



**Tertiary
Education
Commission**
Te Amorangi
Mātauranga Matua



Annual Report

for the year ended 30 June 2018

Our purpose is to help all New Zealanders prosper through tertiary education and careers services

This annual report for the year ended 30 June 2018 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 2015/16-2018/19* and the performance measures in our *Statement of Performance Expectations 2017/18*.

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. 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. This year has seen a significant expansion of our role to include the careers system.

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



 **\$3.0b**

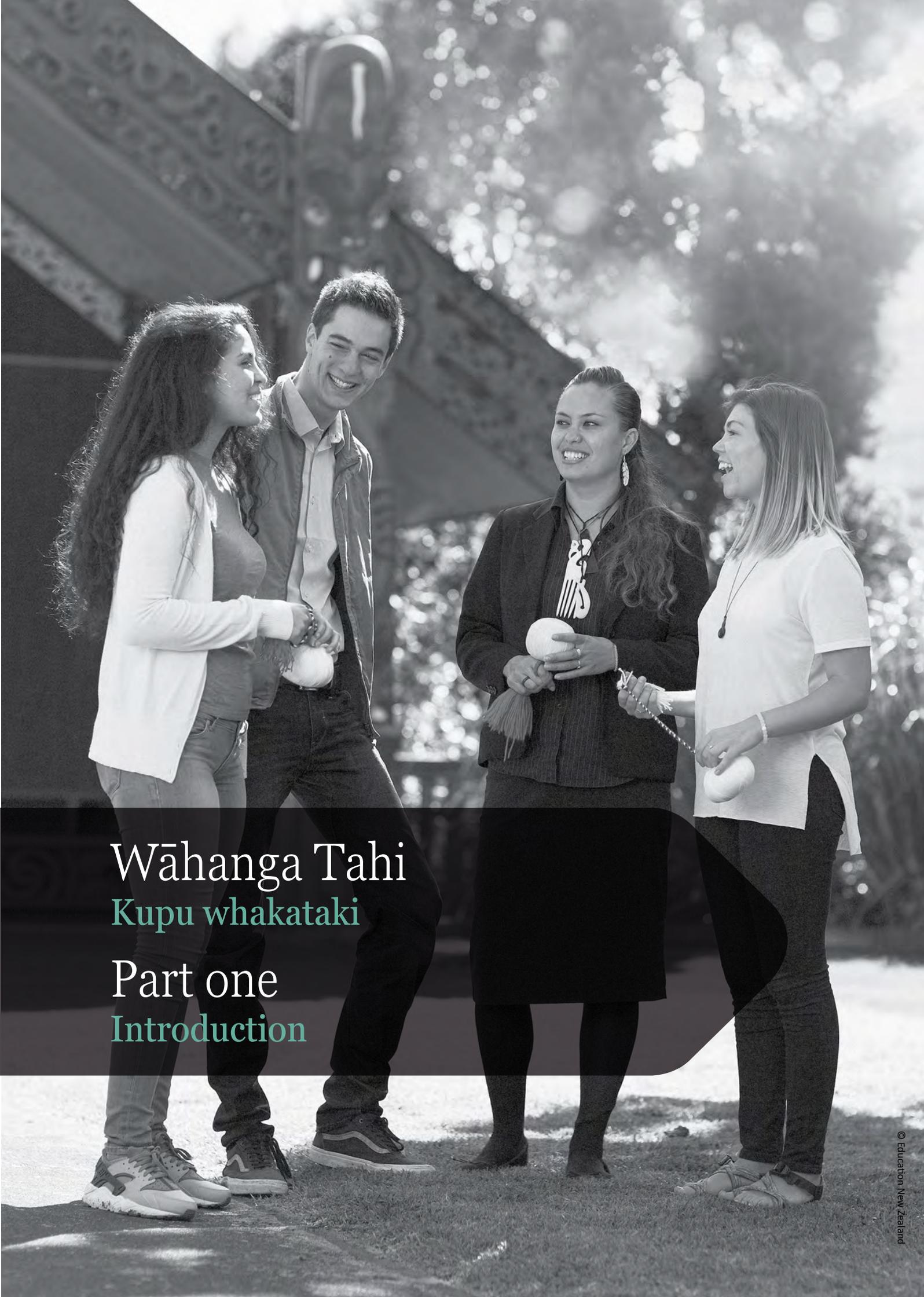
In 2017/18 we invested approximately
\$3.0 billion into the tertiary education system through funding:



* 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 te hunga ākongā tonu te uho o ā mātou mahi, nā te aronga hou kātahi ka hāngai tūturu tonu ki a mātou mahi.”

Board Chair's foreword

He tau tupu tēnei mō Te Amorangi Mātauranga Matua

Ka kitea i roto i te pūrongo ā-tau ki te mutunga o 30 Pipiri 2018 te panonitanga nui mō Te Amorangi Mātauranga Matua, (the TEC), mai rā anō i tōna tīmatanga. I whakawhānuitia te aronga ā-ture (legislative), i te 1 Hōngongoi 2017 mai i te whakawhitinga mai o ngā mahi me ngā ratonga o Rapuara, Careers New Zealand. Puta noa te tau, ko tā mātou he whakautu i ngā hiahia o te ao mātauranga, ao whakangungu, ao rapu mahi hoki.

Ko te hunga ākongā tonu te uho o ā mātou mahi, nā te aronga hou kātahi ka hāngai tūturu tonu ki a mātou mahi. E whai wāhi ana mātou ki te panoni i ētahi āhuatanga o te pūnaha mātauranga matua, pūnaha ara mahi hoki i runga i te mōhio ki te tika mai ēnei ritenga, ka pai kē ake mā ngā ākongā. He whakatakoto i ngā tūāpapa mō ētahi atu panoni ki te pūnaha whānui, ā, ko te Rautaki mō te Pūnaha Ara Mahi Hou tētahi o ēnei āhuatanga. Mā te whakamahi i ngā reo, i ngā wheako, i ngā pūkengatanga o ā mātou kiritaki me ngā whakahoatanga e o ai te hanga o tētahi rautaki hei tautoko i te hunga kaimahi o Aotearoa, kia māia, kia angitu i roto i tēnei ao hurihuri.

I ngā tau kua pahure, he whai hua te ōhanga o Aotearoa, he maha ngā mahi, ā, ka aro kē te tangata ki te mahi tērā i te whai i ngā ara mātauranga, ara whakangungu hoki. Nā tēnei tū āhuatanga i mimiti te aro o te hunga ākongā ki ngā Kura Takiura me ngā Kuratini. I te tau 2017/18 ka puta he hōtaka mahi hei pupuri ngā Kura Takiura me ngā Kuratini i roto i ngā tau roa. Koinei tētahi o ngā tino mahi mō te tau 2018/19.

Kia rite hoki mātou ki te urupare i ngā panonitanga hou o ngā pūnaha mātauranga matua, ara mahi hoki, kua tīmata tā mātou whakaumu i te Amorangi Mātauranga Matua (TEC). Mā te whakauru i tētahi anga me tētahi taura mahi hou, ā, ka rite hoki mātou ki tautoko i te hōtaka mahi mātauranga a te Kāwanatanga. Ko te tautoko i te panoni i ngā taumata ā-pūnaha, kia kounga, kia pūmau tonu te mātauranga ringarehe pērā i te hōtaka a Te Tāhuhu o te Mātauranga mō te mātauranga ringarehe me te pūnaha whakangungu. Ā, kei te whai wāhi hoki mātou ki te arotakenga o te Rautaki Mātauranga Matua a te Kāwanatanga.

Ko tētahi mea nui ki a mātou ko te angitu o ngā tāngata katoa o Aotearoa katoa, pērā i ngā Māori me te hunga Pasifika, koinei ētahi wāhanga hei whakapakari mā mātou. E taea ai tēnei me tautoko pai i ngā pūnaha mātauranga matua, ara mahi hoki kia puta ai ngā ākongā ki te angitu. I te tau 2017/18, i whakakahatia e mātou te tautoko i te angitu o te hunga Māori, Pasifika hoki mā te whakarite i ngā whāinga i te taha ki ngā kaiwhakarato mā te whakapai ake i te āheinga ā-roto. Ina kōkiri whakamua ana te TEC, ka noho pūmau tonu mātou ki te tautoko i te hunga ako kia angitu, nā runga i ngā pūrongo i tukuna, nā runga hoki i te āhua o te tautoko me te mana whakaawe o ngā pūnaha mātauranga matua, pūnaha ara mahi hoki.

Mā ā mātou mahi i tēnei tau e whakaatu ki ahau, kua rite te TEC ki te urupare ki ngā panoni kua whakatōkia, me ngā panoni e haere ake ana. Hei whakakapi, kia huri ake ki tēnei whakataukī e pupuri nei i tā mātou kaha hiahia ki te āwhina i ngā tāngata katoa o Aotearoa, kia whai hua i roto i ngā mahi mātauranga matua me ngā ratonga ara mahi, me te panoni i ngā ao mātauranga, ao whakangungu, ao mahi hoki:

E mātahi ana, e mataara.

Work together as one, seek out opportunity.

Nigel Gould

Board Chair, Tertiary Education Commission

It has been a year of growth for the Tertiary Education Commission

This annual report for the year ending 30 June 2018 marks the biggest shift in the role of the Tertiary Education Commission Te Amorangi Mātauranga Matua (the TEC) since its inception. Our legislative functions expanded on 1 July 2017 following the transfer of functions and services of Careers New Zealand. Over the year we had a particular focus on responding to the rapidly changing worlds of education, training and work.

Learners have always been at the heart of what we do, and this is truer than ever with our new expanded role. We're contributing to fundamental changes to the tertiary education and careers systems because we know getting these settings right matters for learners. We're laying the foundations for further significant system-wide change – our ongoing work on a new Careers System Strategy is an example of this. Through using the voices, experiences and expertise of our customers and partners we are developing a comprehensive strategy that will support all New Zealanders to be career confident in the changing world of work.

In recent years New Zealand has had a strong economy with high employment and high labour market participation that has meant more people opting for employment over further education and training. This change in demand has had an impact on institutes of technology and polytechnics, with many facing issues of sustainability. In 2017/18 we initiated a programme of work to safeguard the long-term health of New Zealand's institutes of technology and polytechnics subsector. This work remains a key area of focus in 2018/19.

To position ourselves to respond to the ongoing changes in the tertiary and careers systems, we've started transforming the TEC. Through implementing a new structure and operating model, we're well placed to support the Government's education work programme. In particular, we're supporting system-level change that will provide high-quality and sustainable vocational education, such as the Ministry of Education-led programme of change for the vocational education and training system. We're also actively contributing to the review of the Government's Tertiary Education Strategy.

Supporting the success of all New Zealanders, including Māori and Pasifika learners, is one place where we're already working towards positive change. To achieve this, we need to support the tertiary education and careers systems better so they can ensure the success of all learners. In 2017/18, we ramped up our focus on supporting Māori and Pasifika success by setting clear targets with providers and building our internal capability. As the TEC moves forward, we'll remain committed to supporting all learners to succeed through our investments, the information we provide and our influence on the tertiary education and careers systems.

Our work over the last year has really demonstrated to me that the TEC is well placed to respond to the change that is already here and the change that is yet to come. In closing, I'd like to share a whakatauki that captures how we're working to help all New Zealanders prosper through tertiary education and careers services in the changing worlds of education, training and work:

E mātahi ana, e mataara.

Work together as one, seek out opportunity.



Nigel Gould

Board Chair, Tertiary Education Commission

“Learners have always been at the heart of what we do, and this is truer than ever with our new expanded role.”



“E whakahou ana mātou i tō mātou whakahaere kia pai ake ai te whakarato i te whānuitanga o tō mātou turanga hou.”

Chief Executive's message

E panoni ana i a mātou anō hei whakapakari i ngā pūnaha mātauranga matua, ara mahi hoki

He tau nui tēnei mō mātou te Amorangi Mātauranga Matua. I tīmata ake te tau i te hurihanga o mātou hei ūmanga ara mahi a te Kāwana – he huarahi mā mātou kia whai wāhi atu ki te angitu me te oranga o te hunga ako o Aotearoa. I tua atu i te pōhiri mai i ngā kaimahi o Rapuara Aotearoa, Careers New Zealand i te 1 Hongongi 2017, ko tētahi atu tutukitanga nui ko te tīmata ki te whakahou ngātahi i te Rautaki Pūnaha Ara Mahi. Tōia mai ngā mātanga o te ao mātauranga me te ao pakihi, tae atu ki ō mātou whakahoatanga puta noa i ngā tari Kāwanatanga ki te whakatakoto tūāpapa mō tētahi rautaki mō Aotearoa mō ngā rā e heke mai ana.

E whakahou ana mātou i tō mātou whakahaere kia pai ake ai te whakarato i te whānuitanga o tō mātou turanga hou. I tohua te ingoa Kia Rite hei kawē i te whakaaro mō tēnei tukanga. Kua whakapāhia ngā mea me whakapai ki te hanga anga aronga tahi me tētahi tauira mahi e tutuki ai ngā korounga ā-rautaki. Mā tēnei anga hou me ngā ritenga mahi hou e tutuki ai te manahau, te hangoretanga me te manatū o ngā panoni o ngā pūnaha mātauranga matua, ara mahi hoki o Aotearoa.

Kei te mōhio ake mātou me panoni ka tika, te whakatau i te rerekē o ngā putanga mō te hunga Māori, Pasifika hoki. Ko te mahi tuatahi a Kia Rite, ko te hanga i tētahi rōpū hou, Ōritetanga – Akonga Angitu, kia hāngai ngā mahi puta noa i te whakahaere. Kua kotahi te whakaaro ki te hanga tikanga ahurea mō te tangata, kia whai rawa ai rātou mō ā mātou kiritaki.

Nā tō mātou kaupapa Akoranga Utu Kore mo te tau 2018 i whakawhiwhia mātou ki te *Prime Minister's Award for Public Sector Excellence* me te *Achieving Collective Impact Award* mai i te *Institute of Public Administration New Zealand*. Te kawē kaupapa here hou mai i te whakaaro, ki te whakaahua, ki te whakatinanatanga, i roto i te wā poto tētahi hua o te mahitahi me ō mātou whakahoatanga. Ko tāku, me mihi ka tika, ki te wairua ngātahi i waenga i Te Tāhuhu o te Mātauranga, te Manatū Whakahiato Ora me te Tari Taake, i ō ai tēnei kaupapa o te akoranga utu kore.

Ahakoā ngā mahi hou, e hāngai tonu ana mātou ki te whakapakari ake i a mātou tukanga tuku pūtea tautoko, tukanga aroturuki hoki. Kua tōia mai te wātaka kia tere oti ai ta mātou rāuna whai pūtea mō te tau 2018, tae atu ki ngā pārongo me ngā aratohu mā te hunga tono. Mā tēnei āhuatanga e āwhina i a mātou ki te whakarite tika i ngā tahua me te āwhina hoki i ngā ratonga mātauranga matua ki te whakamahere hoki. E haere tonu ana a mātou mahi me umanga ki te tohu tika i te Tāhuhu o te Mātauranga, ki te huarahi pai e tupu, e whai hua hoki te rāngai mātauranga matua.

Atu i te tuku pūtea tautoko, ka hangore, ka hihiri haere ngā mahi aroturuki. E mahitahi ana mātou me te rāngai ki te whakapiki ake i ngā āheinga, ki te whakaanga hoki ki ngā take tautukunga, kia tika te haere, kia tika ngā tahua, kia kounga hoki ngā ratonga mātauranga mō ngā tāngata katoa o Aotearoa.

Hei whakakapi ake i ngā kōrero, me mihi ka tika ki ngā kaimahi katoa o TEC, e whakapau kaha nei, e ngākau tapatahi nei ki te kaupapa i tēnei tau tino rerekē. Nōku te hōnore ki te ārahi i tēnei rōpū ngaio, i tēnei rōpū ngākau pono, me taku mōhio anō, ko TEC he wāhi e paingia ana e te kaimahi. I au ka tiro whakamua, e mōhio pai ana ahau e rite ana mātou ki te āwhina kia whai hua te ngā tāngata katoa o Aotearoa.

Tim Fowler

Chief Executive, Tertiary Education Commission

We are transforming ourselves to improve the tertiary education and careers systems

It's been a big year for the Tertiary Education Commission. We kicked off the year by becoming the Government's careers agency – an opportunity for us to make an even bigger difference to the success and wellbeing of New Zealanders. Alongside welcoming the staff of the former Careers New Zealand on 1 July 2017, a big achievement this year was starting the co-design of the Careers System Strategy. We pulled in expertise from the worlds of education and business, alongside our partners across government, to lay the foundations for building a bold strategy for New Zealand's future.

We are redesigning our organisation to effectively deliver our new and broader role. We chose the name Kia Rite for this process, which translates as 'be prepared'. We've built on past improvements to create an integrated structure and operating model to achieve our strategic intentions. This new structure and way of working will give us the resilience, flexibility and effectiveness to achieve real change in New Zealand's tertiary education and careers systems.

We know we need to change how we're addressing parity of outcomes, especially for Māori and Pasifika learners. Kia Rite included creating a new team, Ōritetanga – Learner Success, to focus our efforts and work strategically across the organisation. We've also committed to building the cultural intelligence of our people, so they're better equipped to serve the full range of our customers that we serve.

