition and Training (MCA) | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|---------------------------------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | | | |
| Community Education | 70,959 | 73,258 | 69,197 |
| Tertiary Education: Student Achievement Component | 1,981,558 | 2,086,474 | 2,069,345 |
| Training for Designated Groups | 269,617 | 315,161 | 283,095 |
| Fees-free Payments | 283,539 | 354,700 | 129,981 |
| Total revenue | 2,605,673 | 2,829,593 | 2,551,618 |
| EXPENSES | | | |
| Community Education | 70,959 | 73,258 | 69,197 |
| Tertiary Education: Student Achievement Component | 1,981,558 | 2,086,474 | 2,069,345 |
| Training for Designated Groups | 269,617 | 315,161 | 283,095 |
| Fees-free Payments | 283,539 | 354,700 | 129,981 |
| Total expenses | 2,605,673 | 2,829,593 | 2,551,618 |
| Surplus/(deficit) | - | - | - |

For major variance explanations against budget, refer to the individual tables on the following pages.





| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|-----------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------|----------------|
| Proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at level 4 or above) | 59.7% (Note 1) | 60% for the year ending December 2018 | 57.7% |

Note 1 – This measure and target was part of the previous government’s Better Public Services targets, which have been discontinued. Data is sourced from the Statistics New Zealand Household Labour Force Survey (customised output).

Mātauranga ā-Hāpori

Community Education

This category is intended to achieve improvement in literacy and numeracy skills for learners who have low skills in these areas by funding foundational learning programmes.

| This appropriation links to our impacts | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Supporting all learners to succeed</p>  | <p>2 Connecting educators and employers</p>  | <p>3 Building provider capability and monitoring performance</p>  | <p>4 Increasing research quality and capability</p>  |

| Community Education | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|-----------------------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | | | |
| Adult and Community Education | 22,052 | 22,890 | 20,545 |
| Literacy and Numeracy Provision | 35,094 | 34,048 | 34,100 |
| English for Speakers of Other Languages | 12,265 | 14,015 | 13,161 |
| Migrant Levy | 213 | 426 | 426 |
| Emergency Management Pool | 1,335 | 1,879 | 965 |
| Total revenue | 70,959 | 73,258 | 69,197 |
| EXPENSES | | | |
| Adult and Community Education | 22,052 | 22,890 | 20,545 |
| Literacy and Numeracy Provision | 35,094 | 34,048 | 34,100 |
| English for Speakers of Other Languages | 12,265 | 14,015 | 13,161 |
| Migrant Levy | 213 | 426 | 426 |
| Emergency Management Pool | 1,335 | 1,879 | 965 |
| Total expenses | 70,959 | 73,258 | 69,197 |
| Surplus/(deficit) | - | - | - |




| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|----------------------------------------------------------------------------------|----------------|----------------|----------------|
| Percentage of learners accessing the desired range (hours) of provision (Note 1) | | | |
| Intensive literacy and numeracy | 65.5% | Baseline year | Not applicable |
| Workplace Literacy and Numeracy (tertiary education organisation led) | 61.1% | Baseline year | Not applicable |
| English for Speakers of Other languages | 96.8% | Baseline year | Not applicable |

Note 1 – Desired range of hours relates to the optimal hours of learning needed to make an impact on an individual's learning.

Mātauranga Matua: Wāhanga Whakatutukitanga Ākonga

Tertiary Education: Student Achievement Component

This category is intended to achieve learners' attainment of recognised tertiary qualifications by funding education and training opportunities.

| This appropriation links to our impacts | | | |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 1 Supporting all learners to succeed  | 2 Connecting educators and employers  | 3 Building provider capability and monitoring performance  | 4 Increasing research quality and capability  |

| Tertiary Education: Student Achievement Component | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|---------------------------------------------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | | | |
| Provision at levels 1 and 2 | 80,583 | 93,386 | 79,465 |
| Provision at levels 3 and above | 1,892,371 | 1,985,793 | 1,984,568 |
| – Universities | 1,192,639 | 1,199,329 | 1,226,702 |
| – Institutes of Technology and Polytechnics | 414,253 | 477,261 | 448,109 |
| – Wānanga | 116,679 | 126,874 | 125,142 |
| – Private Training Establishments | 168,800 | 182,329 | 184,615 |
| Information and Communications Technology Graduate Programmes | 4,463 | 5,031 | 3,092 |
| Section 321 Grants for School of Dance and School of Drama | 2,331 | 2,264 | 2,220 |
| Section 321 Grants for Southern Institute of Technology | 1,810 | - | - |
| Total revenue | 1,981,558 | 2,086,474 | 2,069,345 |
| EXPENSES | | | |
| Provision at levels 1 and 2 | 80,583 | 93,386 | 79,465 |
| Provision at levels 3 and above | 1,892,371 | 1,985,793 | 1,984,568 |
| – Universities | 1,192,639 | 1,199,329 | 1,227,260 |
| – Institutes of Technology and Polytechnics | 414,253 | 477,261 | 447,940 |
| – Wānanga | 116,679 | 126,874 | 125,111 |
| – Private Training Establishments | 168,800 | 182,329 | 184,257 |
| Information and Communications Technology Graduate Programmes | 4,463 | 5,031 | 3,092 |
| Section 321 Grants for School of Dance and School of Drama | 2,331 | 2,264 | 2,220 |
| Section 321 Grants for Southern Institute of Technology | 1,810 | - | - |
| Total expenses | 1,981,558 | 2,086,474 | 2,069,345 |
| Surplus/(deficit) | - | - | - |

Revenue and expenses were \$105 million under budget owing to \$112 million of budget reductions during the year. The bulk (\$95 million) of budget reductions were owing to expiration of a recovery exemption for Canterbury based tertiary education institutions at the end of 2018. The recovery exemption previously meant that tuition and training funding was held at each of the tertiary education institution's pre-earthquake levels, even if their actual enrolments were below their pre-earthquake levels.



| All learners | | | | Trend information | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------|-----------------------------------|----------------------------------------|-------------------------|-------------------------|
| Measure | Level | 2018 Actual | 2018 Target | 2017 Actual | 2018 Actual data result | 2017 Actual data result |
| Course completion | | | | | | |
| Percentage of Student Achievement Component-funded domestic equivalent full-time students completing courses | Levels 4-7 non-degree | Improved on previous year's result | Improve on previous year's result | Not improved on previous year's result | 76% | 75% |
| | Level 7 degree and above | Not improved on previous year's result | Improve on previous year's result | Not improved on previous year's result | 87% | 87% |
| Qualification completion (Note 1) | | | | | | |
| Percentage of Student Achievement Component-funded students completing qualifications | Levels 4-7 non-degree | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result | 54% | 57% |
| | Level 7 degree and above | Improved on previous year's result | Improve on previous year's result | Not improved on previous year's result | 62% | 61% |
| Progression | | | | | | |
| Percentage of Student Achievement Component-funded students progressing: Within New Zealand Qualifications Framework levels or from levels 1-3 to level 4 and above | | Improved on previous year's result | Improve on previous year's result | Not improved on previous year's result | 40% | 38% |

Note 1 – We have moved to a new cohort-based methodology for qualification completions. Unlike the equivalent full-time students weighted qualification completion rate, the new methodology provides a more meaningful reflection of a tertiary education organisation's performance. Cohort-based measures track individual enrolments in qualifications and are not susceptible to rate changes owing to external factors, such as fluctuations in enrolment patterns throughout the year.

He Whakangungu mā ngā Rōpū ka Tohua

Training for Designated Groups

This category is intended to achieve an increase in the number of young people and employees with qualifications valued by employers through investing in training.

| This appropriation links to our impacts | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Supporting all learners to succeed</p>  | <p>2 Connecting educators and employers</p>  | <p>3 Building provider capability and monitoring performance</p>  | <p>4 Increasing research quality and capability</p>  |

| Training for Designated Groups | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|-----------------------------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | | | |
| Industry Training Fund | 179,321 | 178,951 | 175,327 |
| Industry Training Fund – Direct Access Scheme | 1,532 | 5,000 | 2,529 |
| Industry Training-related Projects | 842 | 1,600 | 1,571 |
| Youth Guarantee | 69,213 | 110,597 | 85,206 |
| Gateway | 18,709 | 19,013 | 18,462 |
| Total revenue | 269,617 | 315,161 | 283,095 |
| EXPENSES | | | |
| Industry Training Fund | 179,321 | 178,951 | 175,327 |
| Industry Training Fund – Direct Access Scheme | 1,532 | 5,000 | 2,529 |
| Industry Training-related Projects | 842 | 1,600 | 1,571 |
| Youth Guarantee | 69,213 | 110,597 | 85,206 |
| Gateway | 18,709 | 19,013 | 18,462 |
| Total expenses | 269,617 | 315,161 | 283,095 |
| Surplus/(deficit) | - | - | - |

Revenue and expenses were \$46 million under budget. Our budget reduced by \$39 million during the year largely as a result of lower student volumes in the Youth Guarantee scheme.

Industry training programme completion

| All learners – programme completion | | | | Trend information | | |
|-------------------------------------|-------------------|-------------------------------------------------|-----------------------------------|----------------------------------------|-------------------------|-------------------------|
| Measure | Group | 2018 Actual | 2018 Target | 2017 Actual | 2018 Actual data result | 2017 Actual data result |
| Percentage completing programmes | All learners | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result | 67% | 69% |
| | Industry Trainees | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result | 70% | 70% |
| | Apprentices | Not improved on previous year's result (Note 1) | Improve on previous year's result | Not improved on previous year's result | 45% | 59% |

Note 1 – Apprenticeship completion rates have been declining since 2016. There are undoubtedly a range of factors behind the decline, including the learner's own circumstances, the employment environment and factors peculiar to specific industries. The apprenticeship completion rates for 2018 reports on apprentices enrolled in 2013. The launch of the Apprenticeship Reboot scheme in 2013 may also have been a contributing factor to the 2018 result. The Apprenticeship Reboot scheme provided cash payments to apprentices and their employers who enrolled in apprenticeship programmes, with a double payment for those enrolling in priority trades, such as construction. The scheme had a noticeable effect on enrolments at the time.




Youth Guarantee and Gateway

| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|----------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|-----------------------|
| Youth Guarantee – Percentage of Youth Guarantee learners completing qualifications at level 2 or 3 | 59% | Baseline year | Not applicable |
| Gateway – total participants and number of schools | 13,615 in 376 schools | 13,100 ±5% in up to 378 schools | 13,602 in 374 schools |

He Utu Nama-kore

Fees-free Payments

This category is intended to contribute to removing barriers to participation by making tertiary education more affordable.

| This appropriation links to our impacts | | | |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 1 Supporting all learners to succeed  | 2 Connecting educators and employers  | 3 Building provider capability and monitoring performance  | 4 Increasing research quality and capability  |

| | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|---------------------------|----------------------------|----------------------------|----------------------------|
| Fees-free Payments | | | |
| REVENUE | | | |
| Crown revenue | 283,539 | 354,700 | 129,981 |
| Total revenue | 283,539 | 354,700 | 129,981 |
| Total expenses | 283,539 | 354,700 | 129,981 |
| Surplus/(deficit) | - | - | - |

Revenue and expenses were \$71 million under budget. Our budget reduced by \$55 million during the year. As this was the first full financial year of Fees Free, there was considerable uncertainty of demand. The budget was set to ensure that sufficient funding was available for the TEC to pay providers.

| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|-----------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Percentage increase in first-time (Note 1) domestic learners (including industry training) at level 3 and above | | | |
| All first-time learners (Note 1) | 47,019 | Baseline year | Not applicable |

Note 1 – First-time learners as defined by current learner eligibility criteria for Fees Free www.feesfree.govt.nz/faqs.



