

**Tertiary
Education
Commission**
Te Amorangi
Mātauranga Matua



Statement of Performance Expectations

2017/2018

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Te Amorangi Mātauranga Matua**

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Every effort is made to provide accurate and factual content. The TEC, however, cannot accept responsibility for any inadvertent errors or omissions that may occur.



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Statement of Responsibility

This *Statement of Performance Expectations 2017/18* is produced in accordance with the requirements of sections 149B to 149M of the Crown Entities Act 2004.

This *Statement of Performance Expectations 2017/18* has been prepared as required under the Crown Entities Act 2004. We take responsibility for the statement's content, including the assumptions used in preparing the forecast financial statements and the other required disclosures. We will not update these prospective financial statements following their publication.

We use and maintain internal controls to ensure the integrity and reliability of our performance and financial reporting.

We certify that the information contained in this Report is consistent with the appropriations contained in the *Estimates of Appropriations* for the year ending 30 June 2018. These were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

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



John Spencer
Chair
Tertiary Education Commission

A handwritten signature in black ink that reads "John Spencer".

7 June 2017



Nigel Gould
Chair
Audit and Risk Committee
Tertiary Education Commission

A handwritten signature in black ink that reads "Nigel Gould".

7 June 2017

Statement of Performance Expectations

The purpose of a Statement of Performance Expectations is to:

- › set annual performance expectations
- › provide a base against which actual performance can be assessed
- › provide an explanation of how performance will be assessed
- › provide forecast financial statements.

Our *Statement of Performance Expectations 2017/18* complements our *Statement of Intent 2015/16 – 2018/19 (SOI)*. Our SOI describes what the Tertiary Education Commission Te Amorangi Mātauranga Matua (the TEC) intends to achieve over the four years 2015/16 to 2018/19.

The changing focus of the Tertiary Education Commission

In May 2016 Government announced that Careers New Zealand will become part of the TEC.

As a result of the reforms, the TEC will take responsibility, with support from the tertiary sector and key industries, for providing a seamless flow of high quality careers and training information. The TEC's careers role will be focused on the provision of careers information and strengthening connections between education and employment. Good career decisions have a positive flow-on effect for individuals, families and communities, as well as for business productivity and the economy.

The Tertiary Education Strategy

Our strategic direction is underpinned by the *Tertiary Education Strategy 2014-19*, which sets out the Government's current to long-term direction priorities for tertiary education.

The strategy emphasises the opportunity for New Zealand to develop a tertiary system that is more flexible, outward-facing, engaged and focused on improving outcomes for learners and employers. It presents six priorities that shape what we do:

- › Priority 1: Delivering skills for industry
- › Priority 2: Getting at-risk young people into a career
- › Priority 3: Boosting achievement of Māori and Pasifika
- › Priority 4: Improving adult literacy and numeracy
- › Priority 5: Strengthening research-based institutions
- › Priority 6: Growing international linkages.