Delivering fees-free tertiary education for 2018 won both the Prime Minister's Award for Public Sector Excellence and the Achieving Collective Impact Award from the Institute of Public Administration New Zealand. Taking a complex new policy from concept to design and implementation in such a short space of time also recognised what can be achieved when we successfully partner with our government colleagues. I'd like to acknowledge the collaborative, cross-agency effort from the Ministry of Education, the Ministry of Social Development and Inland Revenue in successfully delivering fees-free tertiary education.

With all this new work going on, we haven't lost sight of the need to improve our existing investment and monitoring processes. Our 2018 investment round has an earlier timeline and a growing suite of user-friendly information and guidance. This will help us to make better funding decisions and help tertiary education providers to plan effectively. We're also continuing to work with our partner agencies to advise the Minister of Education on how the tertiary funding system can better enable growth and innovation in the tertiary sector.

Along with our investment, our monitoring continues to become more flexible and proactive. We're working with the sector to raise capability and address compliance issues so that tertiary education organisations are well managed, financially sustainable and provide quality education services for all New Zealanders.

In closing, I'd like to acknowledge all the staff of the TEC for their hard work, commitment and professionalism during this busy year of change. I am proud to lead a talented, passionate workforce and to know that the TEC is well respected as an employer of choice. As I look ahead I'm confident that we're prepared to help all New Zealanders prosper.



Tim Fowler
Chief Executive, Tertiary Education Commission

“We are redesigning our organisation to effectively deliver our new and broader role.”



The nature and pace of change in our operating environment is increasing

The world of education, training and work is changing fast. Global megatrends and local economic shifts are reshaping the education system, expectations of the workforce and even the nature of work itself. This will see more and more New Zealanders upskilling and reskilling over their working lives.

In 2017/18 the strong New Zealand economy led to high employment and labour market participation rates. With more learners opting for employment over further education and training, the tertiary education sector has been adapting to shifting demand. This has had a significant impact on institutes of technology and polytechnics.

Our role grew significantly when the functions and services of Careers New Zealand transferred to the TEC on 1 July 2017. This gave us a broader opportunity to influence the whole education-to-employment journey – from school to tertiary education and work. Along with the broader changes in our operating environment, this has created opportunities and challenges for us to ensure that the tertiary education and careers systems grow and innovate for the benefit of all New Zealanders.

We are proud of what we achieved in a year of change

2017/18 was a busy year, with many achievements, including:

- › seeking to build a system that better supports Māori and Pasifika success (see page 17)
- › starting to shape a new Careers System Strategy (see page 18)
- › working with the tertiary sector through our ITP Roadmap 2020 project (see page 23)
- › implementing a new structure and operating model through our Kia Rite process (see page 35).

“Our role grew significantly when the functions and services of Careers New Zealand transferred to the TEC on 1 July 2017.”

Our strategy



We reshaped our strategy
to respond to our opportunities
and challenges

OUR STRATEGY HAS TWO STRATEGIC INTENTIONS:



Whakangākau
Champion



Tautoko
Invest

THESE TWO STRATEGIC INTENTIONS ARE SUPPORTED BY THREE ENABLERS:



Tangata
People



Mōhiotanga
Knowledge



Mahi Ngātahi
Partnership

Our strategy informs our performance framework

Our strategic intentions and enablers help us make a difference for the tertiary education and careers systems. This is shown on our performance framework. The next two parts of this annual report give detail about how we realised our strategy in 2017/18.

Through our strategy, we give effect to the Tertiary Education Strategy. The Tertiary Education Strategy sets out the Government's long-term direction and medium-term priorities for tertiary education. We are contributing to revising the Tertiary Education Strategy, along with the Ministry of Education and other partners.

Our strategy also supports Government's goals for the wider education sector expressed through the Education Work Programme.

Over the last 12 months we have started to refresh our performance framework. This is a process of continuous improvement and further changes will be informed by the revised Tertiary Education Strategy, wider Government priorities and the implementation of our new operating model.

Our performance framework

shows the difference we want to make for the tertiary education and careers systems

WHY

Why we are here – our purpose

We help all New Zealanders prosper through tertiary education and careers services

The difference we intend to make – our impacts

What we want to achieve for the tertiary education system.

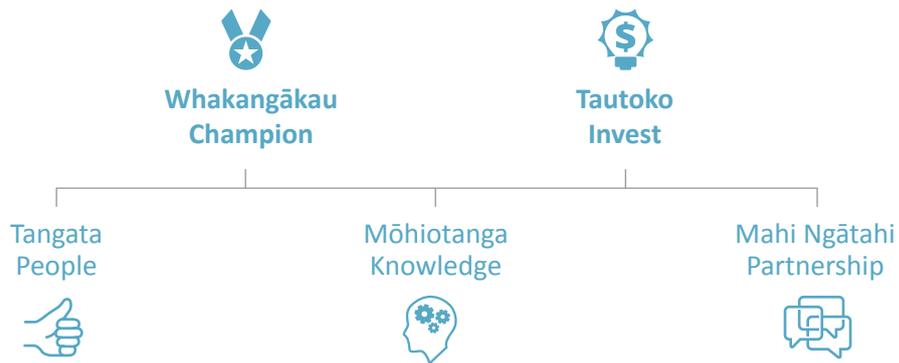
- › An increased proportion of the population with a tertiary qualification
- › A tertiary system that is more responsive to the needs of employers and learners
- › Higher quality and more relevant research.

What we want to achieve for the careers system.

- › Better connections between employers and educators to improve pathways linking learning and work
- › Improved careers support for New Zealanders from career influencers
- › New Zealanders can easily find and access the digital tools and resources that meet their needs.

WHAT

What we do – our organisational strategy



HOW

How we invest – tertiary education sector outputs

- Teaching and learning
Research
Benefits or related expenses

How we operate – our operational outputs

- Administration of and support for the tertiary sector
Administration of and support for the careers system



Wāhanga Rua

Ko tā mātou he kōkiri i te wawata me te tautoko kia tipu ngā pūnaha mātauranga matua, ara mahi hoki

Part two

We champion aspiration and invest in the tertiary education and careers systems



Whakangākau | Champion

“Our collaborative work to implement the Fees Free policy was recognised at the 2018 Institute of Public Administration New Zealand awards ceremony.”

Champion, for us, means equipping all New Zealanders with the skills that will allow them to have sustainable employment for as long as they need to. Through our investments in the tertiary education and careers systems, we provide opportunities for all New Zealanders to access lifelong learning and get tertiary qualifications.

This has been a major area of change, with our champion mandate expanding in 2017/18 to include providing high-quality information about learning and work and strengthening connections between education and employment.

Our key areas of focus in 2017/18 were:

- › implementing the operational processes for the Fees Free policy (see below)
- › seeking to raise the achievement of Māori and Pasifika learners (see page 17)
- › starting to co-design a Careers System Strategy (see page 18)
- › maintaining delivery of existing careers services in a year of change (see page 19)
- › growing adult literacy and numeracy skills (see page 20)
- › supporting skilled migrants to successfully develop their careers in New Zealand through our Work Connect programme (see page 20).

We successfully implemented the Fees Free policy

The Fees Free policy provides a year of fees-free tertiary education for new students, and came into effect on 1 January 2018. We were chosen as the lead agency for designing and implementing the operational processes for the policy. This is another area in which our role broadened during the year.

Our collaborative work to implement the Fees Free policy was recognised at the 2018 Institute of Public Administration New Zealand awards ceremony where we won both the Prime Minister’s Award for Public Sector Excellence and the Achieving Collective Impact Award, alongside our partners, the Ministry of Education, the Ministry of Social Development and Inland Revenue.

Among the processes we designed and implemented were funding allocations for tertiary education organisations and eligibility checking for learners. We’ve also had high public awareness and engagement through our help desk and dedicated Fees Free website.

We are working closely with key stakeholders, such as the Ministry of Education, tertiary education organisations, student representative groups and other agencies on potential policy and process improvements for Fees Free in 2019.

We are changing the way we work to boost the achievement of Māori and Pasifika learners

Delivering good outcomes for all New Zealanders is a key focus for our next investment round and this means doing much better for Māori and Pasifika. We want to ensure that 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 a big goal to reflect this: by 2022, we want to achieve patterns of participation and achievement for Māori and Pasifika in tertiary education that are the same as for other learners and that will deliver comparable post-study outcomes for graduates over time.

To support our focus on parity, we established a new Ōritetanga – Learner Success directorate in 2017/18. We also set out our expectations in our investment briefs, including:

- › increasingly directing our investment to close participation, retention and achievement gaps for Māori and Pasifika learners
- › targeting our investments by approving plans that include evidence-based initiatives that will make a much bigger contribution to reduce disparities in participation, retention and course completion
- › reducing our investment in provision with poorer post-study outcomes and using this funding to increase investment in better performing provision
- › helping tertiary education organisations build their own capability to self-assess and make the organisational changes necessary to support staff to do their best to help learners succeed.

We are prototyping initiatives that learn from Georgia State University's parity success

We are working with three tertiary education organisations around designing and implementing prototype initiatives to support learner success. These will be similar to the highly successful initiatives applied by Georgia State University in the United States. Underpinning Georgia State University's approach is a widespread use of predictive analytics based on the data of seven years of student progress. Georgia State University has used the data to spot patterns in student progress, then used these patterns to design and target interventions. This means students' needs for additional support are met as soon as they are apparent or even before they appear.

Our new Careers System Strategy will support New Zealand's future success

When we took on our new careers functions on 1 July 2017, we were given an excellent opportunity to co-design a new strategy for the whole careers system. During the year we started to develop the strategy through partnering closely with people from across the careers system, including business, government and educators. Once finalised, the strategy will aim to ensure that every New Zealander has the opportunity to have a fulfilling career and sustainable income for as long as they choose to work.

In 2018/19 we will move into implementation and this will include:

- › designing and developing benchmarks for good careers practice in the workplace that build on our existing suite of careers benchmarks for schools and tertiary education organisations
- › refreshing the careers.govt.nz website and trialling new tools
- › reviewing our Literacy and Numeracy implementation strategy
- › developing brokerage services to connect employers to education organisations
- › supporting the Ministry of Education in school-based careers services
- › supporting broad government priority programmes in the Ministry of Business, Innovation and Employment and the Ministry of Education.

We will continue to partner and co-design with other agencies and organisations to ensure all New Zealanders have access to good information, tools, resources and products to support them through their life of education and employment.

Equipping all New Zealanders to be career confident in the changing world of work

Traditionally, career services in New Zealand have prioritised supporting young people to transition from secondary to tertiary education or into the workplace. However, as the Careers System Strategy work has progressed we have recognised the need to support people already in employment as well as young people in education and employment settings.

As the world of work continues to change, New Zealanders will not be able to choose a 'job for life' as current and previous generations have done. People will increasingly need the confidence, resilience and skills to steer their careers through periods of technological disruption.

To effectively respond to the changing world of work, the careers system needs to expand its focus to meet the needs of New Zealanders of all ages. This means supporting lifelong learning that emphasises the development of skills and competencies, rather than a narrow focus on jobs and qualifications.

We maintained delivery of existing careers services throughout our business transformation

Alongside our development of the Careers System Strategy, we have continued to deliver careers information, tools and services to support New Zealanders.

We improved pathways linking education to work

During the year we delivered two main TEC-led initiatives: Industry-Focused Events and Work Inspiration. These events are often promoted in sectors with skills shortages and where there are opportunities to support people with career planning. The results were positive – in 2017/18 young people's satisfaction in attending the events was 91% (up from 85% in 2016/17) and employer satisfaction was 72%.

An area of focus was strengthening education to employment pathways in the primary sector. We held workshops and events with educators and employers to promote pathways and help address skills shortages and we developed partnerships with New Zealand Young Farmers and the Primary Industry Capability Alliance. We also contributed to the Career and Education Hub at the New Zealand National Fieldays.

Our digital tools and resources supported New Zealanders with their learning and work choices

We provide information and tools to support New Zealanders' learning and work choices through our careers.govt.nz website. The website's reach continued to grow in 2017/18 and although there was a small drop in our customer satisfaction compared with last year, the results were still positive with 79% of users agreeing that the careers.govt.nz website was easy to use and 73% of users agreeing that the content on the careers.govt.nz website was relevant to their needs.

We worked with career influencers across New Zealand

In 2017/18 our professional career development services supported educators and influencers in schools, tertiary education organisations, families and other groups, including iwi and community organisations.

We are delivering career education professional development services to schools on behalf of the Ministry of Education throughout 2018. The Ministry of Education is currently leading the future model for careers education in schools, which will form one part of the overall careers system approach.

Our investments in adult literacy and numeracy skills helped to improve people's lives and build more productive workplaces

In recent years there has been an increase in employers supporting workplace literacy and numeracy. Feedback has shown that there have been positive outcomes for employees and employers, including productivity enhancement, greater confidence, skill development and career progression.

In 2017/18 we worked with the Mayor's Taskforce for Jobs, through the Skills Highway programme, to ensure more employers in smaller cities and towns can access workplace literacy and numeracy opportunities. In coming years we aim to increase the reach of workplace literacy and numeracy provision as we implement the new Careers System Strategy.

During the year we also invested in adult literacy and numeracy through:

- › continuing to develop our online tools that support literacy and numeracy learners. This includes Pathways Awarua, an online tool for adults and young adults that is used in 404 tertiary organisations and 252 secondary schools
- › collaborating with the Commission for Financial Capability to create the My Money pathway. This helps to develop competence in money management and financial decision-making
- › supporting the wider sector to build their capability. We contracted Ako Aotearoa, the National Centre for Tertiary Teaching Excellence, to develop a new literacy and numeracy capability building model that will roll out from 2019.

Through our Work Connect programme we are supporting skilled migrants to successfully develop their careers in New Zealand

Work Connect is a tailored career programme that supports migrants to be work ready for the New Zealand job market. It is part of Government's Settlement Strategy that focuses on the economic contribution of migration to New Zealand.

We have a four-year contract with the Ministry of Business, Innovation and Employment (MBIE) to provide services to 3,850 migrants in Auckland, Hamilton, Wellington and Christchurch. Eligible participants are either skilled migrants, their partners and adult children, or they are international student graduates at level 7 and above.

During the year, 677 migrants completed the programme. After completing the programme:

- › 98% of participants reported they were satisfied with the programme
- › 93% of participants increased their confidence to find the right job
- › 37% were able to find work within three months.

A key to the success of Work Connect has been our partnership with MBIE. This partnership has helped us to market the programme through numerous channels and connect us to MBIE's regional networks.

Impact: an increased proportion of the population with a tertiary qualification

One of the ways we will know we are making a difference to the tertiary education and careers systems is if an increased proportion of the population has a tertiary qualification. However, the ongoing lower demand for tertiary education influenced a number of our performance results. For example, a strong economy with relatively low unemployment and high labour participation rates has meant that more learners have chosen to go into employment rather than enter or remain in education.

Measures of progress

Measures	Actual 2017	Target 2017	Actual 2016	Actual 2015
Proportion of 18-year-olds with National Certificate of Educational Achievement level 2 or an equivalent qualification	(Note 1)	(Note 1)	84.6%	83.3%
Proportion of 25- to 34- year-olds with a qualification at level 4 and above on the New Zealand Qualifications Framework (NZQF)	57.7% (annual average to December 2017)	58.7% (Note 2)	57.2% (annual average to December 2016)	54.7% (annual average to December 2015)
Proportion of students with NZQF levels 1-3 progressing to study at higher levels within 2 years	33.2%	38.1%	33.1% (Note 3)	32.1% (Note 3)
Percentage of equivalent full-time students funded through Student Achievement Component fund that were Māori at NZQF level 4 and above	18%	Increase	19%	18%
Percentage of Student Achievement Component-funded equivalent full-time students that were Pasifika at NZQF level 4 and above	9%	Increase	9%	9%
Percentage of equivalent full-time students under the age of 25 funded through Student Achievement Component fund at NZQF level 4 and above	64%	Increase	63%	64%
Proportion of graduates who are employed two years after completing a qualification at NZQF level 4 or above	Information not available until 2019 (Note 4)	Increase	61% (2013 graduates)	61% (2012 graduates)
Earnings of graduates who are employed two years after completing a qualification at level 4 or above	Information not available until 2019 (Note 4)	Maintain or increase	\$43,748 (2013 graduates)	\$42,223 (2012 graduates)

Note 1 – This Better Public Services target was retired in 2016 and replaced with a measure that was not relevant to the tertiary system. The Better Public Services programme was discontinued by the Government in January 2018.

Note 2 – The overall target is 60% annual average to December 2018. This measure was also part of the discontinued Better Public Services programme.

Note 3 – Figures for previous years have been revised to reflect the latest completions data received from tertiary education providers. Consequently, these figures will differ from those reported in previous annual reports.

Note 4 – There is a lag in graduate earnings data being available. The data is obtained through the Statistics New Zealand Integrated Data Infrastructure, which means there are also lag times for loading and extracting the data. The 2016 data (relating to 2013 graduates) was released in 2018 and is the latest graduate earnings data available. 2017 graduate data is not available until 2019. Access to the anonymised data used for the calculation of the graduate employment rates and earnings was provided by Statistics New Zealand in accordance with security and confidentiality provisions of the Statistics Act 1975, and secrecy provisions of the Tax Administration Act 1994.