Ngā ākonga Māori, ngā ākonga Moana nui ā Kiwa hoki

Māori and Pacific learners

We want to see participation and completion patterns for Māori and Pacific learners that are on a par with other learners in the tertiary system.

While overall participation and achievement has largely increased in recent years for Māori and Pacific learners, there is still a significant gap between the participation and completion patterns of Māori and Pacific learners and that of non-Māori and non-Pacific learners. We are working with tertiary education organisations to close the gap and deliver comparable post-study outcomes for all graduates over time.

Our performance measures track the shifts in participation and completion patterns of Māori and Pacific learners relative to non-Māori and non-Pacific learners. We want to see the parity gap decrease.

Ngā ākonga Māori

Māori learners

Mātauranga Matua: Wāhanga Whakatutukitanga Ākonga

Tertiary Education: Student Achievement Component

Māori learners (relative to non-Māori and non-Pacific learners)

| Māori learners | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------|-----------------------------------|--------------------------------------------|
| Measure | Level | 2018 Actual | 2018 Target | 2017 Actual |
| Course completion | | | | |
| Percentage of Student Achievement Component-funded domestic equivalent full-time students completing courses | Levels 4-7 non-degree | Not improved on previous year's result | Improve on previous year's result | Not improved on previous year's result |
| | Level 7 degree and above | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result |
| Qualification completion | | | | |
| Percentage of Student Achievement Component-funded students completing qualifications | Levels 4-7 non-degree | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result |
| | Level 7 degree and above | Not improved on previous year's result | Improve on previous year's result | Not improved on previous year's result |
| Progression | | | | |
| Percentage of Student Achievement Component-funded students progressing: Within New Zealand Qualifications Framework levels or from levels 1-3 to level 4 and above | | Maintained previous year's result (Note 1) | Improve on previous year's result | Maintained previous year's result (Note 1) |

Note 1 – Maintained no parity gap (the percentage point difference is zero or positive).

Trend information – Māori learners (relative to non-Māori and non-Pacific learners)

| Māori learners – trend information | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| Measure | Level | Group | 2018 Actual data result | | 2017 Actual data result | |
| | | | | Parity gap | | Parity gap |
| Course Completion | | | | | | |
| Percentage of Student Achievement Component-funded domestic equivalent full-time students completing courses | Levels 4-7 non-degree | Māori | 69% | -12 percentage points | 71% | -10 percentage points |
| | | Non-Māori and non-Pacific | 81% | | 81% | |
| | Level 7 degree and above | Māori | 81% | -8 percentage points | 82% | -7 percentage points |
| | | Non-Māori and non-Pacific | 89% | | 89% | |
| Qualification Completion | | | | | | |
| Percentage of Student Achievement Component-funded students completing qualifications | Levels 4-7 non-degree | Māori | 53% | -2 percentage points | 56% | -1 percentage point |
| | | Non-Māori and non-Pacific | 55% | | 57% | |
| | Level 7 degree and above | Māori | 50% | -15 percentage points | 49% | -15 percentage points |
| | | Non-Māori and non-Pacific | 65% | | 64% | |
| Progression | | | | | | |
| Percentage of Student Achievement Component-funded students progressing: Within New Zealand Qualifications Framework levels or from levels 1-3 to level 4 and above | Māori | 35% | 0 percentage points | 40% | 3 percentage points | |
| | Non-Māori and non-Pacific | 35% | | 37% | | |

He Whakangungu mā ngā Rōpū ka Tohua

Training for Designated Groups

Industry training programme completion

Māori learners (relative to non-Māori and non-Pacific learners)

| Māori learners – programme completion | | | |
|---------------------------------------|----------------------------------------|-----------------------------------|------------------------------------|
| Measure | 2018 Actual | 2018 Target | 2017 Actual |
| Percentage completing programmes | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result |

Trend information – Māori learners (relative to non-Māori and non-Pacific learners)

| Māori learners – trend information | | | | | |
|------------------------------------|---------------------------|-------------------------|----------------------|-------------------------|----------------------|
| Measure | Group | 2018 Actual data result | | 2017 Actual data result | |
| | | Programme completion | Parity gap | Programme completion | Parity gap |
| Percentage completing programmes | Māori | 61% | -7 percentage points | 66% | -3 percentage points |
| | Non-Māori and non-Pacific | 68% | | 69% | |

He Utu Nama-kore

Fees-free Payments

Māori learners (relative to non-Māori and non-Pacific learners)

| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|-----------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------|
| Percentage increase in first-time (Note 1) domestic learners (including industry training) at level 3 and above | | | |
| Māori (relative to non-Māori and non-Pacific) | 8,040 (Note 2) | Baseline year | Not applicable |

Note 1 – First-time learners as defined by current learner eligibility criteria for Fees Free www.feesfree.govt.nz/faqs.

Note 2 – This figure includes 768 learners who identify as both Māori and Pacific.

Ngā ākonga Moana nui ā Kiwa Pacific learners

Mātauranga Matua: Wāhanga Whakatutukitanga Ākonga Tertiary Education: Student Achievement Component

Pacific learners (relative to non-Māori and non-Pacific learners)

| Pacific learners | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------|-----------------------------------|--------------------------------------------|
| Measure | Level | 2018 Actual | 2018 Target | 2017 Actual |
| Course completion | | | | |
| Percentage of Student Achievement Component-funded domestic equivalent full-time students completing courses | Levels 4-7 non-degree | Improved on previous year's result | Improve on previous year's result | Not improved on previous year's result |
| | Level 7 degree and above | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result |
| Qualification completion | | | | |
| Percentage of Student Achievement Component-funded students completing qualifications | Levels 4-7 non-degree | Maintained previous year's result (Note 1) | Improve on previous year's result | Maintained previous year's result (Note 1) |
| | Level 7 degree and above | Not improved on previous year's result | Improve on previous year's result | Improved on previous year's result |
| Progression | | | | |
| Percentage of Student Achievement Component-funded students progressing: Within New Zealand Qualifications Framework levels or from levels 1-3 to level 4 and above | | Maintained previous year's result (Note 1) | Improve on previous year's result | Maintained previous year's result (Note 1) |

Note 1 – Maintained no parity gap (the percentage point difference is zero or positive).

Trend information – Pacific learners (relative to non-Māori and non-Pacific learners)

| Pacific learners – trend information | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| Measure | Level | Group | 2018 Actual data result | | 2017 Actual data result | |
| | | | | Parity gap | | Parity gap |
| Course Completion | | | | | | |
| Percentage of Student Achievement Component-funded domestic equivalent full-time students completing courses | Levels 4-7 non-degree | Pacific | 69% | -12 percentage points | 62% | -19 percentage points |
| | | Non-Māori and non-Pacific | 81% | | 81% | |
| | Level 7 degree and above | Pacific | 74% | -15 percentage points | 74% | -15 percentage points |
| | | Non-Māori and non-Pacific | 89% | | 89% | |
| Qualification Completion | | | | | | |
| Percentage of Student Achievement Component-funded students completing qualifications | Levels 4-7 non-degree | Pacific | 55% | 0 percentage points | 58% | 1 percentage point |
| | | Non-Māori and non-Pacific | 55% | | 57% | |
| | Level 7 degree and above | Pacific | 49% | -16 percentage points | 49% | -15 percentage points |
| | | Non-Māori and non-Pacific | 65% | | 64% | |
| Progression | | | | | | |
| Percentage of Student Achievement Component-funded students progressing: Within New Zealand Qualifications Framework levels or from levels 1-3 to level 4 and above | | Pacific | 41% | 6 percentage points | 42% | 5 percentage points |
| | | Non-Māori and non-Pacific | 35% | | 37% | |

He Whakangungu mā ngā Rōpū ka Tohua

Training for Designated Groups

Industry training programme completion

Pacific learners (relative to non-Māori and non-Pacific learners)

| Pacific learners – programme completion | | | |
|-----------------------------------------|--------------------------------------------|-----------------------------------|--------------------------------------------|
| Measure | 2018 Actual | 2018 Target | 2017 Actual |
| Percentage completing programmes | Maintained previous year's result (Note 1) | Improve on previous year's result | Maintained previous year's result (Note 1) |

Note 1 – Maintained no parity gap (the percentage point difference is zero or positive).

Trend information – Pacific learners (relative to non-Māori and non-Pacific learners)

| Pacific learners – trend information | | | | | |
|--------------------------------------|---------------------------|-------------------------|---------------------|-------------------------|---------------------|
| Measure | Group | 2018 Actual data result | | 2017 Actual data result | |
| | | Programme completion | Parity gap | Programme completion | Parity gap |
| Percentage completing programmes | Pacific | 73% | 5 percentage points | 74% | 5 percentage points |
| | Non-Māori and non-Pacific | 68% | | 69% | |

He Utu Nama-kore

Fees-free Payments

Pacific learners (relative to non-Māori and non-Pacific learners)

| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|-----------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------|
| Percentage increase in first-time (Note 1) domestic learners (including industry training) at level 3 and above | | | |
| Pacific (relative to non-Māori and non-Pacific) | 5,192 (Note 2) | Baseline year | Not applicable |




Note 1 – First-time learners as defined by current learner eligibility criteria for Fees Free www.feesfree.govt.nz/faqs.

Note 2 – This figure includes 768 learners who identify as both Māori and Pacific.

Te whaiuru ki te Mātauranga Matua

Access to Tertiary Education

This appropriation is intended to improve access to tertiary education and training for Tertiary Education Strategy priority learners.

| This appropriation links to our impacts | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Supporting all learners to succeed</p>  | <p>2 Connecting educators and employers</p>  | <p>3 Building provider capability and monitoring performance</p>  | <p>4 Increasing research quality and capability</p>  |

| Access to Tertiary Education | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|-------------------------------------------|----------------------|----------------------|----------------------|
| REVENUE | | | |
| Crown revenue | | | |
| Equity Loading | 16,475 | 17,149 | 15,973 |
| Māori and Pasifika Trades Training Top Up | 7,171 | 8,400 | 7,107 |
| Total revenue | 23,646 | 25,549 | 23,080 |
| EXPENSES | | | |
| Equity Loading | 16,475 | 17,149 | 15,973 |
| Māori and Pasifika Trades Training Top Up | 7,171 | 8,400 | 7,107 |
| Total expenses | 23,646 | 25,549 | 23,080 |
| Surplus/(deficit) | - | - | - |





| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------|-------------|
| Percentage of learners per calendar year progressing from Māori and Pasifika Trades Training to trades-related employment via New Zealand Apprenticeships and managed apprenticeships, other industry training at level 3 and above or further study at New Zealand Qualifications Framework level 4 and above | Not improved on previous year's result (2018 – 40%) (Note 1) | Improve on previous year's result | 41% |

Note 1 – There was a high number of early withdrawals from Māori and Pasifika Trades Training. High employment rates and the availability of Fees Free study are likely to have been contributing factors to learners' decisions to withdraw.