The Business Growth Agenda

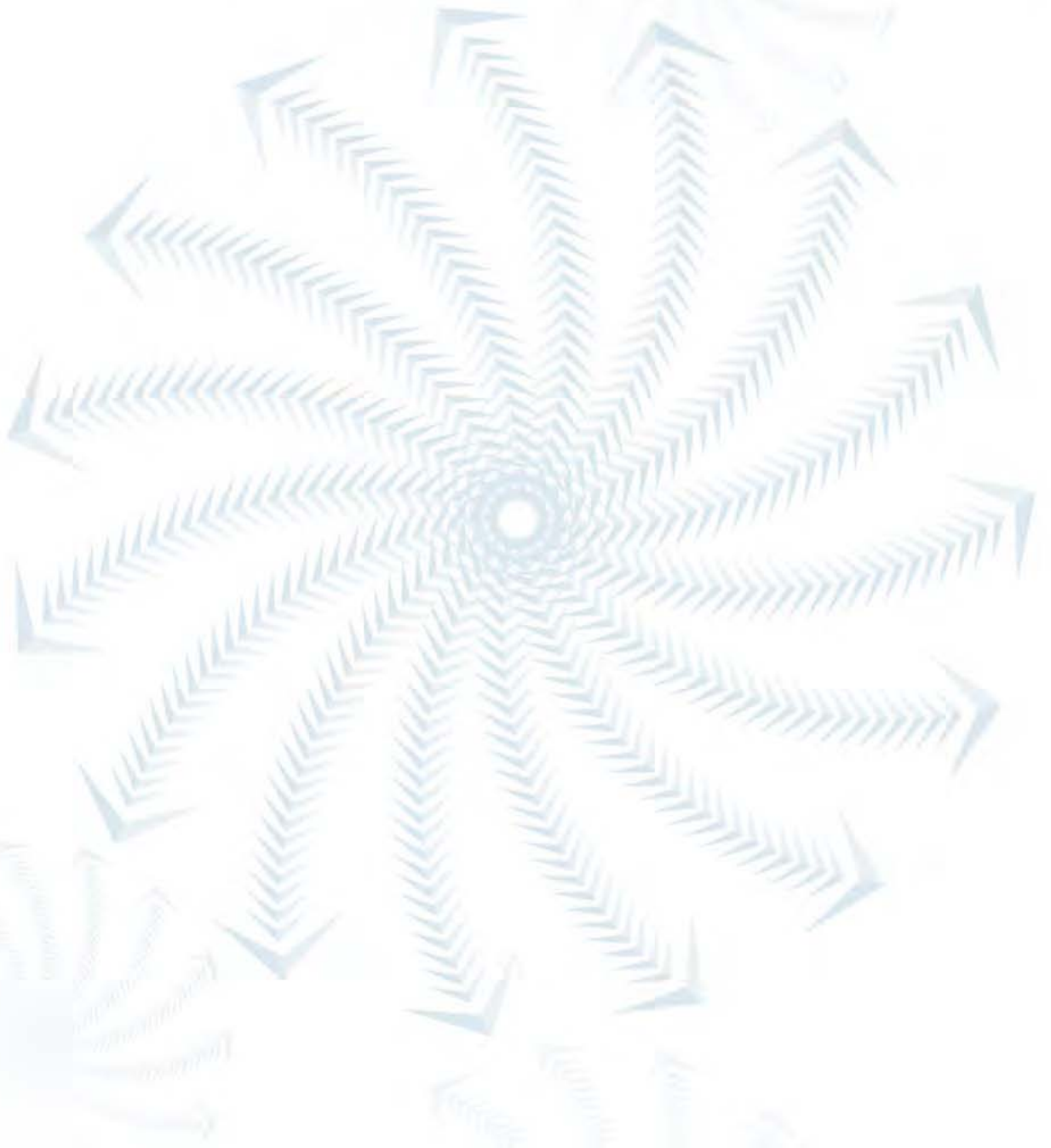
The Business Growth Agenda is central to the Government's priority of building a more productive and competitive economy.

Lifting productivity and competitiveness is critical to creating business opportunities, more jobs and higher wages and ultimately the higher living standards to which New Zealanders aspire. Our role is to support the Ministry of Business, Innovation and Employment to match skills training to employers' needs by investing in tertiary knowledge and skills that meet employers' needs.

Better Public Services

To sharpen the public sector's focus on high-quality delivery, the Government has set Better Public Services targets. Through our tertiary and careers systems role we contribute to the target below:

- › by 2018, 60 percent of 25- to 34-year-olds will have a qualification at level 4 and above on the New Zealand Qualifications Framework (NZQF).



Our outputs, the tertiary education sector outputs and our impacts link to the Government’s Business Growth Agenda and Tertiary Education Strategy priorities.