Tautoko | Invest

The invest element of our strategy is about achieving better results for all learners, better social and economic results for New Zealand and more effective system stewardship. This supports our champion work through ensuring that high-quality and accessible tertiary education opportunities meet the needs of learners, communities, iwi and employers.

In recent years we have worked to make our tertiary investment more responsive to evidence about demand and performance. We have improved the information available to us, to tertiary education organisations and to learners to support good decision-making about tertiary investments.

We have also begun to shift investment between providers and between funds more quickly to better match demand. Looking ahead, we will continue to seek more flexibility in the funding system to enable capable providers to innovate in their delivery. This will require a careful shift away from inputs toward output- and outcome-based performance management.

In seeking to open up the system, we also need strong monitoring capability, so that our investments are being used for the purposes intended and are delivering results. To achieve this we have made significant changes in our monitoring and Crown ownership capability in 2017/18, as well as undertaking a large and ongoing project focused on the ITP subsector.

In 2017/18 our key areas of focus to deliver our invest strategy were:

- › supporting system-level change that will provide high-quality and sustainable vocational education (see page 23)
- › changing the way we invest to meet the needs of learners and providers (see page 24)
- › building the system's capability to deliver skills for industry through a range of initiatives (see page 25)
- › continuing to improve our monitoring work (see page 27)
- › investing in research capability and rewarding research excellence (see page 28)
- › growing international linkages (see page 30).

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

New Zealand needs a strong and resilient ITP subsector that delivers high-quality vocational education and training in every region in New Zealand. However, many ITPs are facing concerns about their long-term sustainability, with student numbers in decline owing to a range of inter-related factors. In 2017/18 we initiated a programme of change that will safeguard the long-term health of New Zealand's ITP subsector.

Our operational work is happening alongside significant policy review work led by the Ministry of Education, including its broader programme of change for the vocational education and training (VET) system. The wider VET system is critical to providing learners with the skills that employers need. Through our evidence-based advice, we are supporting the work programme to consider the skills that the VET system should be providing and how the funding framework can best support it.

We are working with institutes of technology and polytechnics through our ITP Roadmap 2020 project

Institutes of technology and polytechnics are vital in preparing young people for work, as well as supporting adults to retrain in a rapidly changing economy. They also make a significant contribution to their local economies and communities.

However, many of New Zealand's 16 ITPs are facing significant financial challenges, with domestic student numbers having reduced by nearly a third in the past ten years. This is owing to a range of factors, such as changing demographics, a strong labour market, increased retention at secondary schools and competition from universities and private training establishments. Although some ITPs have remained financially strong, many have struggled to adjust to falling enrolments and income.

The challenges facing New Zealand's ITPs are pressing and threaten the viability of the sector. We established the ITP Roadmap 2020 project to work with ITPs and their communities so that we can develop options to make the sector more sustainable and agile. The project involves a significant programme of regional engagement, with visits to each of the 16 ITPs around New Zealand to meet with ITP governors, management teams, staff, students and community stakeholders. It also involves a large element of facilitated co-design with sector participants and stakeholders.

This work is ongoing in 2018/19 and there is no predetermined solution.

“In 2017/18 we initiated a programme of change that will safeguard the long-term health of New Zealand's ITP subsector.”

Our investment is changing to meet the needs of learners and providers

The current tertiary funding system has elements of inflexibility that constrain us, and tertiary education organisations, from responding to the diverse needs of learners in a timely way.

We are working with agencies to refine and improve how we fund to give us more flexibility. This will allow us to encourage and reward good performance across the sector. It will also give tertiary education organisations the room to build their capability and to develop and trial innovative approaches to delivery.

We will increasingly be using learner outcome measures, particularly for Māori and Pasifika learners, to inform our investment decisions.

We improved the processes in our 2018 investment round

Each year we work with tertiary education organisations to develop investment plans and allocate funding. The 2018 investment round was run in 2017/18, preparing for funding delivery in 2019-2020. In 2017/18 we have continued to improve our investment approach and processes by:

- › shifting our timeline earlier to give tertiary education organisations more certainty and more time to prepare for delivery, and
- › adjusting the way that we collect data to give us a more accurate view of how education is being delivered.

We also rolled out accessible, useful information and tools to tertiary education organisations through our investment toolkit and Ngā Kete apps. This supports tertiary education organisations' planning and delivery. These tools and information:

- › make Investment Plan development and submission easier and more consistent
- › communicate the sector-wide shifts that we want to direct through funding. For example, we have provided information around current Māori and Pasifika achievement and our five-year goals for this
- › empower tertiary education organisations to understand and use their own performance data to drive their strategic direction.

During the year we engaged with the sector to build awareness and buy-in for these changes, including running workshops in Auckland, Wellington and Christchurch. Sector feedback on this engagement was very positive.

These ongoing improvements to our investment round approach and resources will result in higher-quality Investment Plans and allow us to make investment decisions that achieve better outcomes for learners and New Zealand.

We are building the system's capability to deliver skills for industry

During the year we continued to increase our investment in areas where there is demand, so that industries can get the skills they need. Key initiatives included the Māori and Pasifika Trades Training programme, the ICT Graduate Schools and our Engineering Education-to-Employment programme.

The Māori and Pasifika Trades Training programme leads to positive learner outcomes

The Māori and Pasifika Trades Training (MPTT) programme is delivered through a consortia approach involving partnerships between tertiary education organisations, local employers and communities, including Māori and Pasifika groups. It has been operating since 2014 and learners are provided pre-trades programmes fees-free and receive wraparound support. Since 2014 the MPTT programme has:

- › grown from 12 consortia in 2014 to 16 consortia in 2018, with 25 tertiary education organisations delivering MPTT training nationwide
- › had participation increase from 1,189 learners in 2014 to an estimated 3,352 in 2018.

Between 2014 and 2017 female participation grew from 21% to 32% of learners. In 2017, 72% of MPTT learners identified as Māori, with 35% identifying as Pasifika.

The Information and Communications Technology (ICT) Graduate Schools continued to grow their provision

The ICT Graduate Schools were established in 2014 as a pilot initiative responding to the increasing demand for skilled ICT graduates. The schools aim to bridge the gap between the ICT industry and academia by involving employers in the design and delivery of programmes of study.

Although the three schools have currently delivered fewer equivalent full-time students (EFTS) than anticipated, in 2017/18 they grew their provision and delivered a greater number of EFTS than in previous years. The schools have continued to strengthen their relationships with industry and prepare students for future employment.

The three current ICT Graduate Schools are the:

- › Auckland ICT Graduate School hosted by the University of Auckland
- › Wellington ICT Graduate School hosted by Victoria University of Wellington
- › SIGNAL ICT Graduate School hosted by the University of Canterbury.

The Engineering e2e programme continued to promote engineering and lead innovation in engineering training and qualifications

The Engineering Education to Employment Programme (Engineering e2e) is a partnership between the TEC, ITPs, Business New Zealand, Engineering New Zealand and organisations that employ engineers or benefit from their services. It aims to address the shortage of students enrolling in engineering qualifications, particularly in levels 6 and 7 courses, and to raise the profile of engineering.

During 2017/18 the Engineering e2e programme funded:

- › phase two of a degree apprenticeship pilot. A degree apprenticeship is a work-based degree that is intended to integrate academic learning with on-the-job practical training. The degree is co-designed by employers and ITPs, with employers leading the process
- › eight feasibility studies to shape the implementation of micro-credentials in New Zealand and promote more responsive and innovative engineering education. The studies involved stakeholders across the industry, including schools, tertiary education organisations, industry bodies and employers
- › the He Toki Iwi Industry Māori Engineering Workforce Partnership. This is a collaboration between Ngāi Tahu, key industry employers, engineering tutors and students to create successful engineering education and employment outcomes.

Evaluation of Engineering e2e

In late 2017 an evaluation of Engineering Education to Employment (Engineering e2e) was undertaken by New Zealand Council for Educational Research (NZCER) Chief Researcher Karen Vaughan. It reviewed how Engineering e2e acted as a systems integrator and what can be learned from this.

The evaluation identified a number of benefits to this approach but also found emerging and ongoing challenges. Notably, while the goal of 500+ engineering graduates has been achieved, they were not the level 6 and level 7 graduates most needed. To help achieve this, the Engineering e2e programme identified six key initiatives for the next two years. The full report can be found on engineeringe2e.org.nz.

We are changing our approach to our monitoring work

We monitor the performance of 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.

In 2017/18 our focus has been moving towards a more proactive, collaborative and flexible approach to monitoring. To achieve this, we have been:

- › implementing intelligence-led monitoring and using a central risk register to guide a more responsive and flexible approach to our planning and our auditing
- › working with the sector to build understanding and capability through regular updates about issues, trends and information. Our focus this year was building governance capability
- › moving to sector-based, strategic reviews that gather information on an issue to understand sector norms and to identify outliers for further engagement
- › improving our approach to investigations by increasing our capability and growing our monitoring team.

“Our focus has been moving towards a more proactive, collaborative and flexible approach to monitoring.”

Our investments develop research capability and reward research excellence

We invest in high-quality research-based institutions that build a world-class, innovative workforce and make a contribution to New Zealand's success.

We improved the way we run the Performance-Based Research Fund Quality Evaluation

The Performance-Based Research Fund encourages and rewards excellent research in New Zealand's degree-granting organisations.

In 2017/18 we continued to complete the 2018 Quality Evaluation. The Quality Evaluation is an assessment of the research performance of staff at participating tertiary education organisations and is run every six years. Eligible tertiary education organisations submit Evidence Portfolios, which are then reviewed by TEC-appointed panels of academic experts. This is New Zealand's largest research evaluation exercise. We appointed over 260 academics based in New Zealand and around the world to the panels that assess the submitted research. To support these panelists, we developed an innovative online training programme, supported by face-to-face training. We launched the training programme at the end of April 2018. We also worked with the sector to develop a new approach to reporting the results of the Quality Evaluation.

Feedback from tertiary education organisations has been positive

Thirty-six eligible tertiary education organisations are taking part in the 2018 Quality Evaluation, submitting over 8,000 portfolios of research. Sector feedback on our improved process for submitting portfolios has been positive:

- › “We are finding the system very easy to navigate and especially appreciate the tutorial element. Overall it's been an inspiring experience and wonderful to be a part of. Thank you for your guidance and support”
- › “[We] are so impressed with the level of information and interaction you are providing”
- › “Thank you for all the amazing help and support you have given me”.

The Centres of Research Excellence (CoREs) continued to facilitate high-quality research

The Centres of Research Excellence (CoREs) fund was established in 2001 to encourage the development of world-class research that is collaborative and strategically focused to deliver outcomes of benefit to New Zealand. The Centres of Research Excellence fund is fully contestable and funding is allocated and monitored by the TEC.

The Centres of Research Excellence are inter-institutional research networks of researchers working on a commonly agreed research programme. There are currently ten Centres of Research Excellence funded through to 2020, with research interests ranging from photonics and quantum physics to bio-protection and the ageing brain.

Research and Transformation at Ngā Pae o te Māramatanga

Ngā Pae o te Māramatanga is New Zealand's Māori Centre of Research Excellence (www.maramatanga.ac.nz). Multi-disciplinary teams of over 200 Māori researchers from across the country lead health, economic, environmental and te reo revitalisation research to further realise Māori aspirations for positive engagement in national life and build the next generation of innovative Māori researchers. Highlights from the past year included:

- › Sir Tīmoti Kāretu being knighted for dedicating his life to the preservation and practice of te reo
- › Professor Tracey McIntosh being awarded the Royal Society Te Apārangi Te Rangi Hiroa Medal for her research on the incarceration of Māori
- › Te Tira Whakamātaki National Māori Biosecurity Network awarded the inaugural Māori Award in the NZ Biosecurity Awards
- › Dr Te Taka Keegan awarded the Prime Minister's Supreme Award for Tertiary Teaching for research-inspired Māori teaching in computer studies
- › publishing New Zealand's first special journal issue fully in te reo Māori: MAI Journal *Pitopito Kōrero*
- › hosting Māori postgraduate humanities, health sciences, sciences and commerce students for the annual MAI doctoral conference to inspire academic success and collective wellbeing
- › developing new partnerships, including with the Royal Society Te Apārangi, for example, to profile 150 Māori authored non-fiction books with public exhibitions being developed.



We support the growth of international linkages for the tertiary education system

Through the Entrepreneurial Universities Initiative and the Centres of Asia-Pacific Excellence, we are responding to the opportunities created by the growing internationalisation of New Zealand's economy and society.

The Entrepreneurial Universities Initiative boosts entrepreneurship in New Zealand universities

The Entrepreneurial Universities Initiative (EUI) supports New Zealand universities to recruit world-leading entrepreneurial researchers who can create new knowledge in areas of technology intensive research and boost innovation and enterprise within New Zealand universities. Selected research programmes are funded for four years and we monitor their progress with an Outcomes Assessment Framework.

In 2017/18 the three universities selected for the first round of funding focused on recruiting academics and finalising their research programmes. In early 2018 we completed a second EUI selection round.

The Centres of Asia-Pacific Excellence (CAPEs) support collaboration between tertiary education institutes and the Asia-Pacific region

We are facilitating the development of Centres of Asia-Pacific Excellence in New Zealand universities. The Centres of Asia-Pacific Excellence are cross-institutional and funded for a six-year period, with the aim to contribute to the development of Asia-Pacific knowledge and language skills in New Zealand. This will enable New Zealanders to enhance their relationships with the region.

There are three Centres of Asia-Pacific Excellence in New Zealand focusing on different regions: North Asia, hosted by the University of Auckland, and South East Asia and Latin America, both hosted by Victoria University of Wellington.

Impact: A tertiary education system that is more responsive to the needs of employers and learners

Our investments support the tertiary education system to be more responsive to the needs of employers and learners. A responsive system equips learners with the skills and experience that they need and that are valued by employers.

The proportion of 20- to 24- year-olds who are not in employment, education or training decreased by one percentage point from 2016 to 2017. This was positively influenced by the strong economy, with more demand for skilled labour.

Engineering is a specific area with a skills shortage and the number of engineering students increased from 2016 to 2017. This is a positive result that will connect more New Zealanders with meaningful work.

Measures of progress

Measures	Actual 2017	Target 2017	Actual 2016	Actual 2015
More learners with relevant skills for industry				
Proportion of 20- to 24- year-olds who are not in employment, education or training	14.5%	Decrease	15.5%	15.1%
Number of engineering equivalent full-time students	9,874	Increase	9,628	9,049
A financially sustainable and well-managed tertiary education system				
Proportion of investment in tertiary education organisations with Category 1 and 2 NZQA external evaluation and review (EER) rating	93.2% (Note 1)	Increase	96%	95%

Note 1 – We provide information to the New Zealand Qualifications Authority to assist its external evaluation and review (EER) process. The New Zealand Qualifications Authority is solely responsible for the rating allocations. EER ratings are one of many considerations that inform our funding decisions.

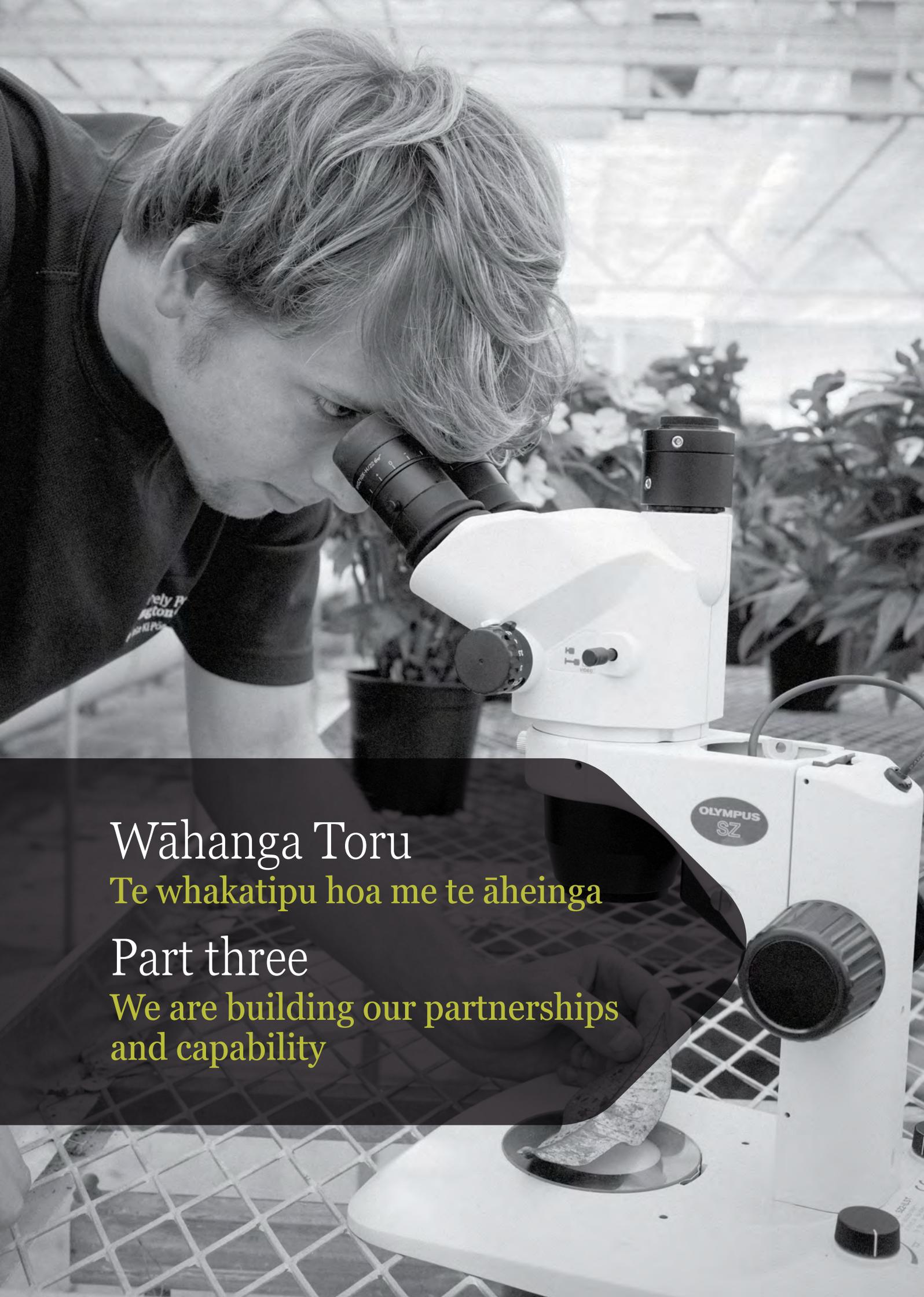
Impact: Higher-quality and more relevant research

Our investments drive higher-quality research that is relevant to New Zealand's economic, cultural and social needs. We also support the growth of international linkages for the tertiary education system, which has strong benefits for research, learning and business.