Ngā Pokapū Rangahau Ikeike

Centres of Research Excellence

This appropriation is intended to achieve delivery of high quality research by purchasing cooperative and collaborative research in areas of research strength in the tertiary education sector, with a focus on Tertiary Education Strategy priorities.

| This appropriation links to our impacts | | | |
|-----------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------|
| 1 Supporting all learners to succeed |  | 2 Connecting educators and employers |  |
| | | 3 Building provider capability and monitoring performance |  |
| | | 4 Increasing research quality and capability |  |

| Centres of Research Excellence | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|--------------------------------|----------------------|----------------------|----------------------|
| REVENUE | | | |
| Crown revenue | 49,800 | 49,800 | 49,800 |
| Total revenue | 49,800 | 49,800 | 49,800 |
| Total expenses | 49,800 | 49,800 | 49,800 |
| Surplus/(deficit) | - | - | - |





| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|-----------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Centres of Research Excellence annual reports are reviewed and appropriate action is taken (Note 1) | Achieved | Achieved | Achieved |

Note 1 – Plans are reviewed against milestones and key performance indicators set in research plans. Review looks at progress on delivery towards policy objectives and long-term outcomes.

Ngā Kaupapa Mahitahi ki te Rāngai Mātauranga Matua, Ahumahi hoki

Tertiary Sector / Industry Collaboration Projects

This appropriation is intended to support the development of knowledge and skills that are required by learners and employers, with a focus on Tertiary Education Strategy priorities.

| This appropriation links to our impacts | | | |
|----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Supporting all learners to succeed  | 2 Connecting educators and employers  | 3 Building provider capability and monitoring performance  | 4 Increasing research quality and capability  |

| Tertiary Sector / Industry Collaboration Projects | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|---------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | | | |
| National Centre for Tertiary Teaching Excellence | 3,556 | 3,556 | 3,556 |
| Industry Training Organisation Strategic Leadership Fund | - | 1,000 | 500 |
| Information and Communications Technology Graduate Schools (Development and Delivery) | 1,581 | 2,005 | 1,557 |
| Engineering Education to Employment | 1,018 | 1,449 | 1,129 |
| Māori and Pasifika Trades Training (Brokerage) | 1,272 | 3,009 | 1,472 |
| Māori and Pasifika Trades Training (Consortia) | 3,978 | 2,000 | 3,568 |
| Section 321 Taranaki Futures Trust | - | 62 | 62 |
| Centres of Asia-Pacific Excellence | 10,000 | 10,000 | 9,875 |
| Quality Teaching Agenda (Ministry of Education administered) | 1,203 | 2,520 | 1,700 |
| Qualification Development Fund | 478 | - | 286 |
| Total revenue | 23,086 | 25,601 | 23,705 |
| EXPENSES | | | |
| National Centre for Tertiary Teaching Excellence | 3,556 | 3,556 | 3,556 |
| Industry Training Organisation Strategic Leadership Fund | - | 1,000 | 500 |
| Information and Communications Technology Graduate Schools (Development and Delivery) | 1,581 | 2,005 | 1,557 |
| Engineering Education to Employment | 1,018 | 1,449 | 1,129 |
| Māori and Pasifika Trades Training (Brokerage) | 1,272 | 3,009 | 1,472 |
| Māori and Pasifika Trades Training (Consortia) | 3,978 | 2,000 | 3,568 |
| Section 321 Taranaki Futures Trust | - | 62 | 62 |
| Centres of Asia-Pacific Excellence | 10,000 | 10,000 | 9,875 |
| Quality Teaching Agenda (Ministry of Education administered) | 1,203 | 2,520 | 1,700 |
| Qualification Development Fund | 478 | - | 286 |
| Total expenses | 23,086 | 25,601 | 23,705 |
| Surplus/(deficit) | - | - | - |

PART THREE / STATEMENT OF PERFORMANCE

| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|-----------------|
| Number of domestic equivalent full-time students in Information and Communications Technology (ICT) Graduate Schools per calendar year | 206 (Note 1) | 300 ±5% | 163 (Note 2) |
| Centres of Asia-Pacific Excellence annual reports are reviewed and appropriate action is taken (Note 3) | Achieved | Achieved | Not applicable |

Note 1 – The Auckland school is performing well. The later than anticipated launch of the Wellington and South Island schools continues to have an impact on delivery, with both these schools delivering fewer equivalent full-time students than anticipated. The funding for ICT Graduate Schools finishes at the end of 2020.

Note 2 – This figure was incorrectly reported in previous accountability documents as 223, which is the cumulative figure (up until the end of 2017) of students in ICT Graduate Schools since the programme began. The actual number of students in ICT Graduate Schools in the 2017 calendar year was 163.

Note 3 – Plans are reviewed against milestones and key performance indicators set in research plans. Review looks at progress on delivery towards policy objectives and long-term outcomes.

Te Rangahau Mātauranga Matua me te Whakaako ā-Rangahau
Tertiary Education Research and Research-Based Teaching

This appropriation is intended to achieve an increase in, or maintain the quality of, research and research-based teaching and learning and to improve investment in research within the tertiary sector.

| This appropriation links to our impacts | | | |
|-----------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------|
| 1 Supporting all learners to succeed |  | 2 Connecting educators and employers |  |
| | | 3 Building provider capability and monitoring performance |  |
| | | 4 Increasing research quality and capability |  |

| Tertiary Education Research and Research-Based Teaching | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|---------------------------------------------------------|----------------------|----------------------|----------------------|
| REVENUE | | | |
| Crown revenue | | | |
| Wānanga Research Capability Fund | 1,500 | 1,500 | 1,500 |
| Performance-Based Research Fund | 315,000 | 315,000 | 315,000 |
| – Quality Evaluation element | 173,250 | 173,250 | 173,250 |
| – Research Degree Completions element | 78,750 | 78,750 | 78,750 |
| – External Research Income element | 63,000 | 63,000 | 63,000 |
| Total revenue | 316,500 | 316,500 | 316,500 |
| EXPENSES | | | |
| Wānanga Research Capability Fund | 1,500 | 1,500 | 1,500 |
| Performance-Based Research Fund | 315,000 | 315,000 | 315,000 |
| – Quality Evaluation element | 173,250 | 173,250 | 173,250 |
| – Research Degree Completions element | 78,750 | 78,750 | 78,750 |
| – External Research Income element | 63,000 | 63,000 | 63,000 |
| Total expenses | 316,500 | 316,500 | 316,500 |
| Surplus/(deficit) | - | - | - |

| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|--------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|-------------|
| Research degree completions (measured by Performance-Based Research Fund (PBRF)-eligible research degree completions) (Note 1) | 3,984 | Previous year ±5% | 4,062 |
| Percentage increase in amount of external income for PBRF-eligible providers (Note 2) | 13.7% | 2% | 7.9% |





Note 1 – The postgraduate Research Degree Completions is a measurement of the number of PBRF-eligible postgraduate research-based degrees completed in participating tertiary education organisations, assessed on an annual basis.

Note 2 – The External Research Income is a measurement of the amount of income for research purposes received by participating tertiary education organisations from external sources, assessed on an annual basis.

He Auahatanga ka arahina e ngā Whare Wānanga

University-led Innovation

This appropriation is intended to help New Zealand universities to recruit world-leading entrepreneurial academics, with a track record of working with industry to turn research into commercial innovation, with a focus on Tertiary Education Strategy priorities.

| This appropriation links to our impacts | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Supporting all learners to succeed</p>  | <p>2 Connecting educators and employers</p>  | <p>3 Building provider capability and monitoring performance</p>  | <p>4 Increasing research quality and capability</p>  |

| University-led Innovation | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|---------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | 4,021 | 10,833 | 2,402 |
| Total revenue | 4,021 | 10,833 | 2,402 |
| Total expenses | 4,021 | 10,833 | 2,402 |
| Surplus/(deficit) | - | - | - |

Revenue and expenses were \$7 million under budget owing to the longer timeframes required to recruit overseas academics than was initially forecast.

| Measure | 2018 Actual | 2018 Target | 2017 Actual |
|----------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Entrepreneurial Universities' annual reports are reviewed and appropriate action is taken (Note 1) | Achieved | Achieved | Not applicable |

Note 1 – Plans are reviewed against milestones and key performance indicators set in their Programme Maps and Annual Approach to Activity. Review looks at progress on delivery towards policy objectives and long-term outcomes.

Ko te tautoko i te hunga Pia

Support to Apprentices

- › This appropriation is intended to assist people establishing a career in industry by providing financial assistance.
- › This appropriation relates to funding Māori and Pasifika Trades Training tools for employees.

| Support to Apprentices | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|--------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | 108 | 2,190 | 288 |
| Total revenue | 108 | 2,190 | 288 |
| Total expenses | 108 | 2,190 | 288 |
| Surplus/(deficit) | - | - | - |

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for payments to Māori and Pasifika Trades Trainees towards the cost of tools and other training-related costs under the Education Act 1989.

This appropriation ended at the end of 2018. The funding was transferred to Māori and Pasifika Trades Training consortia in the Tertiary Sector / Industry Collaboration Projects appropriation from 2019.

He Karahipi, he Whakawhiwhinga hoki mō te Taumata Mātauranga Matua

Tertiary Scholarships and Awards

This appropriation is intended to provide a stipend for domestic sixth-year medical trainee interns and other scholarships.

We are only responsible for two components of this appropriation. The Ministry of Education is responsible for the other components. We are responsible for:

- › Trainee Medical Intern Grant
- › Tertiary Teaching Awards.

| Tertiary Scholarships and Awards | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|-------------------------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Crown revenue | | | |
| Trainee Medical Intern Grant | 13,917 | 14,288 | 11,817 |
| Tertiary Teaching Awards | 200 | 200 | 200 |
| Ministry of Education-administered awards | 1,070 | 1,080 | 1,027 |
| Total revenue | 15,187 | 15,568 | 13,044 |
| EXPENSES | | | |
| Trainee Medical Intern Grant | 13,917 | 14,288 | 11,817 |
| Tertiary Teaching Awards | 200 | 200 | 200 |
| Ministry of Education-administered awards | 1,070 | 1,080 | 1,027 |
| Total expenses | 15,187 | 15,568 | 13,044 |
| Surplus/(deficit) | - | - | - |

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for payments of Tertiary Scholarships and Awards under the Education Act 1989.