THE TERTIARY EDUCATION STRATEGY

PRIORITY 1

Delivering skills for industry

PRIORITY 2

Getting at-risk young people into a career

PRIORITY 3

Boosting achievement for Māori and Pasifika

PRIORITY 4

Improving adult literacy and numeracy

PRIORITY 5

Strengthening research-based institutions

PRIORITY 6

Growing international linkages

THE BUSINESS GROWTH AGENDA

Building Innovation

Building Skilled and Safe Workplaces

WHAT WE WANT TO ACHIEVE FOR THE TERTIARY EDUCATION SYSTEM

An increased proportion of the population with a tertiary qualification
Priorities 1,2,3,4,5

A tertiary system that is more responsive to the needs of employers and learners
Priorities 1,2,3,4,5,6

Higher quality and more relevant research
Priorities 5,6

WHAT WE WANT TO ACHIEVE FOR THE CAREERS SYSTEM

Better connections between employers and educators to improve pathways linking learning and work
Priorities 1,2,3

Improved careers support for New Zealanders from career influencers
Priorities 1,2,3

New Zealanders can easily find and access digital tools and resources that meet their needs
Priorities 1,2,3

HOW WE INVEST – TERTIARY EDUCATION SECTOR OUTPUTS

(REFER TO PAGES 11-28)

TEACHING AND LEARNING

Vote Tertiary Education

Tertiary Tuition and Training
\$2,481.969 million

Access to Tertiary Education
\$26.449 million

Tertiary Sector / Industry Collaboration Projects
\$28.372 million

Vote Education

Secondary-Tertiary Interface
\$18.225 million

RESEARCH

Vote Tertiary Education

Centres of Research Excellence
\$49.800 million

Research and Research-Based Teaching
\$309.000 million

University-led innovation
\$10.833 million

BENEFITS OR RELATED EXPENSES

Vote Tertiary Education

Tertiary Scholarships and Awards
\$14.732 million

Support to Apprentices
\$1.036 million

WHAT WE DO – OUR OPERATIONAL OUTPUTS

(REFER TO PAGES 6-9)

Vote Tertiary Education

Administration of and Support for the Tertiary Sector
\$49.765 million

Vote Education

Provision of Information and Advisory Services
\$16.902 million



Our operational outputs

Our operational outputs

Funding the activities of the Tertiary Education Commission

Vote Tertiary Education

Administration of and Support for the Tertiary Sector

This appropriation is limited to giving effect to the Tertiary Education Strategy by investing in tertiary education, monitoring and maintaining the Government's ownership interest in tertiary education institutions, and advice and support to Ministers.

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

Investing in tertiary education links to the Tertiary Education Strategy Priorities 1-6:

- › Priority 1: Delivering skills for industry
- › Priority 2: Getting at-risk young people into a career
- › Priority 3: Boosting achievement of Māori and Pasifika
- › Priority 4: Improving adult literacy and numeracy
- › Priority 5: Strengthening research-based institutions
- › Priority 6: Growing international linkages.



Administration of and Support for the Tertiary Sector

Administration of and Support for the Tertiary Sector	Budget 2017/18 \$000
Revenue	
Crown revenue	
Tertiary Education Commission	47,054
Māori Education Trust	109
Contract revenue – Pre-purchased English Language Tuition	250
Interest revenue	1,096
Other	1,256
Total revenue	49,765
Expenses	
Tertiary Education Commission	53,158
Māori Education Trust	109
Total expenses	53,267
Surplus/(deficit)	(3,502)

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.



Performance measures

How performance will be assessed

Measure	Dimension	Actual 2015/16	Target 2016/17	Target 2017/18
Managing the investment system				
The overall satisfaction rating given by the Minister for Tertiary Education, Skills and Employment on the Tertiary Education Commission (as per the Common Satisfaction Survey) (Note 1)	Quality	New measure	Baseline year	Maintain or increase
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	Revised measure	Revised measure	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	31 audits	60-70 audits	60-70 audits
Percentage of audits completed within 70 days according to audit compliance standards	Timeliness	95%	95%	95%