During the year the target for research degree completions was exceeded. This is about building a strong research workforce, as well as broader research literacy across the New Zealand workforce. We also saw an increase in external income that shows the growing relevance of research.

Measures of progress

Measures	Actual 2017	Target 2017	Actual 2016	Actual 2015
Research degree completions (measured by Performance-Based Research Fund (PBRF) – eligible research degree completions)	4,062	3,900 ±5%	3,934	3,858
Percentage increase in amount of external income for PBRF – eligible providers	7.9%	2-4%	7.4%	3.3%



Wāhanga Toru

Te whakatipu hoa me te āheinga

Part three

We are building our partnerships
and capability



Tāngata | People

We want the TEC to be a great place to work, so we are committed to developing our internal capability and caring for our people through times of change. This will let us attract and retain high-quality staff.

The past year has been one of change for our people with the transfer of careers staff, the Kia Rite change process and taking on Fees Free. Through these changes we have continued to support our people through a range of resources and activities.

Our people are the key to delivering our customer-centred approach. If this is successful, we will see:

- › a unified strategy and voice
- › relationships and partnerships that support our goals
- › effective, efficient delivery that is valued by our customers and partners
- › a positive influence on the tertiary education and careers systems' performance.

We are aligning our people plan, Mā Tātou, Mō Tātou, with these signs of success. Full details of our commitment to being a good employer is provided in Appendix A.

Our values reflect how we work



We are making changes to encourage diversity and to be an inclusive workplace

We are committed to growing our cultural intelligence – the ability to relate and work effectively in culturally diverse settings. This is a vital skill for the work we do across the tertiary education and careers systems and with our own increasingly diverse workforce.

Our vision is for te reo Māori to be a widely spoken and living language within the TEC community. To realise this vision, this year we developed our Māori Language Plan. We also signed a Mahi Tahi agreement with Te Tuara Whiri I te Reo Māori. The bilingual agreement sets out how we will work together to support Maihi Karauna, the Crown’s Māori Language Strategy. Alongside our commitment to te reo Māori, we are also embracing multi-lingualism.

In 2017/18 we established a Rainbow Network at the TEC. This initiative will help the TEC become a more inclusive workplace for staff who identify as lesbian, gay, bisexual, trans, takatāpui, fa’afafine, intersex, queer, and all other gender and sexual minorities. Further work will occur in 2018/19.

We are redesigning our organisation

The Kia Rite change process started this year, creating a flexible new structure and way of working for the TEC. It focused on bringing together our two lines of business: investment in tertiary education and careers services. We are currently implementing structural changes, and in 2018/19 we will begin the second stage of the change process to align teams to the new structure and operating model.

Measures of progress

Measures	Actual 2017/18	Target 2017/18	Actual 2016/17	Actual 2015/16
Core unplanned turnover	10.8%	14%	10.7%	13.3%
Level of staff engagement (Note 1)	62.8% (below State sector average of 68%) (Note 2)	State sector benchmark or above	74.9% (above State sector average of 68%)	74% (above State sector average of 67%)

Note 1 – These results will differ from those reported in previous annual reports and statements of performance expectations. In previous years the results have been reported with a weighted mean score. The standard measurement is now level of agreement, and scores for all years have been adjusted accordingly.

Note 2 – We ran a short pulse survey rather than a full engagement survey this year as we are part way through a change process. Our organisational change and uncertainty is a significant contributor to the drop in engagement. From the pulse survey results our people gave a strong message about what we can do better, and action is being taken. Despite the drop in engagement compared with previous years, we are encouraged by the 94% response rate, and the level of interest people show in the organisation, indicating we have an environment where people care and share their views.

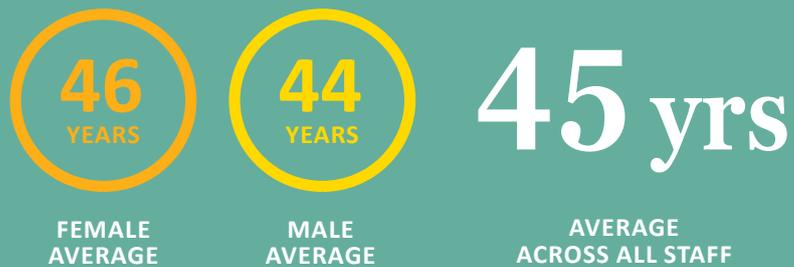
Who we are



Tiers 1-3 gender distribution



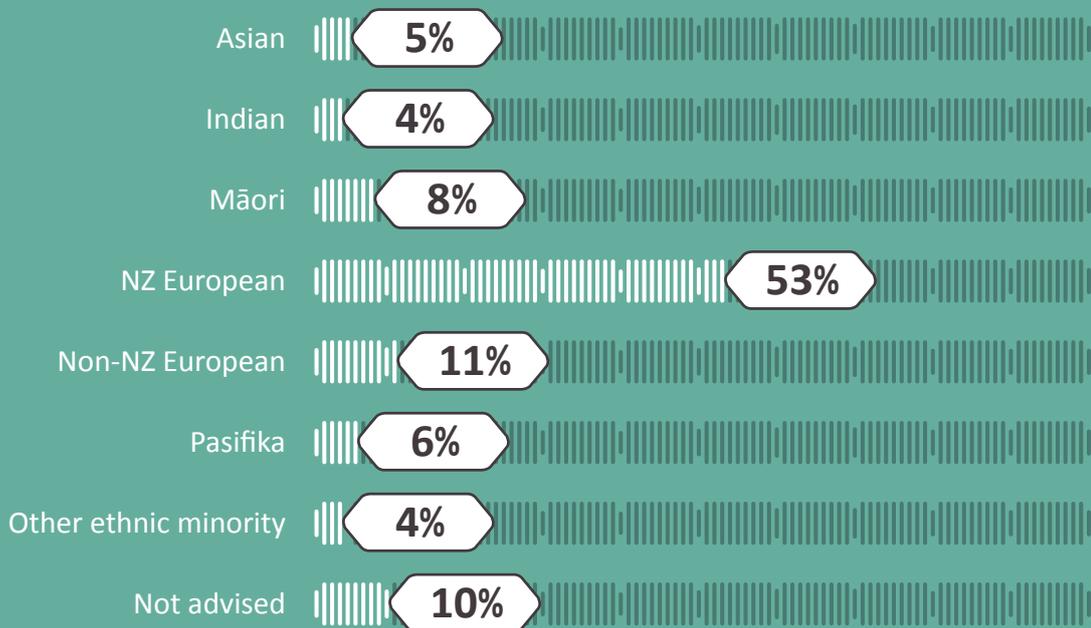
Age



Who we are



Ethnicity



Length of service



FEMALE AVERAGE



MALE AVERAGE

7 yrs

AVERAGE
ACROSS ALL STAFF



Mōhiotanga | Knowledge

We are developing a strong knowledge base to build tools and information to support good decisions by us, the tertiary education sector and all New Zealanders. We are developing easy-to-use and easy-to-understand information products and services to support our customers' decision-making. Our knowledge base has a crucial supporting role in the expansion and improvement of our champion and investment work.

We continued to grow our suite of information tools

During the year we significantly increased the range of Ngā Kete information products available to our customers. These are interactive tools that support tertiary education organisations with their planning and decision-making, as well as our internal business processes. New information products include:

- › *Post-Study Outcomes of Young Graduates and Post-Study Outcomes by Tertiary Education Organisation*, which provides data on employment status and earnings of learners after they complete their study. These tools let tertiary education organisations and the TEC make more informed decisions.
- › *My Commitments app* (and a revised Commitments app), which enables analysis of tertiary education organisations' commitments, as well as monitoring against actual delivery and performance. These apps are fully embedded in the Investment Plan process.
- › *My Performance and Tertiary Performance*, which enable easy access to detailed Educational Performance Indicator (EPI) data, which was not previously available.

Our information and technology development plan reflects our organisational changes

As our organisation continues to change, we regularly review our plan to ensure we can meet the information and technology needs of our people and our customers. Over the next two years, our major areas of work reflect the wider changes in our environment including:

- › improving our data warehouse and information products (including the careers.govt.nz website) to better meet customer needs
- › designing and implementing new information systems to support our Careers System Strategy
- › implementing a customer relationship management system to support Te Kiritaki – Our Customer Way.

Measures of progress

Measures	Actual 2017/18	Target 2017/18	Actual 2016/17	Actual 2015/16
Availability of core ICT services and applications (excluding planned outages)	99.5%	98.5%	99.8%	99.9%
Availability of core ICT services and applications we provide for tertiary education organisations (excluding planned outages)	99.2%	98.5%	99.7%	99.7%

Developing strong data partnerships with Waikato-Tainui and Ngāi Tahu

In 2017 we developed information products about secondary to tertiary transitions and tertiary education provision, for tertiary education organisations and secondary schools. This showed how many learners were transitioning from school, what level of education they were leaving school with and what level they were enrolling in when they started tertiary education.

Our information products also show ethnicity and iwi data, so we shared access to these products to two iwi we were working with – Waikato-Tainui and Ngāi Tahu. Through gaining insights into opportunities for improving outcomes for their iwi, they are having more informed and targeted discussions with schools and tertiary education organisations.

The Waikato-Tainui Education Team has used our data with their 28 Kawenata partnership schools. Kimai Huirama, Waikato-Tainui Education Manager, says it has been a game-changer:

“The data has helped change the type of conversations we are having with secondary schools around their school leaver data. It has provided great insights around the type and level of programmes that our tribal members enter into during their first year of tertiary study...we can begin to work alongside schools to ensure that more Waikato-Tainui school leavers are able to transition directly into Level 4 programmes, or higher”.

Owing to our successful partnership with Waikato-Tainui and Ngāi Tahu, we are progressing work on extending access to other iwi.

“

The data has helped change the type of conversations we are having with secondary schools around their school leaver data.”

(Kimai Huirama, Waikato-Tainui Education Manager)



We are improving our systems

During the year we started the Funds Management and Payments project to improve our business processes and the quality of the information we use to support our funding decisions and payments. The Funds Management and Payments project will replace a large number of complicated spreadsheets with standard functionality in our financial management information system.

We also started work on an online reporting tool that will improve the efficiency of our internal reporting. This supports our broader work to improve our performance measurement. Once implemented, the tool will automate and simplify reporting and provide staff with easier access to better performance information.

Our financial management is sound

We have continued to work on our operational strategic financial plan and to integrate this with our business and work programme planning cycles. This allows us to ensure strategic intentions are driving our spending and that day-to-day operational costs are managed prudently.

We manage our balance sheet as a by-product of the above but also with general prudent management of revenues, expenses, assets, liabilities, investments and general financial dealing to ensure we effectively achieve our objectives and purposes, on a going concern basis.

We have continued to build the TEC's risk management capability

Managing risk is a key part of doing business. The TEC's risk management framework supports the achievement of our strategy, operational effectiveness and efficiency, protection of our people, informed decision-making and compliance with applicable laws and regulations.

This year we reviewed the risk management framework and processes to ensure they remain relevant and we reviewed and updated our business continuity plans following our merger. We began testing the plans this year and will undertake a major exercise in the first part of 2018/19.

Our Board has delegated responsibility to monitor and review the effectiveness of our risk management framework and our control environment to the Audit, Risk and Compliance Committee (ARCC). Our strategic risks are reviewed by the committee. We have an internal audit function that reports directly to the ARCC. Our external auditor also provides input to the ARCC regarding the TEC's risk management framework and internal controls.

We will be ready to accept New Zealand Business Numbers by December 2018

The New Zealand Business Number is a key initiative of the Government's Better for Business programme. New Zealand Business Numbers are unique identifiers assigned to businesses in New Zealand. The implementation of a New Zealand Business Number will affect several of our ICT systems that use an education sector reference number as the unique identifier for education providers.

We have worked with the Ministry of Education to enable us to implement New Zealand Business Numbers alongside existing unique education provider identifiers. We will implement the technical solution that will enable the TEC to accept a New Zealand Business Number by December 2018.





Mahi Ngātahi | Partnership

“TEC staff have shown a very positive and engaged approach that has promoted a view that we are working together to create opportunities and solve problems.”

(University staff member comment in our annual customer survey conducted by Nielsen)

We work to build and maintain effective partnerships that will contribute to better outcomes for New Zealanders. During this time of change, it is particularly important for us to keep our partnerships strong.

Every day we work with a wide range of tertiary education organisations – from large urban universities to small rural private training establishments. As an education sector agency we work closely with schools, the Ministry of Education, our partner education sector agencies and other government departments.

We also work with families and whānau, iwi and employers to deliver the skills and knowledge that contribute to economic and social wellbeing. Together, we all contribute to a strong education system and improve the connections between learning and work.

We are seeking 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. One way that we will achieve this is through the implementation of our new customer relationship management tool – Te Kiritaki.

We started our Te Kiritaki project in 2016/17 and continued our work over the last 12 months. Te Kiritaki is a large-scale business change project, rather than simply a technology project. We expect that most of the TEC will be using the customer relationship management tool by the end of 2019 as we work towards having all of our customer-related information accessible from a single source.

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 departments, employers and schools. As we continue to develop and change our approaches, it is important to monitor how this is affecting our customers. The 2017/18 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.

For the first time in 2017/18, we asked questions about the quality of our staff service.

The results were encouraging with:

- › 89% of respondents agreeing or strongly agreeing that our people were friendly and polite
- › 73% of respondents agreeing or strongly agreeing that our people did what they said they would do
- › 72% of respondents agreeing or strongly agreeing that our people were knowledgeable.

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.

¹ The online survey was conducted by Nielsen between 27 June and 12 July 2018. The survey has a margin of error of +/- 4.1%.

Our successful relationships with our government partners resulted in two prestigious awards

The TEC picked up two awards at the annual 2018 Deloitte Institute of Public Administration New Zealand (IPANZ) Public Sector Excellence Awards:

- › the Prime Minister’s Award for Public Sector Excellence
- › Excellence in Achieving Collective Impact.

In October 2017 the new Government pledged to deliver a year of fees-free tertiary education for new students. We were the lead agency that implemented the policy but critical to this implementation were the strong relationships and trust between four agencies – the TEC, the Ministry of Education, the Ministry of Social Development and Inland Revenue.

Together, we took this complex new policy from concept to detailed design and implementation in just six weeks. We developed and delivered a sophisticated new website, where tools, functionality and security of data were paramount.

Winning these awards was recognition by IPANZ for our outstanding collaborative effort and performance to deliver the fees-free initiative to the sector for the start of 2018.

“Being innovative, and working closely with the teams from the other agencies to deliver the project on time, was the key to us winning. To receive the recognition in the form of the Prime Minister’s Award is huge,” said Deirdre Marshall, Fees Free project sponsor.

“

Being innovative, and working closely with the teams from the other agencies to deliver the project on time, was the key to us winning. To receive the recognition in the form of the Prime Minister’s Award is huge.”

(Deirdre Marshall, Fees Free project sponsor)





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 2018.

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



Nigel Gould
Chair
Tertiary Education Commission

1 October 2018



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

1 October 2018

Independent Auditor's Report



To the readers of the Tertiary Education Commission's financial statements and performance information for the year ended 30 June 2018

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 75 to 102, that comprise the statement of financial position as at 30 June 2018, 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 15 to 32 and 49 to 74.