Mai i te Kura Tuarua ki te Taumata Mātauranga Matua

Secondary-Tertiary Interface (Vote Education)

The Ministry of Education provides funding to us from this appropriation to fund Trades Academies in the tertiary setting. The Ministry of Education is responsible for reporting the performance of this appropriation.

| | 2018/19 Actual \$000 | 2018/19 Budget \$000 | 2017/18 Actual \$000 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|
| Secondary-Tertiary Interface | | | |
| REVENUE | | | |
| Crown revenue | 18,474 | 18,225 | 17,731 |
| Total revenue | 18,474 | 18,225 | 17,731 |
| Total expenses | 18,474 | 18,225 | 17,731 |
| Surplus/(deficit) | - | - | - |



Wāhanga Whā
Tauākī pūtea

Part Four
Financial statements

Tauākī Pūrongo Whānui mō te Moni Whiwhi, Moni Utu Hoki

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2019

| | Notes | 2019 Actual \$000 | 2019 Budget \$000 | 2018 Actual \$000 |
|-----------------------------------------------------------------|-------|-------------------------|-------------------------|-------------------------|
| REVENUE | | | | |
| Grants revenue: | | | | |
| Vote Education/Tertiary Education – Ministry of Education (MoE) | | 3,054,222 | 3,290,259 | 2,995,441 |
| Prior year recoveries – net | | 6,140 | 1,700 | 2,473 |
| Total grants revenue | | 3,060,362 | 3,291,959 | 2,997,914 |
| Operating revenue: | | | | |
| Vote Tertiary Education – MoE | | 69,090 | 63,905 | 69,531 |
| Contract – Migrant Futures | | 1,629 | 1,613 | 1,364 |
| Contract – Pre-purchased English Language Tuition | | 703 | 630 | 480 |
| Other revenue | | 2,143 | 1,273 | 2,161 |
| Total operating revenue | | 73,565 | 67,421 | 73,536 |
| Finance revenue: | | | | |
| Interest – grants | | 379 | 320 | 428 |
| Interest – operating | | 1,560 | 1,241 | 1,656 |
| Total finance revenue | | 1,939 | 1,561 | 2,084 |
| Total revenue | | 3,135,866 | 3,360,941 | 3,073,534 |
| EXPENSE | | | | |
| Grants expense: | | | | |
| Grants expense | | 3,049,457 | 3,290,259 | 2,993,392 |
| Bad and doubtful debts | 2 | 4,765 | - | 2,049 |
| Total grants expense | 2 | 3,054,222 | 3,290,259 | 2,995,441 |
| Operating expense: | | | | |
| Personnel costs | 5 | 46,071 | 41,492 | 44,197 |
| Amortisation | 8 | 3,817 | 3,657 | 3,977 |
| Depreciation | 9 | 1,273 | 1,205 | 1,255 |
| Other expenses | 6 | 26,378 | 27,723 | 21,194 |
| Total operating expense | | 77,539 | 74,077 | 70,623 |
| Total expense | | 3,131,761 | 3,364,336 | 3,066,064 |
| SURPLUS/(DEFICIT) | | | | |
| Grants surplus/(deficit) | | 6,519 | 2,020 | 2,901 |
| Operating surplus/(deficit) | | (2,414) | (5,415) | 4,569 |
| Total comprehensive revenue and expense | | 4,105 | (3,395) | 7,470 |

Explanations of major variances against budget are provided in note 19.

The accompanying notes form part of these financial statements.

Tauākī Āhuratanga Ahumoni Statement of Financial Position

As at 30 June 2019

| | Notes | 2019 Actual \$000 | 2019 Budget \$000 | 2018 Actual \$000 |
|----------------------------------------------------------|-------|-------------------------|-------------------------|-------------------------|
| CURRENT ASSETS | | | | |
| Receivables | 4, 16 | 496,550 | 616,374 | 543,255 |
| Cash and cash equivalents | 7, 16 | 63,384 | 48,830 | 77,420 |
| Prepayments | | 880 | 711 | 658 |
| Total current assets | | 560,814 | 665,915 | 621,333 |
| NON-CURRENT ASSETS | | | | |
| Intangible assets | 8 | 14,617 | 18,800 | 11,772 |
| Property, plant and equipment | 9 | 5,083 | 6,201 | 6,098 |
| Total non-current assets | | 19,700 | 25,001 | 17,870 |
| Total assets | | 580,514 | 690,916 | 639,203 |
| CURRENT LIABILITIES | | | | |
| Payables | 3, 16 | 399,938 | 521,014 | 443,352 |
| Pre-purchased English Language Tuition – fees in advance | 11 | 24,232 | 24,194 | 27,325 |
| Repayment of grants funding – MoE | 13 | 8,778 | 559 | 25,647 |
| Employee entitlements | 10 | 2,475 | 2,795 | 2,543 |
| GST payable | | 2,288 | 573 | 1,345 |
| Provision for lease | 12 | 145 | 112 | 149 |
| Total current liabilities | | 437,856 | 549,247 | 500,361 |
| NON-CURRENT LIABILITIES | | | | |
| Provision for lease | 12 | 1,108 | 835 | 1,231 |
| Employee entitlements | 10 | 769 | 590 | 556 |
| Total non-current liabilities | | 1,877 | 1,425 | 1,787 |
| Total liabilities | | 439,733 | 550,672 | 502,148 |
| Net assets | | 140,781 | 140,244 | 137,055 |
| EQUITY | | | | |
| General funds | 14 | 140,781 | 140,244 | 137,055 |
| Total equity | | 140,781 | 140,244 | 137,055 |

Explanations of major variances against budget are provided in note 19.
The accompanying notes form part of these financial statements.

Tauākī Panoni Wāriu

Statement of Changes in Equity

For the year ended 30 June 2019

| | Notes | 2019 Actual \$000 | 2019 Budget \$000 | 2018 Actual \$000 |
|---------------------------------------------------------|-------|-------------------------|-------------------------|-------------------------|
| EQUITY | | | | |
| Balance at 1 July | | 137,055 | 143,959 | 125,115 |
| Total comprehensive revenue and expense for the year | | 4,105 | (3,395) | 7,470 |
| Repayment of grants interest – MoE | 13 | (379) | (320) | (428) |
| Capital contribution – Careers New Zealand introduction | | - | - | 4,898 |
| Balance at 30 June | 14 | 140,781 | 140,244 | 137,055 |

The accompanying notes form part of these financial statements.

Tauākī Whiwhinga, Whakapaunga Moni

Statement of Cash Flows

For the year ended 30 June 2019

| | Notes | 2019 Actual \$000 | 2019 Budget \$000 | 2018 Actual \$000 |
|------------------------------------------------------|-------|-------------------------|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| <i>Cash was provided from:</i> | | | | |
| Grants – MoE | | 3,089,389 | 3,290,514 | 3,096,702 |
| Grants – prior year recoveries | | 6,140 | 2,000 | 2,544 |
| Grants – Pre-purchased English Language Tuition | | 4,229 | 5,784 | 5,525 |
| Operating – MoE | | 69,090 | 63,905 | 69,531 |
| Operating – Pre-purchased English Language Tuition | | 422 | 630 | 551 |
| Operating – other | | 3,632 | 2,886 | 3,749 |
| | | 3,172,902 | 3,365,719 | 3,178,602 |
| <i>Cash was applied to:</i> | | | | |
| Grants payments | | (3,090,117) | (3,297,489) | (3,100,733) |
| Payments to employees | | (45,934) | (41,926) | (44,192) |
| Other operating payments | | (27,150) | (27,299) | (20,610) |
| GST – net | | (1,531) | 43 | (350) |
| | | (3,164,732) | (3,366,671) | (3,165,885) |
| Net cash flows from operating activities | | 8,170 | (952) | 12,717 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| <i>Cash was provided from:</i> | | | | |
| Interest – grants | | - | 320 | - |
| Interest – operating | | 1,572 | 1,291 | 1,647 |
| Sale of property, plant and equipment | | 59 | - | - |
| | | 1,631 | 1,611 | 1,647 |
| <i>Cash was applied to:</i> | | | | |
| Purchase of intangible assets | | (6,861) | (8,879) | (3,778) |
| Purchase of property, plant and equipment | | (108) | (1,991) | (1,947) |
| | | (6,969) | (10,870) | (5,725) |
| Net cash flows from investing activities | | (5,338) | (9,259) | (4,078) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| <i>Cash was provided from:</i> | | | | |
| Repayment of grants funding – MoE | | (16,868) | (320) | 1,357 |
| Net cash flows from financing activities | | (16,868) | (320) | 1,357 |
| Net increase/(decrease) in cash and cash equivalents | | (14,036) | (10,531) | 9,996 |
| Careers New Zealand cash introduced | | - | - | 4,013 |
| Cash and cash equivalents at 1 July | | 77,420 | 59,361 | 63,411 |
| Cash and cash equivalents at 30 June | 7 | 63,384 | 48,830 | 77,420 |

The accompanying notes form part of these financial statements.

Tauākī Whiwhinga, Whakapaunga Moni (haere tonu) Statement of Cash Flows (continued)

For the year ended 30 June 2019

| | 2019 Actual \$000 | 2019 Budget \$000 | 2018 Actual \$000 |
|-----------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Total comprehensive revenue and expense | 4,105 | (3,395) | 7,470 |
| Add non-cash items | | | |
| Depreciation and amortisation | 5,090 | 4,862 | 5,232 |
| Loss/(gain) on disposal of intangible assets and property, plant and equipment | (59) | - | 54 |
| Total non-cash items | 5,031 | 4,862 | 5,286 |
| Deduct interest – operating classified as investing activities | (1,572) | (1,611) | (1,647) |
| Deduct interest – grants classified within repayment of grants funding – MoE within financing activities | (379) | - | (428) |
| Add/(less) operating movements in statement of financial position items | | | |
| (Increase)/decrease in receivables | 46,705 | 50 | 57,412 |
| (Increase)/decrease in prepayments | (222) | (11) | 164 |
| Increase/(decrease) in GST payable | 943 | 298 | 11 |
| Increase/(decrease) in employee entitlements | 145 | (437) | 24 |
| Increase/(decrease) in payables | (43,366) | 577 | (77,705) |
| Increase/(decrease) in Pre-purchased English Language Tuition – fees in advance | (3,093) | (1,146) | 778 |
| Increase/(decrease) in provision for lease | (127) | (139) | (107) |
| Increase/(decrease) in repayment of grants funding – MoE | - | - | 21,459 |
| Total movements in statement of financial position items | 985 | (808) | 2,036 |
| Net cash flows from operating activities | 8,170 | (952) | 12,717 |

The accompanying notes form part of these financial statements.

He Pito Kōrero mō ngā Tauākī Ahumoni

Notes to the financial statements

1. Statement of accounting policies

Reporting entity

We are a Crown entity as defined by the Crown Entities Act 2004, established on 1 January 2003 pursuant to section 159C of the Education Act 1989. We are based in New Zealand and our ultimate parent is the government.

On 1 July 2017 Careers New Zealand (previously a separate Crown entity) was integrated with the Tertiary Education Commission. As Careers New Zealand ceased to exist as an entity, the transfer of its assets and liabilities to the Tertiary Education Commission occurred on 1 July 2017.

Our primary objective is to provide services to the New Zealand public, rather than make a financial return. Accordingly, we have designated ourselves as a public benefit entity for financial reporting purposes.

Our financial statements are for the year ended 30 June 2019 and were approved by our Board of Commissioners on 7 October 2019.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the Education Act 1989 and Crown Entities Act 2004, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities (PBE) and they comply with Tier 1 PBE standards.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective but have been early adopted

PBE International Financial Reporting Standard (IFRS) 9 Financial Instruments replaces PBE International Public Sector Accounting Standard (IPAS) 29 Financial Instruments: Recognition and Measurement and is effective for financial years beginning on or after 1 January 2021, with earlier adoption permitted.

The financial statements of the Government early adopted PBE IFRS 9 for the 30 June 2019 financial year. As a result, we adopted this standard early. There is no effect to our financial statements.

Summary of significant accounting policies

Significant accounting policies are included in the related notes.

Significant accounting policies that do not relate to a specific note are outlined below.