Performance measures

Measure	Dimension	Actual 2015/16	Target 2016/17	Target 2017/18
Managing the Government's Investment in the Tertiary Education Sector continued				
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	7	10-15	10-15
Ownership Monitoring of Tertiary Education Institutions				
Ownership risks are assessed and appropriate mitigation strategies are put in place (Note 2)	Quality	100%	100%	100%
Ownership risks are reported and advice is provided to the Minister	Quality	100%	100%	100%
Tertiary Education and Training Advice				
The rating given by the Minister for Tertiary Education, Skills and Employment on the Common Satisfaction Survey question "How satisfied are you that the advice you receive from the Commission meets your needs?" (Note 1)	Quality	New measure	New measure	7
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	New measure	New measure	Baseline year
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.

Note 2 – Risks are assessed against the gazetted risk criteria, which are available on our website: <http://www.tec.govt.nz/Tertiary-Sector/Crown-Interest/Interventions/Risk-assessment/>.



Provision of Information and Advisory Services

Vote Education

Provision of Information and Advisory Services

This appropriation is limited to the provision of information and advisory services related to education policies and programmes that are the responsibility of Careers New Zealand or the New Zealand Qualifications Authority, support by those two agencies to Ministers to discharge their portfolio responsibilities (other than policy decision-making), and services and support provided by other education sector bodies to raise student achievement and improve governance and capacity of providers.

This appropriation is intended to achieve informed learning and decision-making through the provision of information and advisory services to individuals, education providers and organisations.

Administration of and Support for the Careers System	Budget 2017/18 \$000
Revenue	
Crown revenue	
Tertiary Education Commission	15,132
Other revenue	1,770
Total revenue	16,902
Expenses	
Tertiary Education Commission	16,902
Total expenses	16,902
Surplus/(deficit)	-

How performance will be assessed

Measure	Dimension	Actual 2015/16	Target 2016/17	Target 2017/18
Percentage of employers or employers organisations participating in a careers initiative that agree the initiative has helped improve their connection with education organisations	Quality	82%	80%	80%
Percentage of education organisations accessing career development resources and services that agree this has helped improve their careers services	Quality	New Measure	80%	80%
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	77%	75%	75%
Number of New Zealand-based web visits to the careers.govt.nz website	Quantity	4.24 million	4.40 million	4.40 million
Percentage of users who agree that the careers.govt.nz website is easy to use	Quality	80%	80%	80%
Percentage of users who agree that the content on the careers.govt.nz website is relevant to their needs	Quality	78%	80%	80%
Percentage of users from priority groups who agree that the content on the careers.govt.nz website is relevant to their needs	Quality	79%	80%	80%
Percentage of informal careers influencers satisfied the information received improved their ability to support young people's learning and work choices (Note 1)	Quality	New measure	85%	85%

Note 1 – Informal careers influencers includes whānau, aiga, families, community organisations, Māori organisations and other non-governmental groups.



Performance measures



Tertiary Education Sector Outputs

Tertiary education sector outputs

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

Financial year forecasts, targets and results are shown as 2015/16, 2016/17 and 2017/18.

Calendar year forecasts, targets and results are shown as 2015, 2016 and 2017.

Teaching and Learning

Tertiary Tuition and Training (multi-category appropriation)

The overarching purpose of this appropriation is to fund tertiary tuition and training that leads to improvements in New Zealanders' skill levels.

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

Funding teaching and learning links to the Tertiary Education Strategy Priorities 1-5:

- › Priority 1: Delivering skills for industry
- › Priority 2: Getting at-risk young people into a career
- › Priority 3: Boosting achievement of Māori and Pasifika
- › Priority 4: Improving adult literacy and numeracy
- › Priority 5: Strengthening research-based institutions.