In our opinion:

- » the financial statements of TEC on pages 75 to 102:
 - › present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 15 to 32 and 49 to 74:
 - › presents fairly, in all material respects, TEC's performance for the year ended 30 June 2018, 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 1 October 2018. 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 the Statement of Intent 2015/16 to 2018/19, Statement of Performance Expectations 2017/18, and relevant Estimates and Supplementary Estimates of Appropriations 2017/18.

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 14, 33 to 45 and 103 to 108, 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.

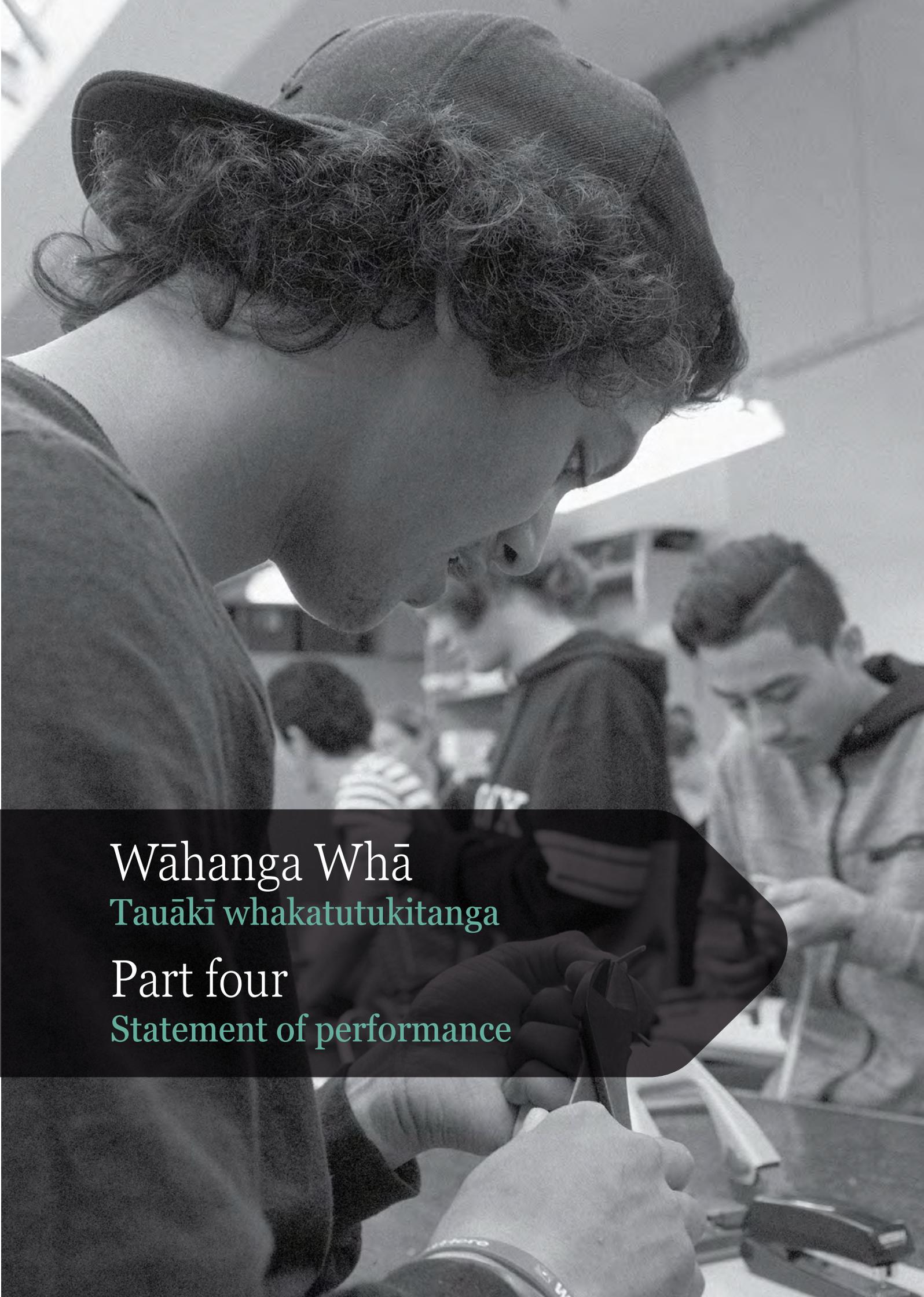
Independence

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.

In addition to the audit we have carried out an assurance engagement over the probity of the competitive funding process to identify a second round of Entrepreneurial Universities, which is compatible with those independence requirements. Other than the audit and this engagement, 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 Whā
Tauākī whakatutukitanga
Part four
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 government for a particular use



The following sections detail our performance measures for each appropriation



We spent \$70.6 million supporting the Tertiary Education and Careers Systems

Administration of and Support for the Tertiary Sector



\$56.2 million

Administration of and Support for the Careers System



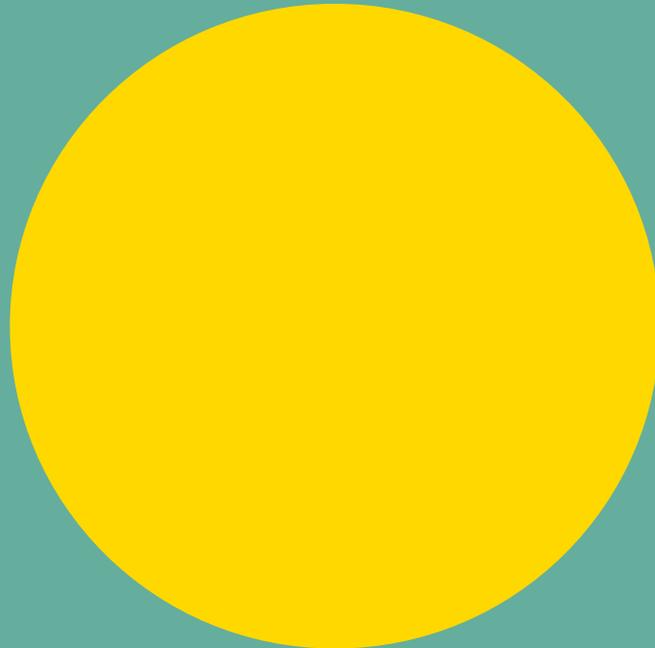
\$14.4 million

We spent \$2,995.4 million investing in tertiary education

Tertiary Tuition and Training (multi-category appropriation)

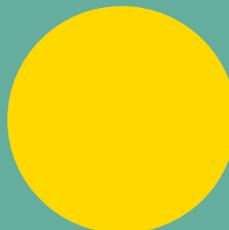
This includes:

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



\$2,551.6 million

Tertiary Education Research and Research-Based Teaching



\$316.5 million

Centres of Research Excellence



\$49.8 million

Tertiary Sector / Industry Collaboration Projects



\$22.0 million

Access to Tertiary Education



\$23.1 million

Secondary-Tertiary Interface



\$17.7 million

Tertiary Scholarships and Awards



\$12.0 million

University-led Innovation



\$2.4 million

Support to Apprentices



\$0.3 million

Our operational outputs

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

Funding the activities of the Tertiary Education Commission

Administration of and Support for the Tertiary Sector

This appropriation is intended to achieve effective investment in tertiary education and the protection of the Crown's ownership in tertiary education institutions.

	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
Administration of and Support for the Tertiary Sector			
REVENUE			
Crown revenue			
– Tertiary Education Commission	50,756	47,054	46,809
– Māori Education Trust (Ministry of Education-administered)	109	109	109
Contract – Pre-purchased English Language Tuition	480	250	397
Interest	1,656	1,096	1,346
Other revenue	2,074	1,256	2,234
Total revenue	55,075	49,765	50,895
EXPENSES			
Tertiary Education Commission	56,212	53,158	52,427
Māori Education Trust (Ministry of Education-administered)	109	109	109
Total expenses	56,321	53,267	52,536
Surplus/(deficit)	(1,246)	(3,502)	(1,641)

Our operational output class, administration of and support for the tertiary sector, has three components: managing the Government's investment in the tertiary education sector, ownership monitoring of tertiary education institutions, and tertiary education and training advice.

Managing the Government's investment in the tertiary education sector

- › We do this by managing the investment system, monitoring investment in tertiary education organisations and providing information and advice to government

Ownership monitoring of tertiary education institutions

- › We protect the Crown's ownership interest in tertiary education institutions through monitoring risks and financial viability and providing advice on tertiary education institution council appointments

Tertiary education and training advice

- › We deliver timely and high-quality advice and support to ministers on the tertiary sector and tertiary education and training issues.

Measures	Dimension	Actual 2017/18	Target 2017/18	Actual 2016/17
Managing the investment system				
The overall satisfaction rating given by the Minister of Education, on the Tertiary Education Commission (as per the Common Satisfaction Survey) (Note 1)	Quality	8	Maintain or increase	7.5%
Managing the Government's investment in the tertiary education sector				
Plans for tertiary education organisations demonstrate evidence of alignment with employer, community and learner needs and include targets for improving achievement rates for priority groups in the Tertiary Education Strategy	Quality	100%	100%	100%
Payments are made to tertiary education organisations as per the agreed contractual terms and conditions	Quality Quantity Timeliness	100%	100%	100%
Number of tertiary education organisations audited by the Tertiary Education Commission	Quantity	80 audits	60-70 audits	85 audits
Percentage of audits completed within 70 days according to audit compliance standards	Timeliness	99%	95%	96%
Percentage of TEOs where an appropriate action plan is initiated (as per the TEC performance consequences framework) on the basis of an identified material breach of TEC's rules or requirements	Quality	100%	100%	100%
Number of tertiary education organisations that are the subject of a review and/or investigation	Quantity	19	10-15	23
Ownership monitoring of tertiary education institutions				
Ownership risks are assessed and appropriate mitigation strategies are put in place	Quality	100%	100%	100%
Ownership risks are reported and advice is provided to the Minister	Quality	100%	100%	100%
Tertiary education training and advice				
The rating given by the Minister of Education to the Common Satisfaction Survey question "How satisfied are you that the advice you receive from the Commission meets your needs?" (Note 1)	Quality	8	7	New measure
Average scores for tertiary education institutions, other tertiary education organisations, and Government partner respondents, respectively, on the question "I trust the TEC and have confidence in its decisions" in the annual Partner and Provider Survey	Quality	44%	Baseline year	New measure
Recommendations on ministerial appointments to tertiary education institution councils are made and the appointment process is managed effectively and in a timely way	Timeliness	100%	100%	100%

Note 1 – The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of advice on a scale from 1-10, where 1 means unsatisfied and 10 means extremely satisfied. The Minister completing this survey has changed since the publication of our *Statement of Performance Expectations 2018/19* from the Minister for Tertiary Education, Skills and Employment to the Minister of Education.

Administration of and Support for the Careers System

This appropriation is limited to investing in, monitoring, informing and influencing the careers system.

Administration of and Support for the Careers System	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue	18,775	15,132	15,563
Interest	-	-	130
Contract – Migrant Futures	1,364	1,613	-
Other revenue	87	157	414
Total revenue	20,226	16,902	16,107
Total expenses	14,411	16,902	16,010
Surplus/(deficit)	5,815	-	97

Our *Statement of Performance Expectations 2017/18* showed this appropriation as funded from Vote Education under operational output Provision of Information and Advisory Services. The integration of Careers New Zealand functions and funding into the Tertiary Education Commission on 1 July 2017 included transferring funding into Vote Tertiary Education and renaming the appropriation. Note the 2016/17 comparative figures have been taken from the 2016/17 Careers New Zealand annual report.

Measures	Dimension	Actual 2017/18	Target 2017/18	Actual 2016/17
Percentage of employers or employers organisations participating in a careers initiative that agree the initiative has helped improve their connection with education organisations	Quality	74% (Note 1)	80%	88%
Percentage of education organisations accessing career development resources and services that agree this has helped improve their careers services	Quality	81%	80%	New measure (Note 2)
Percentage of young people participating in a careers initiative who agree that the initiative has improved their ability to make learning and work choices	Quality	91%	75%	85%
Number of New Zealand-based web visits to the careers.govt.nz website (Note 3)	Quantity	4.56 million	4.40 million	4.45 million
Percentage of users who agree that the careers.govt.nz website is easy to use	Quality	79% (Note 4)	80%	81%
Percentage of users who agree that the content on the careers.govt.nz website is relevant to their needs	Quality	75% (Note 4)	80%	79%
Percentage of users from priority groups who agree that the content on the careers.govt.nz website is relevant to their needs	Quality	72% (Note 4)	80%	79%
Percentage of informal careers influencers satisfied the information received improved their ability to support young people's learning and work choices (Note 5)	Quality	88%	85%	90%

Note 1 – We had some misalignment of stakeholder expectations in an early initiative delivery. This was effectively addressed in subsequent deliveries with strong results that significantly raised the final result.

Note 2 – The *Statement of Performance Expectations 2017/18* erroneously included a 2016/17 target of 80% for this measure. The target should have read 'new measure'.

Note 3 – This measure will not continue in 2018/19. During 2017/18 we refreshed and improved our performance measurement framework to ensure it reflected our changing role. Please refer to our *Statement of Intent 2018/19- 2021/22* and our *Statement of Performance Expectations 2018/19* for a complete view of our 2018/19 measures.

Note 4 – We have been unable to identify what has driven this change in results in 2017/18. We will continue to investigate in 2018/19 through data analysis and user testing.

Note 5 – Informal careers influencers includes whānau, aiga, families, community organisations, Māori organisations and other non-governmental groups.



Tertiary education sector outputs

We contribute to, but do not control, the sector output measures we report on. 2017 sector measure results have been impacted by a number of factors.

There was a strong economy in 2017 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 Pasifika 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 when they enter the tertiary education system they need greater support. These students are also less likely to be retained in the education system and successfully complete courses or qualifications.

Teaching and Learning

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.

	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
Tertiary Tuition and Training (MCA)			
REVENUE			
Crown revenue			
Community Education	69,197	77,286	72,751
Tertiary Education: Student Achievement Component	2,069,345	2,084,592	2,085,205
Training for Designated Groups	283,095	320,091	307,716
Fees-free Payments	129,981	-	-
Total revenue	2,551,618	2,481,969	2,465,672
EXPENSES			
Community Education	69,197	77,286	70,619
Tertiary Education: Student Achievement Component	2,069,345	2,084,592	2,040,279
Training for Designated Groups	283,095	320,091	296,342
Fees-free Payments	129,981	-	-
Total expenses	2,551,618	2,481,969	2,407,240
Surplus/(deficit)	-	-	58,432

A new category, Fees-free Payments, was created during the year to implement the Government's first-year Fees Free policy from 1 January 2018. The total amount included in the *Supplementary Estimates 2017/18* was \$309.9 million. We spent \$235.6 million during the year. An accounting adjustment reduced this spend by \$105.6 million to equal spend in the above table of \$130.0 million.

Fees Free is our public facing brand for the Fees Free initiative. Fees-free Payments is the name of the appropriation category and has been used in the financial sections of this annual report whenever we refer to the appropriation category.

Measure	Dimension	Actual 2017	Target 2017	Actual 2016
Proportion of 25- to 34- year-olds with advanced trade qualifications, diplomas and degrees (at level 4 or above)	Quantity	57.7%	60% for the year ending December 2018	57.2%

Note 1 – The overall target for this measure is 60% annual average to December 2018. This measure was previously part of the Better Public Services programme, which was discontinued by the Government in January 2018.

This multi-category appropriation consists of four categories:

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

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.

Community Education	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue			
Adult and Community Education	20,545	22,890	22,290
Literacy and Numeracy Provision	34,100	37,548	33,748
English for Speakers of Other Languages	13,161	14,193	14,058
Migrant Levy	426	426	426
Emergency Management Pool	965	2,229	2,229
Total revenue	69,197	77,286	72,751
EXPENSES			
Adult and Community Education	20,545	22,890	21,095
Literacy and Numeracy Provision	34,100	37,548	34,429
English for Speakers of Other Languages	13,161	14,193	13,306
Migrant Levy	426	426	426
Emergency Management Pool	965	2,229	1,363
Total expenses	69,197	77,286	70,619
Surplus/(deficit)	-	-	2,132

Measures	2017				2016		
	Actual Funded (Note 1)	Forecast	Variance (Actual Funded to Forecast)	Investment Plan Commitments (Note 2)	Actual Delivered	Actual Funded (Note 1)	Delivered
Adult and community education							
Total number of school-based adult and community education hours funded	418,176	407,600 ±5%	2.59%	429,074	438,788	387,488	412,334
Number of funded domestic equivalent full-time students in Tertiary Education Institutions-based programmes (including Search and Rescue and Emergency Management short courses) per calendar year	1,706 (Note 3)	2,000 ±5%	-14.70%	2,065	1,721	1,724	1,742
Literacy and numeracy							
Literacy and numeracy – total number of funded learners per calendar year	15,205 (Notes 4 and 5)	16,700 ±5%	-8.95%	16,267	15,782	14,567	15,054
Intensive Literacy and Numeracy – funded number of learners	4,727	4,900 ±5%	-3.53%	5,063	4,821	4,879	5,010
English for Speakers of Other Languages (ESOL) – funded number of learners per calendar year, including:	3,589 (Note 4)	3,900 ±5%	-7.98%	4,008	4,051	3,544	3,833
– ESOL funded number of learners	3,129	3,100 ±5%	0.93%	3,226	3,591	3,013	3,322
– Refugee English funded number of learners	460 (Note 4)	800 ±5%	-42%	782	460	531	511
Workplace Literacy and Numeracy Fund – funded number of learners, including:	6,889 (Note 5)	7,900 ±5%	-12.80%	7,195	6,910	6,144	6,211
– Tertiary education organisations-led	5,294	5,200 ±5%	1.81%	5,548	5,315	4,332	4,399
– Employer-led	1,595 (Note 5)	2,700 ±5%	-40.94%	1,647	1,595	1,812	1,812

Note 1 – Funded volume data represents a proportion of total delivery. Some of the equivalent full-time students are not funded owing to funding caps.