Revenue

Revenue is measured at fair value of consideration received or receivable.

Revenue from Crown

We are primarily funded from the Crown. This funding is restricted in its use for us meeting our performance measures as specified in the *Statement of Intent 2018/19 – 2021/22* and *Statement of Performance Expectations 2018/19*.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period it relates to.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Contract revenue – Pre-purchased English Language Tuition (PELT)

As a part of their residency requirements, some migrants are required to pay English language tuition fees. The migrants pay the Ministry of Business, Innovation and Employment (MBIE). MBIE deducts an administration fee and pays the remaining balance to us for us to administer. A migrant can then enrol in an English language course at an approved course provider. We then pay fees to English language course providers on enrolment of migrants. We recognise a 10 percent administration fee out of the fees received as revenue at the time of payment to providers. If the migrant fails to enrol for the course within five years of the receipt of the fees, the fees are refunded to MBIE.

Interest – grants

Interest income is recognised by accruing the interest due for the term deposit on a time-proportion basis. We voluntarily return interest earned on grants funds to the Ministry of Education.

Interest – operating

Interest income is recognised by accruing the interest due for the term deposit on a time-proportion basis. The interest earned is used in our operations.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net GST payable to the Inland Revenue Department (IRD) is recorded in the statement of financial position.

The net GST paid to the IRD is classified as an operating cash flow in the statement of cash flows.

Budget figures

The budget figures are derived from the *Statement of Performance Expectations 2018/19* as approved by the Board of Commissioners at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with these financial statements.

In the Statement of Comprehensive Revenue and Expense, \$300,000 of budgeted prior year items have been reclassified from grants expense to prior year recoveries – net.

Income tax

We are a public authority so are exempt from paying income tax. Accordingly, no provision has been made for income tax.

Critical accounting estimates and assumptions

In preparing these financial statements we have made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors. This includes expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- › useful lives of intangible assets – refer to note 8
- › useful lives of property, plant and equipment – refer to note 9
- › estimates and assumptions around retirement and long service leave – refer to note 10.

Critical judgements in applying accounting policies

Management has exercised critical judgement in applying the leases classification accounting policy – refer to note 6.

Comparative information

When presentation or classification is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

2. Grants expense relating to tertiary education institutions

Accounting policy

Grants expenditure relates to payments to tertiary education organisations for post-secondary school education and training, including foundation education, adult and community education, and research. When there are no conditions attached, grants expenditure is recognised as an expense in surplus or deficit when an unconditional obligation to provide funding arises. When there are conditions attached, the expense is recognised at the earlier of the condition being met or payment being made.

Break down of grants expense

We have provided Crown-owned tertiary education institutions with funding for the provision of education, training and other services. The transactions are within a normal supplier or client/recipient relationship on terms and conditions no more favourable than those it is reasonable to expect we would have dealing with other parties at arm's length in the same circumstances. The table on the following page details the amounts paid to each tertiary education institution.

| | Funding \$000 | Accounting adjustment (Note 1) \$000 | 2019 \$000 | 2018 \$000 |
|----------------------------------------------|------------------|-----------------------------------------------|------------------|------------------|
| UNIVERSITIES | | | | |
| Auckland University of Technology | 194,812 | (1,481) | 193,331 | 180,952 |
| Lincoln University | 41,427 | (12,349) | 29,078 | 42,107 |
| Massey University | 222,708 | 8,626 | 231,334 | 206,549 |
| University of Auckland | 495,088 | 3,800 | 498,888 | 472,661 |
| University of Canterbury | 182,660 | (51,684) | 130,976 | 174,315 |
| University of Otago | 348,006 | (73) | 347,933 | 335,279 |
| University of Waikato | 102,812 | (785) | 102,027 | 98,053 |
| Victoria University of Wellington | 215,115 | (650) | 214,465 | 206,472 |
| | 1,802,628 | (54,596) | 1,748,032 | 1,716,388 |
| POLYTECHNICS | | | | |
| Ara Institute of Canterbury | 69,641 | (29,095) | 40,546 | 64,483 |
| Eastern Institute of Technology | 41,592 | 1,625 | 43,217 | 39,321 |
| Manukau Institute of Technology | 50,371 | 5,912 | 56,283 | 53,050 |
| Nelson Marlborough Institute of Technology | 22,565 | (564) | 22,001 | 21,451 |
| Northland Polytechnic | 18,154 | 2,308 | 20,462 | 22,211 |
| Otago Polytechnic | 47,436 | (1,424) | 46,012 | 40,899 |
| Southern Institute of Technology | 34,878 | 4,066 | 38,944 | 30,749 |
| Tai Poutini Polytechnic | 5,500 | (1,621) | 3,879 | 12,207 |
| The Open Polytechnic of New Zealand | 38,778 | (865) | 37,913 | 39,335 |
| Toi Ohomai Institute of Technology | 47,785 | 1,896 | 49,681 | 47,747 |
| Unitec Institute of Technology | 61,323 | (274) | 61,049 | 63,423 |
| Universal College of Learning | 31,800 | (1,335) | 30,465 | 29,552 |
| Waikato Institute of Technology | 46,934 | 3,879 | 50,813 | 46,408 |
| Wellington Institute of Technology | 28,406 | 67 | 28,473 | 27,940 |
| Western Institute of Technology | 12,495 | 226 | 12,721 | 11,759 |
| Whitireia Community Polytechnic | 22,986 | 207 | 23,193 | 22,483 |
| | 580,644 | (14,992) | 565,652 | 573,018 |
| WĀNANGA | | | | |
| Te Wānanga o Aotearoa | 126,544 | 4,993 | 131,537 | 135,816 |
| Te Wānanga o Raukawa | 12,479 | (1,253) | 11,226 | 12,828 |
| Te Whare Wānanga o Awanuiārangi | 22,974 | 265 | 23,239 | 23,215 |
| | 161,997 | 4,005 | 166,002 | 171,859 |
| Total TEI grants | 2,545,269 | (65,583) | 2,479,686 | 2,461,265 |
| Other tertiary education organisation grants | 556,262 | 13,509 | 569,771 | 532,127 |
| Bad debts and doubtful debts | 4,765 | - | 4,765 | 2,049 |
| Total grants expense | 3,106,296 | (52,074) | 3,054,222 | 2,995,441 |

Note 1 – The accounting adjustment is the movement in our tertiary grants payable. Refer to financial note 3 for further details.

3. Payables

Accounting policy

All grants payables are classified as non-exchange transactions, and all operating payables are classified as exchange transactions.

As we provide funding to tertiary education organisations but receive nothing tangible in return, this funding is considered a non-exchange transaction. We recognise a liability for our funding commitments as follows:

- › Where we have committed to provide funding based on a multi-year contract, we recognise commitments for a further 12 months. Our contracts with tertiary education organisations state our ability to provide funding depends on the Government continuing to appropriate sufficient funding for us to fund the tertiary education organisation. At 30 June 2019 our funding has only been confirmed up until 30 June 2020.
- › Where we have committed to provide funding to tertiary education organisations to the end of the current calendar year, we recognise commitments up to then.

Exceptions are as follows:

- › Volume-based funding: the majority of our funding is paid based on the number of valid student enrolments. We obtain the number of students enrolled in courses at each tertiary education organisation as at 30 June and compare this to what we have funded the tertiary education organisation for to 30 June. We record an asset or liability based on these student numbers and whether the funding we provided to the tertiary education organisation is higher or lower than what they are entitled.
- › Deliverable-based funding: some of our funding is paid once a tertiary education organisation completes a piece of research or meets a milestone. We do not record a liability unless the tertiary education organisation has met the milestone at 30 June.

Based on the explanations above, the tertiary grants payable at 30 June differs from the funding we expect to provide in the upcoming financial year.

Break down of payables

| | 2019 \$000 | 2018 \$000 |
|------------------------------------------|----------------|----------------|
| GRANTS: NON-EXCHANGE TRANSACTIONS | | |
| Tertiary grants payable | 371,992 | 424,066 |
| Accrued expenses | 22,716 | 13,592 |
| Creditors | 102 | - |
| Total grants payables | 394,810 | 437,658 |
| OPERATIONS: EXCHANGE TRANSACTIONS | | |
| Accrued expenses | 4,321 | 4,516 |
| Creditors | 643 | 929 |
| Revenue received in advance | 164 | 249 |
| Total operations payables | 5,128 | 5,694 |
| Total payables | 399,938 | 443,352 |

4. Receivables

Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectable debts.

A receivable is considered uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

A large portion of our receivables are from the Ministry of Education.

As per note 3 we have a large tertiary grants payable. The Ministry of Education acknowledged through a June 2016 Memorandum of Understanding that we would record a receivable from it equal to the amount of our payable.

We also have a balance sheet mechanism receivable from the Ministry of Education. It is funded from under-spends in the Tertiary Tuition and Training multi-category appropriation. This helps us manage cost pressures within and across financial years.

Break down of receivables and further information

| | 2019 \$000 | 2018 \$000 |
|-------------------------------------------------------------------|----------------|----------------|
| MoE tertiary grants receivable (non-exchange transaction) | 371,992 | 424,066 |
| MoE balance sheet mechanism receivable (non-exchange transaction) | 92,380 | 92,380 |
| Tertiary grants receivables (non-exchange transaction) | 25,665 | 34,229 |
| MoE other grants receivable (non-exchange transaction) | 21,733 | 2,352 |
| Other accounts receivable (exchange transaction) | 576 | 593 |
| Provision for uncollectability | (15,796) | (10,365) |
| Total receivables | 496,550 | 543,255 |

The ageing profile of receivables at year end is detailed below:

| As at 30 June 2019 | Gross \$000 | Provision \$000 | Net \$000 |
|---------------------|----------------|--------------------|----------------|
| Not past due | 486,830 | - | 486,830 |
| Past due 1-30 days | 5,079 | (2,497) | 2,582 |
| Past due 31-60 days | 11,271 | (5,346) | 5,925 |
| Past due 61-90 days | - | - | - |
| Past due > 90 days | 9,166 | (7,953) | 1,213 |
| Total | 512,346 | (15,796) | 496,550 |

| As at 30 June 2018 | Gross \$000 | Provision \$000 | Net \$000 |
|---------------------|----------------|--------------------|----------------|
| Not past due | 542,551 | - | 542,551 |
| Past due 1-30 days | 8 | (6) | 2 |
| Past due 31-60 days | 563 | (57) | 506 |
| Past due 61-90 days | 23 | - | 23 |
| Past due > 90 days | 10,475 | (10,302) | 173 |
| Total | 553,620 | (10,365) | 543,255 |

The provision for uncollectable debts has been calculated based on expected losses for the pool of receivables. Expected losses have been determined based on an analysis of losses in previous periods and a review of specific receivables.

Movement in the provision for uncollectability of receivables is as follows:

| | 2019 \$000 | 2018 \$000 |
|-----------------------------------------|---------------|---------------|
| Balance at 1 July | 10,365 | 33,026 |
| Increase in provision (Note 1) | 5,480 | 2,356 |
| Receivables written off during the year | (49) | (25,017) |
| Balance at 30 June | 15,796 | 10,365 |

Note 1 – This is inclusive of Goods and Services Tax (GST). Bad and doubtful debts shown in the Statement of Comprehensive Revenue and Expense are exclusive of GST.

5. Personnel costs

Accounting policy

Superannuation schemes – defined contribution schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Break down of personnel costs and further information

| | 2019 \$000 | 2018 \$000 |
|---------------------------------------------|---------------|---------------|
| Salaries | 29,444 | 29,522 |
| Contractors | 12,025 | 11,984 |
| Redundancy cost | 1,772 | 927 |
| Contributions to defined contribution plans | 831 | 834 |
| Additional provision for leave entitlements | 729 | 305 |
| Training and development | 223 | 164 |
| Other personnel expenses | 1,047 | 461 |
| Total personnel costs | 46,071 | 44,197 |

Employee remuneration

During the year the number of employees who received remuneration and other benefits in excess of \$100,000 were:

| | 2019 Number of employees | 2018 Number of employees |
|------------------------|--------------------------------|--------------------------------|
| 540,001 to 550,000 | - | 1 |
| 530,001 to 540,000 | 1 | - |
| 310,001 to 320,000 | 1 | - |
| 300,001 to 310,000 | - | 1 |
| 280,001 to 290,000 | 2 | 1 |
| 270,001 to 280,000 | 1 | - |
| 260,001 to 270,000 | - | 1 |
| 240,001 to 250,000 | - | 1 |
| 220,001 to 230,000 | - | 1 |
| 210,001 to 220,000 | 4 | 3 |
| 200,001 to 210,000 | 1 | - |
| 180,001 to 190,000 | 1 | 4 |
| 170,001 to 180,000 | 5 | 5 |
| 160,001 to 170,000 | 6 | 6 |
| 150,001 to 160,000 | 4 | 6 |
| 140,001 to 150,000 | 14 | 9 |
| 130,001 to 140,000 | 13 | 14 |
| 120,001 to 130,000 | 16 | 15 |
| 110,001 to 120,000 | 16 | 18 |
| 100,001 to 110,000 | 33 | 24 |
| Total employees | 118 | 110 |

During the year, 54 employees (2018: 28) received compensation and other benefits in relation to cessation totalling \$1,771,914 (2018: \$927,293).

Board of Commissioners' remuneration

The total value of remuneration paid or payable to each commissioner during the year was:

| | | 2019 \$ | 2018 \$ |
|----------------------------------|--------------------------|----------------|----------------|
| CURRENT COMMISSIONERS | | | |
| Nigel Gould (Chair) (Note 1) | appointed May 2013 | 47,174 | 46,168 |
| Jenn Bestwick | appointed December 2018 | 13,067 | - |
| Vivien Bridgwater | appointed December 2018 | 13,067 | - |
| Dr Alastair MacCormick | appointed June 2017 | 22,400 | 22,400 |
| Sir Christopher Mace | appointed May 2013 | 22,400 | 22,400 |
| Nancy McConnell | appointed June 2019 | - | - |
| Phil O'Reilly | appointed September 2013 | 22,400 | 22,400 |
| John Russell | appointed June 2019 | - | - |
| Vanessa Stoddart | appointed September 2013 | 22,400 | 22,400 |
| PAST COMMISSIONERS | | | |
| John Spencer (past Chair) | term ended July 2017 | - | 3,780 |
| Dale Karauria | term ended August 2017 | - | 3,733 |
| John Morris | term ended June 2019 | 22,400 | 22,400 |
| Susan Paterson | term ended December 2018 | 11,200 | 22,400 |
| Total Commissioners' fees | | 196,508 | 188,081 |

Note 1 – The amount paid to Nigel Gould includes \$1,814 (2018: \$2,722) related to both the University of Canterbury Governance and Oversight Group, and the Lincoln University Governance and Oversight Group.

There have been no payments made to committee members who are not commissioners.

We have not provided a deed of indemnity to any commissioner or employee.

We have directors' and officers' liability and professional indemnity insurance cover in respect of the liability or costs of commissioners and employees.

No commissioner received compensation or other benefits in relation to cessation.

6. Other expenses

Accounting policy

Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Critical judgements in applying accounting policies

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement on whether the agreement transfers to us substantially all the risks and rewards of ownership.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

We have exercised our judgement on the appropriate classification of equipment leases and have determined none of our lease arrangements are finance leases.

Break down of other expenses and further information

| | Notes | 2019 \$000 | 2018 \$000 |
|-----------------------------------------------------|-------|---------------|---------------|
| Consultants | | 6,339 | 3,196 |
| Managing third-party contracts | | 5,298 | 5,406 |
| Computer operations | | 3,936 | 4,016 |
| Capital charge | | 2,146 | 1,877 |
| Property rental | | 2,186 | 2,078 |
| Travel | | 1,881 | 924 |
| Performance-Based Research Fund panel members' fees | | 1,036 | 12 |
| Legal fees | | 580 | 527 |
| Commissioners' fees | 5 | 197 | 188 |
| Audit fees for audit of financial statements | | 182 | 176 |
| Telephone, tolls and postage | | 173 | 251 |
| Insurance | | 94 | 135 |
| Other fees paid to auditors – assurance services | | - | 19 |
| Other supplies and services | | 2,330 | 2,389 |
| Total other expenses | | 26,378 | 21,194 |

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are:

| | 2019 \$000 | 2018 \$000 |
|---------------------------------------------------|---------------|---------------|
| Not later than one year | 2,183 | 2,176 |
| Later than one year and not later than five years | 7,831 | 7,434 |
| Later than five years | 5,404 | 6,682 |
| Total non-cancellable operating leases | 15,418 | 16,292 |

Our main lease is for five floors of office space at 44 The Terrace, Wellington. The next renewal date is 1 July 2027, with a final expiry date of 30 June 2033. The figures above have been calculated to 1 July 2027 for this office.

We also have regional offices in Whangarei, Auckland, Hamilton, Christchurch and two project offices in Wellington. Renewal dates have been used for these leases also.

7. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

Break down of cash and cash equivalents

| | 2019 \$000 | 2018 \$000 |
|-------------------------------------------------------------------------------|---------------|---------------|
| OPERATIONS | | |
| Cash at bank | 2,596 | 1,572 |
| Term deposits with maturities less than three months | 23,000 | 29,000 |
| Total operations cash and cash equivalents | 25,596 | 30,572 |
| GRANTS | | |
| Cash at bank | 16,236 | 14,189 |
| Term deposits with maturities less than three months | - | 8,000 |
| Total grants cash and cash equivalents | 16,236 | 22,189 |
| PRE-PURCHASED ENGLISH LANGUAGE TUITION | | |
| Cash at bank | 1,052 | 1,659 |
| Term deposits with maturities less than three months | 20,500 | 23,000 |
| Total Pre-purchased English Language Tuition cash and cash equivalents | 21,552 | 24,659 |
| Total cash and cash equivalents | 63,384 | 77,420 |

8. Intangible assets

Accounting policy

Software acquisition and development

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

Computer software is the major class of intangible assets. Its useful life is four years and its associated amortisation rate is 25% straight line.

Impairment of intangible assets and property, plant and equipment

We do not hold any cash-generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

Intangible assets and property, plant and equipment held at cost that have finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value, less costs to sell and value in use.

Value in use is determined using either a depreciated replacement cost approach, restoration cost approach or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Critical judgements in applying accounting policies

Estimating useful lives and residual values of intangible assets and property, plant and equipment

At each balance date the useful lives and residual values of intangible assets and property, plant and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of intangible assets and property, plant and equipment requires a number of factors to be considered. These include the physical condition of the asset, expected period of use of the asset and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position. We minimise the risk of this estimation uncertainty by:

- › physical inspection of assets
- › asset replacement programmes
- › review of second-hand market prices for similar assets
- › analysis of prior asset sales.

We have not made significant changes to past assumptions concerning useful lives and residual values.

Break down of intangible assets and further information

Movements for each class of intangible assets are as follows:

| 2019 | | | | | |
|------------------------------------|----------------------------|----------------------------------------|--------------------------------------|--------------------------------------|----------------|
| | Acquired software \$000 | Internally generated software \$000 | Work in progress (acquired) \$000 | Work in progress (internal) \$000 | Total \$000 |
| Balance at 1 July | 3,460 | 4,357 | 2,097 | 1,858 | 11,772 |
| Transfers from work in progress | 1,054 | 2,798 | (1,054) | (2,798) | - |
| Amortisation and impairments | (1,477) | (2,340) | - | - | (3,817) |
| Additions | - | - | 385 | 6,277 | 6,662 |
| Disposals | - | - | - | - | - |
| Balance at 30 June | 3,037 | 4,815 | 1,428 | 5,337 | 14,617 |
| Cost | 14,717 | 23,332 | 1,428 | 5,337 | 44,814 |
| Accumulated amortisation | (11,680) | (18,517) | - | - | (30,197) |
| Balance at 30 June | 3,037 | 4,815 | 1,428 | 5,337 | 14,617 |
| 2018 | | | | | |
| | Acquired software \$000 | Internally generated software \$000 | Work in progress (acquired) \$000 | Work in progress (internal) \$000 | Total \$000 |
| Balance at 1 July | 2,359 | 3,756 | 3,080 | 948 | 10,143 |
| Transfers from Careers New Zealand | 13 | 1,395 | - | 392 | 1,800 |
| Transfers from work in progress | 2,850 | 1,422 | (2,850) | (1,422) | - |
| Amortisation and impairments | (1,761) | (2,216) | - | - | (3,977) |
| Additions | - | - | 1,867 | 1,940 | 3,807 |
| Disposals | (1) | - | - | - | (1) |
| Balance at 30 June | 3,460 | 4,357 | 2,097 | 1,858 | 11,772 |
| Cost | 15,142 | 19,067 | 2,097 | 1,858 | 38,164 |
| Accumulated amortisation | (11,682) | (14,710) | - | - | (26,392) |
| Balance at 30 June | 3,460 | 4,357 | 2,097 | 1,858 | 11,772 |

The amount of contractual commitments for the acquisition of intangible assets is \$880,000 (2018: \$2,992,000).

There are no restrictions over the title of intangible assets nor are any intangible assets pledged as security for liabilities.

Work in progress costs comprise projects that are in progress, pending capitalisation.

9. Property, plant and equipment

Accounting policy

Property, plant and equipment consist of the following asset classes: leasehold improvements, computer equipment, office equipment, furniture and fittings and motor vehicles.

All asset classes are measured at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment. The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

| Leasehold improvements | Life of lease | |
|------------------------|---------------|-------------------|
| Computer equipment | 4 years | 25% straight line |
| Office equipment | 5 years | 20% straight line |
| Furniture and fittings | 10 years | 10% straight line |
| Motor vehicles | 5 years | 20% straight line |

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Impairment of property, plant and equipment, and critical accounting estimates and assumptions

Refer to the policy on intangible assets in note 8.