Note 2 – Commitments may differ from those reported in our *Statement of Performance Expectations 2017/18* owing to in-year plan changes to commitments.

Note 3 – Adult and Community Education (ACE) variances:

Emergency Management and Search and Rescue ACE

All Emergency Management and Search and Rescue providers under-delivered in 2017. This is because of challenges to accurately forecast the needs of the sectors and the nature of volunteer training. There is a trend of non-completion of training, which has affected delivery volume. The Ministry of Education and the TEC are currently looking at options to improve the outcomes of the fund.

ACE in tertiary education institutions

Most institutes of technology and polytechnics (ITPs) have experienced falling demand, particularly in Auckland. We reduced ACE funding allocations for 2018 for tertiary education institutions to take account of the reduced demand in 2016 and 2017. We continue to monitor ACE delivery at ITPs to continue to manage funding.

Note 4 – Softening demand for Refugee English in Auckland and Hamilton in 2016/17 has continued into 2017/18. This reflects the resettlement of increasing numbers of refugees in other centres. Demand for Refugee English at level 3 and above varies in new resettlement areas depending on the individual situation of the refugee. Usually demand is initially at foundation level before learners progress and access Refugee English funding.

Note 5 – Employer-led – The timing of funding decisions meant that providers were unable to use all of the funding allocated for July to December 2017. The residual funding has been transferred into 2018. Estimated 2018 delivery has increased to approximately 2,000 learners (year to date as at July 2018). In May 2018 we approved flexible funding of \$3 million to meet further likely 2018 demand.

Tertiary Education: Student Achievement Component

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

Tertiary Education: Student Achievement Component	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue			
Provision at levels 1 and 2	79,465	100,580	90,299
Provision at levels 3 and above	1,984,568	1,976,717	1,988,603
– Universities	1,226,702	1,187,511	1,215,887
– Institutes of Technology and Polytechnics	448,109	476,231	471,488
– Wānanga	125,142	131,775	122,834
– Private Training Establishments	184,615	181,200	178,394
Information and Communication Technology Graduate Programmes	3,092	5,031	4,039
Section 321 Grants for School of Dance and School of Drama	2,220	2,264	2,264
Total revenue	2,069,345	2,084,592	2,085,205
EXPENSES			
Provision at levels 1 and 2	79,465	100,580	90,364
Provision at levels 3 and above	1,984,568	1,976,717	1,943,406
– Universities	1,227,260	1,187,511	1,212,594
– Institutes of Technology and Polytechnics	447,940	476,231	472,947
– Wānanga	125,111	131,775	122,823
– Private Training Establishments	184,257	181,200	135,042
Information and Communication Technology Graduate Programmes	3,092	5,031	4,289
Section 321 Grants for School of Dance and School of Drama	2,220	2,264	2,220
Total expenses	2,069,345	2,084,592	2,040,279
Surplus/(deficit)	-	-	44,926

Tertiary Education: Student Achievement Component

Measures	2017					2016	
	Actual Funded (Note 1)	Forecast	Variance (Actual Funded to Forecast)	Investment Plan Commitments (Note 2)	Delivered	Actual Funded (Note 1)	Delivered
Number of domestic equivalent full-time students at levels 1 and 2	10,091 (Note 3)	12,200 ±5%	-17.29%	11,384	10,143	11,510	11,374
Number of domestic equivalent full-time students New Zealand Qualifications Framework level 3 and above by subsector							
– Universities	115,636 (Note 4)	109,600 ±5%	5.51%	114,034	114,075	116,977	115,303
– Institutes of Technology and Polytechnics	51,793	51,100 ±5%	1.36%	53,655	51,192	54,139	53,665
– Wānanga	18,459 (Note 3)	17,100 ±5%	7.95%	18,255	18,298	18,668	18,645
– Private Training Establishments	19,837	20,800 ±5%	-4.63%	21,482	605	20,538	21,778
Total domestic equivalent full-time students at New Zealand Qualifications Framework level 3 and above	205,726 (Note 4)	198,600 ±5%	3.59%	207,425	184,171	210,322	209,391
Total domestic equivalent full-time students	215,817	210,800 ±5%	2.38%	218,809	194,314	221,832	220,766

Note 1 – Funded volume data represents a proportion of total delivery. Some of the equivalent full-time students are not funded owing to funding caps.

Note 2 – Commitments may differ from those reported in our *Statement of Performance Expectations 2017/18* owing to in-year plan changes to commitments.

Note 3 – This under-delivery is the result of a number of impacts. These include tertiary education organisations commencing their programmes later in 2017 than initially anticipated, softening demand from students owing to the strong labour market and an increase in the proportion of school-leavers attaining NCEA at school. Some tertiary education organisations' Student Achievement Component levels 1 and 2 funding allocations were reduced after the August 2017 Single Data Return (SDR) because of lower than expected student uptake.

Note 4 – Overall demand was higher than expected for Student Achievement Component funding at level 3 and above. We were able to reprioritise funding from under-delivery in some sectors to meet increased demand in universities and wānanga.

Student Achievement Component (SAC) Funding	2017 Actual	2017 Target	2016 Actual	2015 Actual
Proportion of SAC-funded Māori enrolments at New Zealand Qualifications Framework levels 4 and above	18%	Maintain or increase	19%	18%
Proportion of SAC-funded Pasifika enrolments at New Zealand Qualifications Framework levels 4 and above	9%	Maintain or increase	9%	9%
Proportion of SAC-funded under-25-year-old enrolments at New Zealand Qualifications Framework levels 4 and above	64%	Maintain or increase	63%	64%

Sector Performance Commitment Shifts Linked to Funding		2017 Actual	2017	2016 Actual	2015 Actual	2014 Actual	2013 Actual	2012 Actual
			Investment Plan Commitments (Note 1)					
Course completion	All learners	82%	84%	83%	83%	83%	83%	83%
	Māori learners at New Zealand Qualifications Framework levels 4 and above	76%	81%	77%	77%	78%	78%	78%
	Pasifika learners at New Zealand Qualifications Framework levels 4 and above	69%	77%	73%	73%	74%	73%	74%
	Under-25-year-old learners at New Zealand Qualifications Framework levels 4 and above	85%	86%	85%	85%	85%	85%	85%
Qualification completion	All learners	76%	78%	77%	77%	78%	78%	76%
	Māori learners at New Zealand Qualifications Framework levels 4 and above	68%	72%	68%	67%	67%	71%	65%
	Pasifika learners at New Zealand Qualifications Framework levels 4 and above	60%	66%	63%	60%	62%	63%	63%
	Under-25-year-old learners at New Zealand Qualifications Framework levels 4 and above	73%	82%	73%	72%	73%	71%	71%
Progression	From New Zealand Qualifications Framework levels 1-3 to levels 4 and above for all learners	38%	43%	38%	37%	39%	39%	35%
Retention	For all learners across all New Zealand Qualifications Framework all levels and all learners	74%	78%	73%	74%	74%	73%	71%

Note 1 – Commitments may differ from those reported in our *Statement of Performance Expectations 2016/17* owing to in-year plan changes to commitments.

Note 2 – This is Equivalent-Full-time Students (EFTs)-based qualification completions data and is calculated on a different basis from the cohort-based qualification completions data that is published elsewhere.

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.

Training for Designated Groups	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue			
Industry Training Fund	175,327	176,151	173,451
Industry Training Fund – Direct Access Scheme	2,529	5,000	4,900
Youth Guarantee	85,206	118,327	108,752
Gateway	18,462	19,013	19,013
Industry Training-related Projects	1,571	1,600	1,600
Total revenue	283,095	320,091	307,716
EXPENSES			
Industry Training Fund	175,327	176,151	173,538
Industry Training Fund – Direct Access Scheme	2,529	5,000	1,559
Youth Guarantee	85,206	118,327	101,755
Gateway	18,462	19,013	18,546
Industry Training-related Projects	1,571	1,600	944
Total expenses	283,095	320,091	296,342
Surplus/(deficit)	-	-	11,374

Industry training

Measures	2017				2016		
	Actual Funded (Note 1)	Forecast	Variance (Actual Funded to Forecast)	Investment Plan Commitments (Note 2)	Delivered	Actual Funded (Note 1)	Delivered
Industry Training – funded standard training measures (Note 3)	26,427 (Note 4)	28,000 ±5%	-5.62%	27,011	26,664	27,533	28,154
Apprentices – funded standard training measures (Note 3)	17,650	17,300 ±5%	2.02%	17,633	17,587	16,170	16,040

Note 1 – Funded volume data represents a proportion of total delivery. Some of the total volume delivered is not funded owing to funding caps.

Note 2 – Commitments may differ from those reported in our *Statement of Performance Expectations 2017/18* owing to in-year plan changes to commitments.

Note 3 – Standard training measure is the amount of training required for a trainee to achieve 120 National Qualifications Framework credits. Funding is based on the number of standard training measures arranged by an industry training organisation in a calendar year.

Note 4 – Trainee standard training measures were below forecast, reflecting increased apprenticeships and lower than expected enrolments in the primary industry and service sectors.

Youth Guarantee and Gateway

Measures	2017				2016		
	Actual Funded (Note 1)	Forecast	Variance (Actual Funded to Forecast)	Investment Plan Commitments (Note 2)	Delivered	Actual Funded (Note 1)	Delivered
Youth Guarantee – total funded equivalent full-time students	7,804 (Note 3)	9,200 ±5%	-15.17%	8,775	7,789	8,853	8,905
Gateway – total participants and number of schools	13,602 in 375 schools	13,200 ±5% in up to 375 schools	3.04%	13,875 in 375 schools	14,167 in 375 schools	13,662 in 367 schools	14,939 in 367 schools

Note 1 – Funded volume data represents a proportion of total delivery following the August Single Data Return submission. Some of the total volume delivered is not funded owing to funding caps.

Note 2 – Commitments may differ from those reported in our *Statement of Performance Expectations 2017/18* owing to in-year plan changes to commitments.

Note 3 – Youth Guarantee targets young people aged 16-19 who want to study full time at a tertiary provider towards a level 1-3 qualification. This funding continues to be impacted by falling student demand for levels 1-2 qualifications. The key factors are demographic change; more students achieving NCEA level 2 at school; and more school-leavers choosing work over full-time study in a strong economy. Under-delivery at Youth Guarantee-funded tertiary education organisations is specifically addressed with each tertiary education organisation, after Single Data Returns are submitted in April and August of each year.

Fees-free Payments

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

Fees-free Payments	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue	129,981	-	-
Total revenue	129,981	-	-
Total expenses	129,981	-	-
Surplus/(deficit)	-	-	-

This category of our Tertiary Tuition and Training multi-category appropriation was created during the year to implement the Government's first-year Fees Free policy from 1 January 2018. The total amount included in the *Supplementary Estimates 2017/18* was \$309.9 million. We spent \$235.6 million during the year. An accounting adjustment reduced this spend by \$105.6 million to equal spend in the above table of \$130.0 million.

Fees Free is our public facing brand for the Fees Free initiative. Fees-free Payments is the name of the appropriation category and has been used in the financial sections of this annual report whenever we refer to the appropriation category.

Measure	Actual 2017	Target 2017	Actual 2016
Operational processes for Fees Free policy have been designed and implemented by 31 December 2017 (Note 1)	Achieved	Achieved	New measure

Note 1 – The operational processes included:

- › funding allocations and new contracts for tertiary education organisations
- › learner eligibility checking.

Access to Tertiary Education

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

	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
Access to Tertiary Education			
REVENUE			
Crown revenue			
Equity Loading	15,973	17,149	16,011
Māori and Pasifika Trades Training (Top-ups)	7,107	9,300	7,632
Total revenue	23,080	26,449	23,643
EXPENSES			
Equity Loading	15,973	17,149	15,839
Māori and Pasifika Trades Training (Top-ups)	7,107	9,300	7,424
Total expenses	23,080	26,449	23,263
Surplus/(deficit)	-	-	380

Measure	Actual Funded 2017	Forecast 2017	Variance (Actual Funded to Forecast)	Actual Funded 2016
Māori and Pasifika Trades Training – number of learners per calendar year	2,559 (Note 1)	2,900 ±5%	-11.76%	2,360

Note 1 – Māori and Pasifika Trades Training (MPTT) delivery has rolling enrolments during the calendar year. Although the 2017 number of learners was below forecast there was an increase of 199 learners in 2017 compared to 2016.

Measure	Actual 2017	Target 2017	Actual 2016
Percentage of learners per calendar year progressing from Māori and Pasifika Trades Training to trades-related employment (including 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	41%	Baseline year	New measure

Evaluation of the Māori and Pasifika Trades Training (MPTT) programme

In 2017 we contracted Martin Jenkins to evaluate the MPTT programme. This evaluation included consultation with learners and with consortia.

The evaluation found that MPTT:

- › is a positive initiative, with strong sector support
- › leads to positive outcomes for learners and meets the needs of employers and industries
- › is generally well implemented and consortia have a strong focus on meeting the needs of their learners
- › could be improved, including more effectively supporting learners.

Following the report's publication, the TEC and the Ministry of Education are considering both policy and operational changes for 2019 and onwards.

Further information about the MPTT programme is described on page 25.

Tertiary Sector/Industry Collaboration Projects

- › This appropriation is intended to support the development of knowledge and skills that are required by learners and employers.

Tertiary Sector/Industry Collaboration Projects	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue			
Centres of Asia-Pacific Excellence	9,875	10,000	5,884
National Centre for Tertiary Teaching Excellence	3,556	3,556	3,556
Quality Teaching Agenda (Ministry of Education-administered)	1,700	3,570	1,531
Information and Communication Technology Graduate Schools (Development and Delivery)	1,557	2,771	4,924
Engineering Graduates	1,129	1,578	1,800
Industry Training Organisation Strategic Leadership Fund	500	1,000	1,000
Māori and Pasifika Trades Training (Brokerage)	1,472	2,595	1,505
Māori and Pasifika Trades Training (Consortia)	3,568	3,177	4,082
Section 321 Taranaki Futures Trust	62	125	250
Qualification Development Fund	286	-	-
Total revenue	23,705	28,372	24,532
EXPENSES			
Centres of Asia-Pacific Excellence	9,875	10,000	10,000
National Centre for Tertiary Teaching Excellence	3,556	3,556	3,556
Quality Teaching Agenda (Ministry of Education-administered)	1,700	3,570	1,375
Information and Communication Technology Graduate Schools (Development and Delivery)	1,557	2,771	4,923
Engineering Graduates	1,129	1,578	1,800
Industry Training Organisation Strategic Leadership Fund	500	1,000	1,000
Māori and Pasifika Trades Training (Brokerage)	1,472	2,595	1,532
Māori and Pasifika Trades Training (Consortia)	3,568	3,177	4,011
Section 321 Taranaki Futures Trust	62	125	125
Qualification Development Fund	286	-	-
Total expenses	23,705	28,372	28,322
Surplus/(deficit)	-	-	(3,790)

Measures	Actual Funded 2017	Forecast 2017	Variance (Actual Funded to Forecast)	Actual Funded 2016
Number of domestic equivalent full-time students in Information and Communication Technology (ICT) Graduate Schools per calendar year	223 (Note 1)	300 ±5%	-25.65%	60
Māori and Pasifika Trades Training – number of learners per calendar year	2,559 (Note 2)	2,900 ±5%	-11.76%	2,360

Note 1 – The 2017 enrolments at the Auckland school were slightly above forecast. The Wellington and South Island schools were launched later than anticipated resulting in lower than expected enrolments. All schools anticipate that enrolments will increase in 2018. We are working closely with the schools to ensure they have strategies to attract students and promote their programmes of study.

Note 2 – Māori and Pasifika Trades Training (MPTT) delivery has rolling enrolments during the calendar year. Although the 2017 number of learners was below forecast there was an increase of 199 learners in 2017 compared to 2016.

Evaluation of the ICT Graduate Schools

As ICT Graduate Schools is a pilot initiative, we evaluated the processes and outcomes of this model.

The results indicated that the initiative is:

- › producing good outcomes for students and business
- › delivering against the short-term policy objectives of delivering more work-ready graduates with the skills sought by industry
- › leading to industry becoming fully engaged with the three schools and keen to continue its involvement.

Further information about the ICT Graduate Schools is described on page 25.

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.