Break down of property, plant and equipment and further information

Movements for each class of property, plant and equipment are as follows:

| 2019 | | | | | | | |
|------------------------------------|---------------------------------|-----------------------------|---------------------------|---------------------------------|-------------------------|---------------------------|----------------|
| | Leasehold improvements \$000 | Computer equipment \$000 | Office equipment \$000 | Furniture and fittings \$000 | Motor vehicles \$000 | Work in progress \$000 | Total \$000 |
| Balance at 1 July | 3,447 | 1,877 | 68 | 573 | 24 | 109 | 6,098 |
| Transfers from work in progress | - | 218 | - | - | - | (218) | - |
| Depreciation and impairments | (381) | (770) | (27) | (71) | (24) | - | (1,273) |
| Additions | - | - | - | - | - | 261 | 261 |
| Disposals | - | (3) | - | - | - | - | (3) |
| Balance at 30 June | 3,066 | 1,322 | 41 | 502 | - | 152 | 5,083 |
| Cost | 4,223 | 5,075 | 201 | 893 | 132 | 152 | 10,676 |
| Accumulated depreciation | (1,157) | (3,753) | (160) | (391) | (132) | - | (5,593) |
| Balance at 30 June | 3,066 | 1,322 | 41 | 502 | - | 152 | 5,083 |
| 2018 | | | | | | | |
| | Leasehold improvements \$000 | Computer equipment \$000 | Office equipment \$000 | Furniture and fittings \$000 | Motor vehicles \$000 | Work in progress \$000 | Total \$000 |
| Balance at 1 July | 3,014 | 1,166 | 84 | 454 | - | 846 | 5,564 |
| Transfers from Careers New Zealand | 27 | 182 | 30 | - | 64 | - | 303 |
| Transfers from work in progress | 794 | 1,293 | - | 189 | - | (2,276) | - |
| Depreciation and impairments | (388) | (727) | (30) | (70) | (40) | - | (1,255) |
| Additions | - | - | - | - | - | 1,539 | 1,539 |
| Disposals | - | (37) | (16) | - | - | - | (53) |
| Balance at 30 June | 3,447 | 1,877 | 68 | 573 | 24 | 109 | 6,098 |
| Cost | 4,246 | 4,894 | 221 | 920 | 426 | 109 | 10,816 |
| Accumulated depreciation | (799) | (3,017) | (153) | (347) | (402) | - | (4,718) |
| Balance at 30 June | 3,447 | 1,877 | 68 | 573 | 24 | 109 | 6,098 |

There are no contractual commitments for the acquisition of property, plant and equipment (2018: \$nil).

There are no restrictions over the title of property, plant and equipment nor are any property, plant and equipment pledged as security for liabilities.

Work in progress costs comprise projects that are in progress, pending capitalisation.

10. Employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits due to be settled within 12 months after the end of the year in which the employee provides the related service, are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits due to be settled beyond 12 months after the end of the period in which the employee provides the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- › likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood employees will reach the point of entitlement and contractual entitlement information
- › the present value of the estimated future cash flows.

Presentation of employee entitlements

The current portion of sick leave, annual leave and vested long service leave are classified as a current liability.

Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Critical accounting estimates and assumptions

Measuring retirement and long service leave obligations

The present value of retirement and long service leave obligations depend on a number of factors determined on an actuarial basis. Two key assumptions used in calculating this liability include the assumed salary escalation rate and assumed resignation rate. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The assumed salary escalation rate has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. The assumed resignation rate has been determined by the actuary, using rates that vary with age and length of service and reflect the experience of company superannuation schemes in New Zealand.

Break down of employee entitlements and further information

| | 2019 \$000 | 2018 \$000 |
|------------------------------------|---------------|---------------|
| CURRENT PORTION | | |
| Annual leave | 1,868 | 1,769 |
| Salaries and wages | 337 | 332 |
| Retirement and long service leave | 135 | 124 |
| Severance provision | 113 | 291 |
| Sick leave | 22 | 27 |
| Total current portion | 2,475 | 2,543 |
| NON-CURRENT PORTION | | |
| Retirement and long service leave | 506 | 427 |
| Severance provision | 160 | - |
| Sick leave | 103 | 129 |
| Total non-current portion | 769 | 556 |
| Total employee entitlements | 3,244 | 3,099 |

Sensitivity analysis

The table below shows the impact on the valuation of varying the assumed salary escalation rate and assumed resignation rates, leaving all other assumptions unaltered:

| | Long service leave \$000 | Retiring leave \$000 | Total \$000 |
|------------------------------------|-----------------------------|-------------------------|----------------|
| No change | 461 | 180 | 641 |
| Salary growth: 1% per year | 435 | 170 | 605 |
| Salary growth: 3% per year | 489 | 191 | 680 |
| Resignation rates: 150% of assumed | 437 | 178 | 615 |
| Resignation rates: 50% of assumed | 489 | 181 | 670 |

11. Pre-purchased English Language Tuition – fees in advance

Accounting policy

Refer to the policy on Contract revenue – Pre-purchased English Language Tuition in note 1.

Break down of Pre-purchased English Language Tuition

| | 2019 \$000 | 2018 \$000 |
|--------------------------------------------------------------------------|---------------|---------------|
| Balance at 1 July | 27,325 | 26,547 |
| Fees received from migrants | 4,660 | 6,076 |
| Fees paid to providers | (3,491) | (3,293) |
| Refund of unused fees to Ministry of Business, Innovation and Employment | (3,559) | (1,525) |
| Contract expense – administration | (703) | (480) |
| Balance at 30 June | 24,232 | 27,325 |

12. Provision for lease

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when:

- › there is a present obligation (either legal or constructive) as a result of a past event
- › it is probable an outflow of future economic benefits or service potential will be required to settle the obligation
- › a reliable estimate can be made of the amount of the obligation.

Lease incentives

Lease incentives are recognised as a reduction of rental expense over the lease term, on a straight-line basis.

Lease make good provisions

Make good provisions are recognised when leases require us to make good any damage caused or remove any installed fixtures and fittings at the end of the lease term.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits or service potential to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Break down of provision for lease and other further information

| | 2019 \$000 | 2018 \$000 |
|----------------------------------|---------------|---------------|
| CURRENT PORTION | | |
| Onerous contracts | - | 10 |
| Lease incentive | 145 | 139 |
| Total current portion | 145 | 149 |
| NON-CURRENT PORTION | | |
| Lease make good | 120 | 120 |
| Lease incentive | 988 | 1,111 |
| Total non-current portion | 1,108 | 1,231 |
| Total provision for lease | 1,253 | 1,380 |

| | Lease make good \$000 | Onerous lease \$000 | Lease incentive \$000 | Total \$000 |
|---------------------------------------|-----------------------------|---------------------------|-----------------------------|----------------|
| Balance at 1 July 2017 | 102 | - | 1,123 | 1,225 |
| Additional provisions made | 18 | 10 | 266 | 294 |
| Amounts used | - | - | (139) | (139) |
| Unused amounts reversed | - | - | - | - |
| Balance at 30 June/1 July 2018 | 120 | 10 | 1,250 | 1,380 |
| Additional provisions made | - | - | 22 | 22 |
| Amounts used | - | (10) | (139) | (149) |
| Unused amounts reversed | - | - | - | - |
| Balance at 30 June 2019 | 120 | - | 1,133 | 1,253 |

We lease five floors at 44 The Terrace, Wellington. At the expiry of the lease term we are required to make good any damage caused and remove any installed fixtures and fittings. The cost is based on the market value of replacement items as specified in the lease agreements. We estimate this to be \$120,000.

When we entered into the lease agreement for four floors effective from 1 July 2015, we received a lease incentive of \$1,347,000 equal to one year's rent. We then entered into a lease for a further floor on 1 July 2017 and received a further lease incentive of \$266,000 equal to one year's rent.

13. Repayment of grants funding – Ministry of Education

Accounting policy

We are required to return any excess grants funds collected during the year to the Ministry of Education. This includes some of the funds drawn from the appropriations but not spent during the year and certain prior year recoveries. We can retain certain funds on our balance sheet if agreed by the Ministry of Education. We also voluntarily return interest earned on grants funds.

Break down of repayment of grants funding – MoE

| | 2019 \$000 | 2018 \$000 |
|-------------------------------|---------------|---------------|
| Balance at 1 July | 25,647 | 2,830 |
| Repayments of opening balance | (25,647) | (2,830) |
| Prior year recoveries | 22,429 | 541 |
| Interim repayment made | (14,030) | - |
| Excess funding drawn | - | 24,678 |
| Interest | 379 | 428 |
| Balance at 30 June | 8,778 | 25,647 |

14. Equity

Accounting policy

Equity is measured as the difference between total assets and total liabilities.

Capital management

Our capital is our equity, which comprises accumulated funds. Equity is represented by net assets.

We are subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

We have complied with the financial management and accountability requirements of the Crown Entities Act 2004 during the year.

We manage our equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure we effectively achieve our objectives and purpose, while remaining a going concern.

Break down of equity

| | 2019 \$000 | 2018 \$000 |
|---------------------------------------|----------------|----------------|
| GRANTS EQUITY | | |
| Balance at 1 July | 100,357 | 97,884 |
| Surplus/(deficit) for the year | 6,519 | 2,901 |
| Repayment of grants interest – MoE | (379) | (428) |
| Balance at 30 June | 106,497 | 100,357 |
| OPERATIONS EQUITY | | |
| Balance at 1 July | 36,698 | 27,231 |
| Surplus/(deficit) for the year | (2,414) | 4,569 |
| Careers New Zealand equity introduced | - | 4,898 |
| Balance at 30 June | 34,284 | 36,698 |
| Total equity | 140,781 | 137,055 |

15. Related party transactions

We are controlled by the Crown.

Related party disclosures have not been made for transactions with related parties that are:

- › within a normal supplier or client/recipient relationship
- › on terms and conditions no more or less favourable than those it is reasonable to expect we would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions, consistent with the normal operating arrangements between government agencies.

We have no related party transactions to disclose.

Key management personnel compensation

| | 2019 \$000 | 2018 \$000 |
|----------------------------------------------------|---------------|---------------|
| COMMISSIONERS | | |
| Remuneration | 197 | 188 |
| Full-time equivalent members | 1.0 | 0.9 |
| LEADERSHIP TEAM | | |
| Remuneration | 2,031 | 2,265 |
| Full-time equivalent members | 6.2 | 7.9 |
| Total key management personnel remuneration | 2,228 | 2,453 |
| Total full-time equivalent personnel | 7.2 | 8.8 |

The full-time equivalent for commissioners has been determined based on the frequency and length of Board of Commissioner meetings and the estimated time for commissioners to prepare for meetings.

An analysis of Board of Commissioners' remuneration is provided in note 5.

Key management personnel include commissioners, the chief executive, deputy chief executives and general managers.

16. Financial instruments

Financial instrument categories

We are party to financial instrument arrangements as part of our normal operations. The categories of financial assets and liabilities are as follows:

| | 2019 \$000 | 2018 \$000 |
|---------------------------------------------------------|----------------|----------------|
| LOANS AND RECEIVABLES | | |
| Cash and cash equivalents | 63,384 | 77,420 |
| Receivables | 496,550 | 543,255 |
| Total current portion | 559,934 | 620,675 |
| FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | | |
| Payables | 399,938 | 443,352 |
| Total non-current portion | 399,938 | 443,352 |

Financial instrument risks

Market risk – interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. There were no interest rate options or interest rate swap options in place as at 30 June 2019. Our bank deposits are on call and on term deposits with less than or equal to three-month maturities.

Market risk – currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate owing to changes in foreign exchange rates. We had no exposure to currency risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to us causing us to incur a loss. We had minimal credit risk in our holdings of various financial instruments. These instruments included bank deposits, term deposits and accounts receivable. There was no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty raising liquid funds to meet commitments as they fall due. We had no exposure to liquidity risk.