	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
University-led Innovation			
REVENUE			
Crown revenue	2,402	10,833	1,600
Total revenue	2,402	10,833	1,600
Total expenses	2,402	10,833	1,600
Surplus/(deficit)	-	-	-

Measure	Dimension	Actual 2017/18	Target 2017/18	Actual 2016/17
Funded universities demonstrate achievement of the milestones and key performance indicators in their research plans, in relation to the recruitment of entrepreneurial academics, thereby progressing the intended impacts of the research	Quality	Achieved	Baseline year	New measure

Secondary-Tertiary Interface (Vote Education)

The Ministry of Education provides funding to us from this appropriation to fund Trades Academies that have a tertiary education organisation as the lead provider. The Ministry of Education is responsible for reporting the performance of this appropriation.

	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
Secondary-Tertiary Interface (Vote Education)			
REVENUE			
Crown revenue	17,731	18,225	17,764
Total revenue	17,731	18,225	17,764
Total expenses	17,731	18,225	17,778
Surplus/(deficit)	-	-	(14)

Research

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.

Centres of Research Excellence	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$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	Dimension	Actual 2017/18	Target 2017/18	Actual 2016/17
Centres of Research Excellence annual reports are reviewed against research plans and meet assessment criteria	Quality	Achieved	Achieved	Achieved

Mid-term review of Centres of Research Excellence

The Royal Society Te Apārangi led a mid-term review of the Centres of Research Excellence in 2017/18.

The review showed that all Centres of Research Excellence are:

- › performing quality research that is likely to deliver significant benefits to New Zealand and to the tertiary education sector
- › considered likely to deliver against their intended outcomes and no significant issues were identified.

The review also provided recommendations on changes the Centres of Research Excellence could make to further strengthen their performance, including:

- › considering stronger engagement with stakeholders and end users, including Māori
- › strengthening tertiary education outcomes (for example: through enhanced student experience and training)
- › strengthening options for sustaining their capabilities, network and value creation beyond the current term of TEC investment.

We are working with the Centres of Research Excellence to ensure that their 2018-2020 strategic/research plans incorporate feedback.

Further information about the Centres of Research Excellence is described on page 28.

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.

Tertiary Education Research and Research-Based Teaching	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue			
Performance-Based Research Fund	315,000	307,500	300,000
– Quality Evaluation element	173,250	169,125	165,000
– Research Degree Completions element	78,750	76,875	75,000
– External Research Income element	63,000	61,500	60,000
Priorities for Focus	1,500	1,500	1,500
Total revenue	316,500	309,000	301,500
EXPENSES			
Performance-Based Research Fund	315,000	307,500	300,000
– Quality Evaluation element	173,250	169,125	165,000
– Research Degree Completions element	78,750	76,875	75,000
– External Research Income element	63,000	61,500	60,000
Priorities for Focus	1,500	1,500	1,500
Total expenses	316,500	309,000	301,500
Surplus/(deficit)	-	-	-

Measures	Dimension	Actual 2017	Target 2017	Actual 2016
Research degree completions (measured by Performance-Based Research Fund (PBRF) – eligible research degree completions)	Quantity	4,062	3,900 ±5%	3,934
Percentage increase in amount of external income for PBRF – eligible providers	Quantity	7.9%	2-4%	7.4%

Benefits or Related Expenses

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	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue	288	1,036	159
Total revenue	288	1,036	159
Total expenses	288	1,036	159
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.

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	Actual 2017/18 \$000	Budget 2017/18 \$000	Actual 2016/17 \$000
REVENUE			
Crown revenue			
Trainee Medical Intern Grant	11,817	13,452	10,953
Tertiary Teaching Awards	200	200	200
Ministry of Education-administered awards	1,027	1,080	1,080
Total revenue	13,044	14,732	12,233
EXPENSES			
Trainee Medical Intern Grant	11,817	13,452	12,107
Tertiary Teaching Awards	200	200	200
Ministry of Education-administered awards	1,027	1,080	1,034
Total expenses	13,044	14,732	13,341
Surplus/(deficit)	-	-	(1,108)

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.



Wāhanga Rima
Tauākī pūtea
Part five
Financial statements

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Notes	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
REVENUE				
Operating revenue:				
Vote Education/Tertiary Education – Ministry of Education (MoE)	1	69,531	62,186	46,809
Contract – Pre-purchased English Language Tuition	1	480	250	397
Contract – Migrant Futures		1,364	1,613	-
Other revenue		2,161	1,413	2,234
Total operating revenue		73,536	65,462	49,440
Grants revenue:				
Vote Education/Tertiary Education – MoE	1	2,995,441	2,935,766	2,894,292
Prior year recoveries – net		2,473	1,700	1,668
Total grants revenue		2,997,914	2,937,466	2,895,960
Finance revenue:				
Interest – operating	1	1,656	1,096	1,346
Interest – grants	1	428	300	350
Total finance revenue		2,084	1,396	1,696
Total revenue		3,073,534	3,004,324	2,947,096
EXPENSE				
Operating expense:				
Personnel costs	5	44,197	40,601	30,514
Other expenses	6	19,317	21,764	15,792
Capital charge	1	1,877	1,684	1,806
Depreciation	9	1,255	1,072	964
Amortisation	8	3,977	4,939	3,351
Total operating expense		70,623	70,060	52,427
Grants expense:				
Grants expense		2,993,392	2,935,766	2,831,425
Bad and doubtful debts	2	2,049	-	9,170
Total grants expense	2	2,995,441	2,935,766	2,840,595
Total expense		3,066,064	3,005,826	2,893,022
SURPLUS/(DEFICIT)				
Operating surplus/(deficit)		4,569	(3,502)	(1,641)
Grants surplus/(deficit)		2,901	2,000	55,715
Total comprehensive revenue and expense		7,470	(1,502)	54,074

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

Statement of Financial Position

As at 30 June 2018

	Notes	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
CURRENT ASSETS				
Cash and cash equivalents	7,16	77,420	53,214	63,411
Prepayments		658	863	699
Receivables	4,16	543,255	566,472	600,621
Total current assets		621,333	620,549	664,731
NON-CURRENT ASSETS				
Intangible assets	8	11,772	14,370	10,143
Property, plant and equipment	9	6,098	5,756	5,564
Total non-current assets		17,870	20,126	15,707
Total assets		639,203	640,675	680,438
CURRENT LIABILITIES				
Payables	3,16	443,352	536,338	521,078
GST payable		1,345	443	1,097
Employee entitlements	10	2,543	2,171	1,973
Pre-purchased English Language Tuition – fees in advance	11	27,325	28,506	26,547
Provision for lease	12	149	112	112
Repayment of grants funding – MoE	13	25,647	2,191	2,830
Total current liabilities		500,361	569,761	553,637
NON-CURRENT LIABILITIES				
Employee entitlements	10	556	602	573
Provision for lease	12	1,231	1,013	1,113
Total non-current liabilities		1,787	1,615	1,686
Total liabilities		502,148	571,376	555,323
Net assets		137,055	69,299	125,115
EQUITY				
General funds	14	137,055	69,299	125,115
Total equity		137,055	69,299	125,115

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
Balance at 1 July		125,115	67,974	70,891
Capital contribution		-	-	500
Capital contribution – Careers New Zealand introduction		4,898	4,827	-
Total comprehensive revenue and expense for the year		7,470	(1,502)	54,074
Repayment of grants interest – MoE	13	(428)	(2,000)	(350)
Balance at 30 June	14	137,055	69,299	125,115

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash was provided from:</i>				
Operating – MoE		69,531	62,186	46,809
Operating – Pre-purchased English Language Tuition		551	250	497
Operating – other		3,749	3,026	1,952
Grants – MoE		3,096,702	2,933,266	2,868,261
Grants – Pre-purchased English Language Tuition		5,525	3,629	6,415
Grant recoveries – prior year		2,544	2,000	1,981
		3,178,602	3,004,357	2,925,915
<i>Cash was applied to:</i>				
Grants payments		(3,100,733)	(2,936,066)	(2,858,389)
Payments to employees		(44,192)	(40,541)	(30,308)
Other operating payments		(18,733)	(21,819)	(14,935)
Capital charge		(1,877)	(1,684)	(1,806)
GST – net		(350)	-	(1,043)
		(3,165,885)	(3,000,110)	(2,906,481)
Net cash flows from operating activities		12,717	4,247	19,434
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Interest – operating		1,647	1,097	1,392
Interest – grants		-	300	350
Sale of property, plant and equipment		-	-	6
		1,647	1,397	1,748
<i>Cash was applied to:</i>				
Purchase of intangible assets		(3,778)	(7,069)	(3,106)
Purchase of property, plant and equipment		(1,947)	(510)	(1,012)
		(5,725)	(7,579)	(4,118)
Net cash flows from investing activities		(4,078)	(6,182)	(2,370)
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash was provided from:</i>				
Repayment of grants funding – MoE		1,357	(6,068)	(5,422)
Capital contribution – MoE		-	-	500
Net cash flows from financing activities		1,357	(6,068)	(4,922)
Net increase/(decrease) in cash and cash equivalents		9,996	(8,003)	12,142
Careers New Zealand cash introduced		4,013	2,722	-
Cash and cash equivalents at 1 July		63,411	58,495	51,269
Cash and cash equivalents at 30 June	7	77,420	53,214	63,411

The accompanying notes form part of these financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2018

	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
Total comprehensive revenue and expense	7,470	(1,502)	54,074
Add non-cash items			
Depreciation, amortisation and impairment expense	5,232	6,011	4,315
Loss on disposal of intangible assets and property, plant and equipment	54	-	1
Total non-cash items	5,286	6,011	4,316
Deduct interest – operating classified as investing activities	(1,647)	(1,397)	(1,742)
Deduct interest – grants classified within repayment of grants funding – MoE within financing activities	(428)	-	-
Add/(less) operating movements in statement of financial position items			
(Increase)/decrease in receivables	57,412	3	(25,616)
(Increase)/decrease in prepayments	164	53	(173)
Increase/(decrease) in payables	(77,705)	9	(14,203)
Increase/(decrease) in provision for lease	(107)	(112)	(112)
Increase/(decrease) in employee entitlements	24	53	266
Increase/(decrease) in Pre-purchased English Language Tuition – fees in advance	778	1,129	2,842
Increase/(decrease) in GST payable	11	-	(218)
Increase/(decrease) in repayment of grants funding – MoE	21,459	-	-
Total movements in statement of financial position items	2,036	1,135	(37,214)
Net cash flows from operating activities	12,717	4,247	19,434

The accompanying notes form part of these financial statements.

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 New Zealand Crown.

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 (PBE) for financial reporting purposes.

Our financial statements are for the year ended 30 June 2018 and were approved by our Board of Commissioners on 1 October 2018.

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 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).

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 the purpose of us meeting our performance measures as specified in the *Statement of Intent 2015-2019* and *Statement of Performance Expectations 2017/18*. 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 – Pre-purchased English Language Tuition

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 – 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.

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.

Capital charge

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

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.

Income tax

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

Budget figures

The budget figures are derived from the *Statement of Performance Expectations 2017/18* 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.

Cost allocation

We have determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are allocated based on full-time equivalent staff.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

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 notes 8 and 9
- › estimates and assumptions around retirement and long service leave – refer to note 10.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policy:

- › leases classification – 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. Comparative information excludes Careers New Zealand unless otherwise stated.

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 (TEIs) 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 TEI.

	Funding \$000	Accounting adjustment \$000	2018 \$000	2017 \$000
UNIVERSITIES				
Auckland University of Technology	183,097	(2,145)	180,952	156,067
Lincoln University	42,657	(550)	42,107	38,210
Massey University	218,695	(12,146)	206,549	201,989
University of Auckland	491,875	(19,214)	472,661	429,881
University of Canterbury	179,400	(5,085)	174,315	163,462
University of Otago	335,040	239	335,279	335,570
University of Waikato	100,089	(2,036)	98,053	86,259
Victoria University of Wellington	211,047	(4,575)	206,472	183,990
	1,761,900	(45,512)	1,716,388	1,595,428
POLYTECHNICS				
Ara Institute of Canterbury	67,806	(3,323)	64,483	63,931
Bay of Plenty Polytechnic	-	-	-	3,156
Eastern Institute of Technology	41,542	(2,221)	39,321	39,154
Manukau Institute of Technology	54,648	(1,598)	53,050	47,190
Nelson Marlborough Institute of Technology	22,519	(1,068)	21,451	18,766
Northland Polytechnic	23,810	(1,599)	22,211	22,603
Otago Polytechnic	41,938	(1,039)	40,899	41,315
Southern Institute of Technology	37,044	(6,295)	30,749	33,855
Tai Poutini Polytechnic	10,868	1,339	12,207	16,367
The Open Polytechnic of New Zealand	39,993	(658)	39,335	32,436
Toi Ohomai Institute of Technology	50,611	(2,864)	47,747	38,916
Unitec Institute of Technology	64,321	(898)	63,423	58,006
Universal College of Learning	31,563	(2,011)	29,552	29,539
Waiariki Institute of Technology	-	-	-	3,282
Waikato Institute of Technology	50,053	(3,645)	46,408	45,192
Wellington Institute of Technology	27,796	144	27,940	25,127
Western Institute of Technology	10,979	780	11,759	12,945
Whitireia Community Polytechnic	21,606	877	22,483	22,807
	597,097	(24,079)	573,018	554,587
WĀNANGA				
Te Wānanga o Aotearoa	139,428	(3,612)	135,816	167,811
Te Wānanga o Raukawa	12,404	424	12,828	11,559
Te Whare Wānanga o Awanuiārangi	25,248	(2,033)	23,215	19,462
	177,080	(5,221)	171,859	198,832
Total TEI grants	2,536,077	(74,812)	2,461,265	2,348,847
Other tertiary education organisation grants	539,107	(6,980)	532,127	482,578
Bad debts written off and movement in provision for uncollectable debts	2,049	-	2,049	9,170
Total grants expense	3,077,233	(81,792)	2,995,441	2,840,595

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 2018, our funding has only been confirmed up until 30 June 2019.
- › 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

	2018 \$000	2017 \$000
GRANTS: NON-EXCHANGE TRANSACTIONS		
Tertiary grants payable	424,066	505,858
Creditors	-	2
Accrued expenses	13,592	10,203
Total grants payables	437,658	516,063
OPERATIONS: EXCHANGE TRANSACTIONS		
Creditors	929	732
Accrued expenses	4,765	4,283
Total operations payables	5,694	5,015
Total payables	443,352	521,078

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 (MoE).

As per note 3 (payables) we have a large tertiary grants payable. The MoE 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 MoE. 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

	2018 \$000	2017 \$000
Tertiary grants receivables (non-exchange transaction)	34,229	34,895
MoE tertiary grants receivable (non-exchange transaction)	424,066	505,858
MoE balance sheet mechanism receivable (non-exchange transaction)	92,380	92,380
MoE other grants receivable (non-exchange transaction)	2,352	-
Other accounts receivable (exchange transaction)	593	514
Provision for uncollectability	(10,365)	(33,026)
Total receivables	543,255	600,621

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

	Gross \$000	Provision \$000	Net \$000
As at 30 June 2018			
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
As at 30 June 2017			
Not past due	620,664	(21,235)	599,429
Past due 1-30 days	-	-	-
Past due 31-60 days	-	-	-
Past due 61-90 days	530	-	530
Past due > 90 days	12,453	(11,791)	662
Total	633,647	(33,026)	600,621

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:

	2018 \$000	2017 \$000
Balance at 1 July	33,026	13,351
Increase/(decrease) in provision	2,356	26,419
Receivables written off during the year	(25,017)	(6,744)
Balance at 30 June	10,365	33,026

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

	2018 \$000	2017 \$000
Salaries	29,522	22,000
Contractors	11,984	6,836
Contributions to defined contribution plans	834	618
Additional provision for leave entitlements	305	379
Training and development	164	209
Other personnel expenses	461	447
Redundancy cost	927	25
Total personnel costs	44,197	30,514

Employee remuneration

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

	2018 Number of employees	2017 Number of employees
540,001 to 550,000	1	-
510,001 to 520,000	-	1
300,001 to 310,000	1	-
280,001 to 290,000	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	1	-
200,001 to 210,000	3	2
180,001 to 190,000	4	4
170,001 to 180,000	5	4
160,001 to 170,000	6	8
150,001 to 160,000	6	5
140,001 to 150,000	9	4
130,001 to 140,000	14	8
120,001 to 130,000	15	15
110,001 to 120,000	18	18
100,001 to 110,000	24	15
Total employees	110	86

During the year, 28 employees (2017: three) received compensation and other benefits in relation to cessation totalling \$927,293 (2017: \$82,825).