Contractual maturity analysis of financial liabilities

Our financial liabilities consist of payables. The carrying amount equals the contractual cash flows. All amounts mature in less than three months.

17. Contingencies

Contingent liabilities

There are no contingent liabilities for the current year (2018: nil).

Contingent assets

We have a contingent asset that arises from the likelihood of realising recoveries from some tertiary education organisations. The amount relates to grants expenses and is likely to be returned to the Crown if realised. The investigations are progressing but there is no certainty on the amounts that may be recovered. This has not changed from 2018.

18. Events after balance date

There were no significant events after the balance date.

19. Explanations of major variances against budget

Explanations for major variances from our budgeted figures in the *Statement of Performance Expectations 2018/19* are as follows:

Statement of Comprehensive Revenue and Expense

Grants revenue

Grants revenue was \$236 million below budget. This was driven by the reduced expenditure reported below.

Operating revenue

Operating revenue was \$6 million above budget. This was owing to \$5 million of unbudgeted Crown revenue to fund our Review of Vocational Education (RoVE) operational costs.

Grants expense

Grants expense was \$236 million below budget. Of this \$94 million was owing to a reduction in our annual accounting adjustment for Tertiary Education: Student Achievement Component. Underspends in Fees-free Payments and Youth Guarantee contributed a further \$114 million.

Operating expense

Operating expense was \$3 million above budget. This was owing to \$4 million of unbudgeted RoVE operational costs, which was funded by the Crown. This was offset slightly by a higher staff vacancy rate.

Statement of Financial Position

Receivables

Receivables were \$120 million below budget. This was largely owing to a decrease in our Ministry of Education grants receivable.

Cash and cash equivalents

Cash and cash equivalents were \$15 million above budget. This was a combination of both grants (\$7 million) and operating (\$8 million). For grants, we paid out less than planned during June so we ended the month with higher cash on hand. For operating, removing the effect of RoVE, expenses were lower owing to lower staff levels. We continued to carry a number of vacancies during the year as a result of our Kia Rite restructure. Our capital spend was also below budget, which contributed to our increased cash.

Payables

Payables were \$121 million above budget. This was largely owing to a decrease in our tertiary grants payable, which is calculated at the end of the financial year so could not be predicted.

Repayment of grants funding – Ministry of Education

Repayment of grants funding was \$8 million above budget. This was owing to Fees-free Payments funding adjustments during the year.



Wāhanga Rima
Ngā tāpiringa

Part Five
Appendices



Āpitianga A:

Ko ā mātou herenga hei kaiwhakawhiwhi mahi pai

Appendix A:

Our good employer requirements

Leadership, accountability and culture

Our leadership group is focused on leading and supporting the changes from the Kia Rite change process.

We want to support our people to understand the shifts intended as part of the change process. An important focus is that the customer is at the forefront of our interactions.

We have designed meeting structures to ensure the right people are focusing on the right things. We want clarity and accountability across the right structures and forums.

We identified the need for better business planning across TEC to improve our strategies, processes and feedback loops. A Priority Work Programme has been developed for the 2019/20 year, and Directorate plans have been developed to cover how each Directorate intends to deliver on the Priority Work Programme, as well as business-as-usual work for 2019/20. These in turn will inform our performance plans providing line of sight for staff on the delivery of the 2019/20 work programme.

Our employee experience survey, He waka eke noa (We are all in this together) will provide us with our first insights of our staff's experience working in our new structure in 2019/20.

Recruitment, induction and selection

Our new learning management system Cūrious allows all new staff and contractors to access important induction information online on their first day. Improvements have been made to induction materials in collaboration with new staff.

We capture new staff data in our payroll system for those who answered 'yes' to living with an illness or disability. While this is self-identified, any staff needs are handled on an individual basis.

We have included a question in our employee experience survey that asks people to identify whether they live with the effects of an illness or disability.

Employee development, promotion and exit

We have online training programmes to support the roll out of key projects (i.e. Funds Management & Payment system, Customer Relations Management system). Development resources are also provided online so, staff can access courses and learn at their own pace. These courses include quality writing and te reo Māori.

Koi is our cultural intelligence app. We created Koi to help our staff learn more about New Zealand's cultures and languages, including New Zealand sign language. We have a language plan and our vision is Māori is widely spoken and a living language. We have signed a Mahi Tahī agreement with Te Taura Whiri I te Reo Māori on how we work together. We see this as integral to strengthening our commitment to learner success.

Managers and staff work together to identify their development plan. Staff interested in management have the opportunity to participate in a cross-agency aspiring leadership programme. With changes in the education sector, staff have opportunities for development through secondments.

Information is provided to a monthly organisation performance meeting on the percentage and numbers of staff leaving the organisation. Staff are offered exit questionnaires and interviews so we can understand and learn from their experiences.

Flexibility and work design

Office reallocation has aligned teams to the new structure to support team collaboration. Our videoconferencing and Skype technology is being used much more frequently to improve connection of staff working in the regional offices.

Remuneration, recognition and conditions

Using Strategic Pay benchmark data, we have moved our midpoints for our grades. Previous Careers New Zealand staff are now on consistent terms and conditions of employment as TEC staff. Some roles have been re-sized to ensure parity. We will review gender pay equity gaps now that we have staff aligned on the same remuneration ranges.

We continue to have regular meetings with the Public Service Association (PSA) on our remuneration forums and safety and wellbeing committee.

Recognition of staff performance is through the Chief Executive newsletter, Directorate meetings and Performance Management System. Our employee experience survey will enable us to seek out staff views on how we can acknowledge and recognise their input in 2019/20.

Harassment and bullying prevention

We are updating our Harassment and Bullying Prevention policy and guideline. Monitoring is done through quarterly Vitae (our employee assistance programme) reports and ad hoc reporting.

Safe and healthy environment

The Health and Safety Committee has quarterly meetings and monthly stand-ups. We have upgraded our security at reception and have had a blue light system installed that, when activated, will alert key managers and security to the area. Meetings rooms in the reception area have swipe access. More wellbeing activities are being promoted through the online wellness portal.

We have completed a paper-based exercise on our business continuity planning and tested our emergency communication channels.

The Board also receives monthly reporting on accident and incidents, lost time, sick leave and annual leave. Our domestic violence victim leave has been included in our delegations policy. GOSH provides our online health and safety system. This provides a centralised reporting of accidents and incidents and follow up on corrective actions. Staff training can also be recorded here. All staff affected by our change process had access to career transition and outplacement support throughout the process, in addition to Vitae.

Āpitianga B: Ko te mana ārahi me te noho haepapa

Appendix B: Governance and accountability

We are a Crown agent under the Crown Entities Act 2004.

We are governed by a Board of Commissioners responsible to the Minister of Education.

Our Board and the position of Chair are appointed by the Minister.

The TEC Board of Commissioners:

- › sets our strategic direction and makes decisions about funding allocations
- › monitors the performance of the Chief Executive and the organisation
- › oversees management of strategic risk.

We are jointly monitored by the Ministry of Education and the Ministry of Business, Innovation and Employment, reflecting our contribution to both education and the economy.

The Ministry of Education is responsible for tertiary education policy and we work closely with it in generating and carrying out that policy.

Our Board



Nigel Gould
(Chair)



Jenn Bestwick
(from 7 December 2018)



Vivien Bridgwater
(from 7 December 2018)



Dr Alastair MacCormick



Sir Christopher Mace



Nancy McConnell
(from 30 June 2019)



John Morris
(term ended June 2019)



Phil O'Reilly



Susan Paterson
(term ended December 2018)



John Russell
(from 30 June 2019)



Vanessa Stoddart

Audit, Risk and Compliance Committee members 2018/19

Dr Alastair MacCormick (Chair from 14 August 2017)

Phil O'Reilly

John Morris (until June 2019)

Remuneration Committee members 2018/19

Nigel Gould

Sir Christopher Mace

Vanessa Stoddart

Phil O'Reilly

Āpiti hanga C: Kuputaka

Appendix C: Glossary

| | |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ACE | Adult and Community Education – community-based education that provides adults with foundation skills and pathways into other learning opportunities that meet identified community needs and funded priorities. |
| CAPEs | Centres of Asia Pacific Excellence – CAPEs are committed to enhancing New Zealand’s economic engagement and cultural understanding with the Asia-Pacific region, and building New Zealanders’ understanding and ability to engage. |
| CoREs | Centres of Research Excellence – inter-institutional research networks with researchers working together on a commonly agreed work programme; each hosted by a university and generally comprising a number of partner organisations, including other universities, Crown Research Institutes and wānanga. |
| EFTS | Equivalent full-time students – the main unit of measurement of the consumption of education (with one student enrolled in a programme of study full time for the full year equating to 1.0 EFTS); also the basic unit of measurement of tertiary teaching input for Student Achievement Component funding. |
| EPMO | Enterprise Portfolio Management Office (EPMO) - established to operate at the strategic level to ensure the organisation’s project, programme and portfolio selection, governance and delivery activities are managed in a consistent, transparent and robust way. |
| Gateway | A programme available to state and integrated schools to support senior secondary students undertaking structured workplace learning across a range of industries and businesses, while continuing to study at school. |
| Industry training organisations | Industry-specific bodies recognised under section 5 or 8(1) of the Industry Training and Apprenticeships Act 1992 that facilitates workplace learning for trainees in employment by setting national skills standards for their industry. |
| ItF | Inspiring the Future – a programme that seeks to tackle unconscious career biases, by bridging the world of work with the world of school. It is an opportunity to raise aspirations, support children’s growing understanding of personal identity and help bring learning to life. |

| | |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Institutes of technology and polytechnics | Institutes of technology and polytechnics focus on delivering technical vocational and professional education up to degree and postgraduate levels. |
| NCEA | National Certificate of Educational Achievement – the set of national qualifications for senior secondary school students. |
| NZQA | New Zealand Qualifications Authority – a Crown entity charged with approving qualifications and components, and registering and accrediting tertiary education institutions (other than universities) to deliver against these qualifications and/or assess against standards. |
| NZQF | New Zealand Qualifications Framework – the list of all nationally registered qualifications, arranged into ten levels from foundational school and tertiary qualifications (including NCEA) through to doctorates. |
| PBRF | Performance-Based Research Fund – a fund established to ensure that excellent research in the tertiary education sector is funded and rewarded. The PBRF is accessed by universities, institutes of technology and polytechnics, wānanga and private training establishments. |
| RoVE | Reform of Vocational Education – a Government initiative to create a unified and cohesive vocational education and training system and help New Zealanders prepare for the future of work. |
| SAC | Student Achievement Component – the Government’s contribution to the direct costs of teaching and learning and other costs driven by learner numbers; the largest single government fund that supports tertiary education. |
| Tertiary education institutions | Providers of tertiary education that are Crown entities under section 162 of the Education Act 1989; namely universities, institutes of technology and polytechnics and formally established wānanga. |
| Tertiary education organisations | The overarching term for all public, private or community-based organisations that offer tertiary education or tertiary-related services. |
| VET | Vocational education and training. |
| Youth Guarantee | An initiative to provide a variety of opportunities for young people, alongside or instead of senior secondary school, to achieve an NCEA level 2 or equivalent qualification. This includes Fees Free tertiary places for those aged 16-19. |



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