Board of Commissioners' remuneration

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

		2018 \$	2017 \$
CURRENT COMMISSIONERS			
Nigel Gould (Chair) (Note 1)	appointed May 2013	46,168	22,400
Dr Alastair MacCormick	appointed June 2017	22,400	1,867
Sir Christopher Mace	appointed May 2013	22,400	22,400
John Morris	appointed November 2012	22,400	22,400
Phil O'Reilly	appointed September 2013	22,400	22,400
Susan Paterson	appointed July 2015	22,400	22,400
Vanessa Stoddart	appointed September 2013	22,400	22,400
PAST COMMISSIONERS			
John Spencer (past Chair)	term ended July 2017	3,780	54,701
Dale Karauria	term ended August 2017	3,733	18,667
Total Commissioners' fees		188,081	209,635

Note 1 – The amount paid to Nigel Gould includes \$2,722 (2017: John Spencer included \$9,341) 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

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 as to 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

	Note	2018 \$000	2017 \$000
Property rental		2,078	1,507
Motor vehicles		50	4
Computer operations		4,016	2,486
Consultants		3,196	3,675
Audit fees for audit of financial statements		176	167
Other fees paid to auditors – assurance services		19	77
Travel		924	487
Insurance		135	123
Legal fees		527	405
Managing third-party contracts		5,406	5,287
Bank fees		2	2
Telephone, tolls and postage		251	152
Other supplies and services		2,283	966
Commissioners' fees	5	188	210
Performance-Based Research Fund panel members' fees		12	243
Loss on disposal of property, plant and equipment and intangible assets		54	1
Total other expenses		19,317	15,792

Operating leases as lessee

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

	2018 \$000	2017 \$000
Not later than one year	2,176	1,666
Later than one year and not later than five years	7,434	6,666
Later than five years	6,682	8,349
Total non-cancellable operating leases	16,292	16,681

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, Nelson, Christchurch and Dunedin and a project hub office 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

	2018 \$000	2017 \$000
OPERATIONS		
Cash at bank	1,572	1,900
Term deposits with maturities less than three months	29,000	20,000
Total operations cash and cash equivalents	30,572	21,900
GRANTS		
Cash at bank	14,189	9,496
Term deposits with maturities less than three months	8,000	8,000
Total grants cash and cash equivalents	22,189	17,496
PRE-PURCHASED ENGLISH LANGUAGE TUITION		
Cash at bank	1,659	2,015
Term deposits with maturities less than three months	23,000	22,000
Total Pre-purchased English Language Tuition cash and cash equivalents	24,659	24,015
Total cash and cash equivalents	77,420	63,411

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 de-recognised. 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 property, plant and equipment and intangible assets

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

Property, plant and equipment and intangible assets 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 an approach based on 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 property, plant and equipment and intangible assets

At each balance date, the useful lives and residual values of property, plant and equipment and intangible assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of 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:

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
2017					
	Acquired software \$000	Internally generated software \$000	Work in progress (acquired) \$000	Work in progress (internal) \$000	Total \$000
Balance at 1 July	3,439	3,191	1,372	1,877	9,879
Transfers from work in progress	660	2,176	(660)	(2,176)	-
Amortisation and impairments	(1,740)	(1,611)	-	-	(3,351)
Additions	-	-	2,368	1,247	3,615
Balance at 30 June	2,359	3,756	3,080	948	10,143
Cost	17,177	16,625	3,080	948	37,830
Accumulated amortisation	(14,818)	(12,869)	-	-	(27,687)
Balance at 30 June	2,359	3,756	3,080	948	10,143

The amount of contractual commitments for the acquisition of intangible assets is \$2,992,000 (2017: \$306,000).

The large increase is owing to two key projects: Te Kiritaki (our customer relationship management software) and Funds Management and Payments.

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:

2018							
	Leasehold improvements \$000	Computer equipment \$000	Office equipment \$000	Furniture and fittings \$000	Motor vehicle \$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

2017							
	Leasehold improvements \$000	Computer equipment \$000	Office equipment \$000	Furniture and fittings \$000	Motor vehicle \$000	Work in progress \$000	Total \$000
Balance at 1 July	3,306	1,136	106	277	-	484	5,309
Transfers from work in progress	9	607	1	240	-	(857)	-
Depreciation and impairments	(301)	(577)	(23)	(63)	-	-	(964)
Additions	-	-	-	-	-	1,219	1,219
Balance at 30 June	3,014	1,166	84	454	-	846	5,564
Cost	3,404	6,556	128	742	-	846	11,676
Accumulated depreciation	(390)	(5,390)	(44)	(288)	-	-	(6,112)
Balance at 30 June	3,014	1,166	84	454	-	846	5,564

There are no contractual commitments for the acquisition of property, plant and equipment (2017: \$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, and
- › 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

	2018 \$000	2017 \$000
CURRENT PORTION		
Salaries and wages	332	329
Annual leave	1,769	1,298
Severance provision	291	75
Sick leave	27	64
Retirement and long service leave	124	207
Total current portion	2,543	1,973
NON-CURRENT PORTION		
Sick leave	129	71
Retirement and long service leave	427	502
Total non-current portion	556	573
Total employee entitlements	3,099	2,546

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	398	153	551
Salary growth: 1% per year	378	144	522
Salary growth: 3% per year	420	162	582
Resignation rates: 150% of assumed	381	151	532
Resignation rates: 50% of assumed	417	154	571

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

Accounting policy

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

Break down of Pre-purchased English Language Tuition

	2018 \$000	2017 \$000
Balance at 1 July	26,547	23,705
Fees received from migrants	6,076	6,912
Fees paid to providers	(3,293)	(2,526)
Refund of unused fees to Ministry of Business, Innovation and Employment	(1,525)	(1,147)
Contract expense – administration	(480)	(397)
Balance at 30 June	27,325	26,547

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, and
- › 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 provision

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

	2018 \$000	2017 \$000
CURRENT PORTION		
Onerous contracts	10	-
Lease incentive	139	112
Total current portion	149	112
NON-CURRENT PORTION		
Lease make good	120	102
Lease incentive	1,111	1,011
Total non-current portion	1,231	1,113
Total provision for lease	1,380	1,225

	Lease make good \$000	Onerous lease \$000	Lease incentive \$000	Total \$000
Balance at 1 July 2016	102	-	1,235	1,337
Additional provisions made	-	-	-	-
Amounts used	-	-	(112)	(112)
Unused amounts reversed	-	-	-	-
Balance at 30 June/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 2018	120	10	1,250	1,380

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.

We closed our Napier and Palmerston North regional offices on 30 June 2018. The lease agreements require us to continue paying rent until the agreement is complete. As there is no expected benefit or service potential, the amount of \$10,000 has been recognised as an onerous lease.

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 Minister of Education. We also voluntarily return interest earned on grants funds.

Break down of repayment of grants funding – MoE

	2018 \$000	2017 \$000
Balance at 1 July	2,830	7,903
Repayments made during the period	(2,830)	(7,903)
Prior year recoveries to be returned	541	3,550
Excess funding drawn	24,678	(1,070)
Interest	428	350
Balance at 30 June	25,647	2,830

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 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 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

	2018 \$000	2017 \$000
OPERATIONS EQUITY		
Balance at 1 July	27,231	28,372
Surplus/(deficit) for the year	4,569	(1,641)
Capital contribution	-	500
Careers New Zealand equity introduced	4,898	-
Balance at 30 June	36,698	27,231
GRANTS EQUITY		
Balance at 1 July	97,884	42,519
Surplus/(deficit) for the year	2,901	55,715
Repayment of grants interest – MoE	(428)	(350)
Balance at 30 June	100,357	97,884
Total equity	137,055	125,115

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, and
- › 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

	2018 \$000	2017 \$000
COMMISSIONERS		
Remuneration	188	210
Full-time equivalent members	0.9	1.0
LEADERSHIP TEAM		
Remuneration	2,265	1,511
Full-time equivalent members	7.9	5.0
Total key management personnel remuneration	2,453	1,721
Total full-time equivalent personnel	8.8	6.0

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:

	2018 \$000	2017 \$000
FINANCIAL ASSETS		
Cash and cash equivalents	77,420	63,411
Receivables	543,255	600,621
Total current portion	620,675	664,032
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	443,352	521,078
Total non-current portion	443,352	521,078

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 2018. 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 cash, bank 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 six months.

17. Contingencies

Contingent liabilities

There are no contingent liabilities for the current year (2017: 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 is no change from 2017.

18. Events after balance date

There were no significant events after the balance date (2017: Careers New Zealand integration with the Tertiary Education Commission on 1 July 2017).

19. Explanation of major variances against budget

Explanations for major variances from our budgeted figures in the *Statement of Performance Expectations 2017/18* are as follows:

Statement of Comprehensive Revenue and Expense

Operating revenue

Operating revenue was \$8 million above budget. This was owing to an unbudgeted \$4 million of Crown revenue to cover the Careers New Zealand transition costs and \$4 million of Fees Free operational funding.

Grants revenue

Grants revenue was \$60 million above budget. \$130 million was owing to the new Fees-free Payments category of our Tertiary Tuition and Training multi-category appropriation. This was partially offset by reduced baselines and under-spends in other appropriations.

Grants expense

Grants expense was \$60 million above budget. \$130 million of this was owing to the new Fees Free policy. This was slightly offset by under-spends in other appropriations.

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents were \$24 million above budget. This was a combination of both grants and operating. After we had made our grants cash request for June 2018, we made plan changes that reduced our June grants payments. In addition, our operating expenses were largely unchanged versus budget, despite revenue being \$8 million above budget. This was largely owing to a number of vacancies following the Careers New Zealand integration and the pending restructure. Some projects were also delayed while we focused on implementing the Fees Free policy.

Receivables

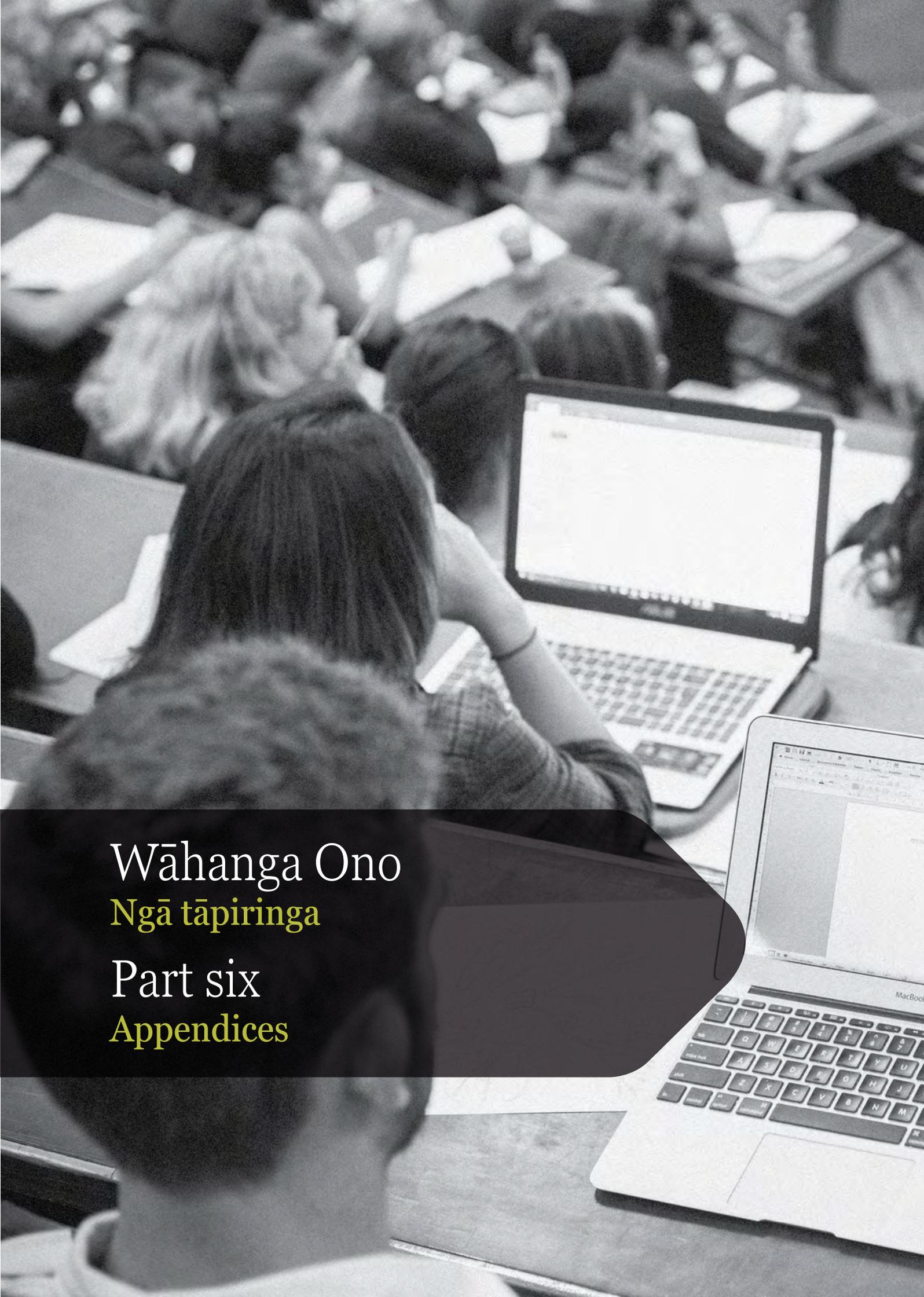
Receivables were \$23 million below budget. This was largely owing to a decrease in our Ministry of Education grants receivable. This was slightly offset by an increase in tertiary grants receivables resulting from June 2018 plan changes.

Payables

Payables were \$93 million above budget. This was owing to movements 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 \$23 million above budget. This was owing to excess Fees Free funding drawn.



Wāhanga Ono
Ngā tāpiringa
Part six
Appendices

Appendix A:

Our good employer requirements

Leadership, accountability and culture

Our leadership group is critical to guiding our organisation and shaping its culture. Training for our leadership group focused on managing and leading change, to ensure our managers are supported and therefore able to support and guide their teams. We have also fostered shared accountability for key issues by including collective measures in all managers' performance plans.

We ran a short, internally run engagement survey this year rather than our annual survey, in light of the change impacts on staff. Most scores were lower, compared with previous surveys, given the change environment. The high response rate, 94%, signals an environment where people share their views and take an active interest.

The success of the Fees Free implementation showed our culture of dedication to delivering on our purpose. Staff worked collaboratively and flexibly to deliver on a challenging timeline. This work also provided staff with opportunities for development and challenge. The Institute of Public Administration New Zealand recognised our work with two awards.

Recruitment, induction and selection

We give all new staff a consistent induction, called TEC Kōtahi. This includes a short, interactive orientation session focused on values, health and safety, technology use, privacy and how to make the most of your first 90 days. The commitment to welcoming people to the TEC was shown in the two-day pōwhiri and induction programme for all staff transferring from Careers New Zealand.

We use the Harrison assessment tool for selected roles. This tool reviews job fit and employee satisfaction and gives insight into development and retention.

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.

Employee development, promotion and exit

All staff work with their manager on their individual development needs. We provide targeted development for particular roles and teams on key skills, and discuss development and succession opportunities across the public sector for identified individuals.

With significant change comes opportunities for development through secondments. We collate data on secondments every month. Around 80 staff are either acting in higher roles or working in other teams.

Staff leaving are offered exit questionnaires and interviews so we can understand and learn from their experience.

Flexibility and work design

In 2017/18 we upgraded our IT systems, which has simplified remote and flexible working. We also have videoconferencing and Skype technology to connect geographically spread teams.

Remuneration, recognition and employment conditions

To grade all our roles we use the Strategic Pay job evaluation system. Roles that moved to the TEC from Careers New Zealand had used different remuneration market data as a benchmark but in 2018/19 we will move to the same benchmark for all staff. Gender pay equity gaps are reviewed as part of the annual remuneration round.

We continue to have a positive working relationship with the Public Service Association (PSA) and the PSA is also involved in our remuneration forums. We hold regular meetings with the PSA to discuss topics, such as the change process and forthcoming bargaining.

In our current change environment, recognition of staff performance has been an informal behaviour rather than a structured programme. Feedback from staff tells us more formal, regular recognition is important for 2018/19.

Harassment and bullying prevention

We have a 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. Physical audits have been completed and wellness activities promoted through our online wellness portal. The Board also receives monthly reporting on accident and incidents, lost time, sick leave and annual leave balances over 20 days.

GOSH is our new online safety and wellbeing system, replacing the paper-based system. This gives us centralised reporting of accidents and incidents and follow up on corrective actions.

During the change process staff have had access to self-service resources. Those affected have had career transition and outplacement support throughout the process, in addition to Vitae.

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, from 1 August 2017)



John Spencer
(Chair, term ended 31 July 2017)



Dr Alastair MacCormick



Sir Christopher Mace



Dale Karauria
(term ended 16 August 2017)



John Morris



Phil O'Reilly



Susan Paterson



Vanessa Stoddart

Audit, Risk and Compliance Committee members 2017/18

Nigel Gould – Chair (Dr Alastair MacCormick from 14 August 2017)

John Morris

Phil O'Reilly

Remuneration Committee members 2017/18

John Spencer – Chair (Nigel Gould from 1 August 2017)

Sir Christopher Mace

Vanessa Stoddart

Phil O'Reilly

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.
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.
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 organisation	An industry-specific body 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.
ITPs	Institutes of technology and polytechnics.
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 TEOs (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.
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 (TEIs)	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 organisation (TEO)	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.

Published by the Tertiary Education Commission Te Amorangi Mātauranga Matua

National Office
44 The Terrace
PO Box 27048
Wellington, New Zealand

Date: October 2018
ISSN 2624-0408 (electronic)
ISSN 2624-0394 (print)

Authors

The Tertiary Education Commission

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