Tertiary Tuition and Training (MCA)

Tertiary Tuition and Training (MCA)	Budget 2017/18 \$000
Revenue	
Crown revenue	
Community Education	77,286
Tertiary Education: Student Achievement Component	2,084,592
Training for Designated Groups	320,091
Total revenue	2,481,969
Expenses	
Community Education	77,286
Tertiary Education: Student Achievement Component	2,084,592
Training for Designated Groups	320,091
Total expenses	2,481,969
Surplus/(deficit)	-



Performance measures

How performance will be assessed

Performance at the multi-category appropriation level will be assessed by:

Measure	Dimension	Actual 2015	Actual 2016	Target 2017
Proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at level 4 or above) (Better Public Services target)	Quantity	54.7%	57.2%	60% for the year ending December 2018

This multi-category appropriation consists of three categories:

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



Community Education

Community Education

This category is limited to funding for adult and community education and literacy, numeracy and English language provision.

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.

Funding foundational learning links to the Tertiary Education Strategy Priorities 2 and 4:

- › Priority 2: Getting at-risk young people into a career
- › Priority 4: Improving adult literacy and numeracy.

Community Education	Budget 2017/18 \$'000
Revenue	
Crown revenue	
Adult and Community Education	22,890
Literacy and Numeracy Provision	37,548
English for Speakers of Other Languages	14,193
Migrant Levy	426
Emergency Management Pool	2,229
Total revenue	77,286
Expenses	
Adult and Community Education	22,890
Literacy and Numeracy Provision	37,548
English for Speakers of Other Languages	14,193
Migrant Levy	426
Emergency Management Pool	2,229
Total expenses	77,286
Surplus/(deficit)	-

How performance will be assessed



Performance measures

Measure	Actual Funded 2015	Actual Funded 2016	Forecast 2017 (Note 1)
Adult and community education			
Total number of school-based adult and community education hours funded	380,383	368,972	407,600 ±5%
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	1,731	1,723	2,000 ±5%
Literacy and numeracy – total number of funded learners per calendar year	13,565	14,543	16,700 ±5% (Note 2)
Intensive Literacy and Numeracy – funded number of learners	4,961	4,879	4,900 ±5%
English for Speakers of Other Languages (ESOL) – funded number of learners per calendar year, including:	3,514	3,544	3,900 ±5% (Note 3)
– ESOL funded number of learners	2,939	3,013	3,100 ±5%
– Refugee English funded number of learners (Note 3)	575	531	800 ±5% (Note 3)
Workplace Literacy and Numeracy Fund – funded number of learners, including:	5,090	6,120	7,900 ±5% (Note 2)
– Tertiary education organisations led	4,370	4,332	5,200 ±5%
– Employer led	720	1,788	2,700 ±5% (Note 2)

Note 1 – Forecasts are anticipated outputs based on the commitments tertiary education organisations have made for 2017. Forecasts are shown at 95% of expected delivery.

Note 2 – Forecast 2017 includes an additional \$3.5 million (to fund approximately a further 1,043 places) as part of Budget 2017 decision for the employer-led strand of the Workplace Literacy and Numeracy Fund.

Note 3 – From 2017, approximately 210 learners will be funded from the TEC's balance sheet and the balance will be funded from the Intensive Literacy and Numeracy Refugee English appropriation.



Tertiary Education: Student Achievement Component

Tertiary Education: Student Achievement Component

This category is limited to funding for teaching and learning services for enrolled students in approved courses at tertiary education organisations to achieve recognised tertiary qualifications.

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

Funding education and training links to the Tertiary Education Strategy Priorities 1-5:

- › Priority 1: Delivering skills for industry
- › Priority 2: Getting at-risk young people into a career
- › Priority 3: Boosting achievement of Māori and Pasifika
- › Priority 4: Improving adult literacy and numeracy
- › Priority 5: Strengthening research-based institutions.

Tertiary Education: Student Achievement Component	Budget 2017/18 \$000
Revenue	
Crown revenue	
Provision at levels 1 and 2	100,580
Provision at levels 3 and above	1,976,717
– Universities	1,187,511
– Institutes of Technology and Polytechnics	476,231
– Wānanga	131,775
– Private Training Establishments	181,200
Information and Communication Technology Graduate Programmes	5,031
Section 321 Grants for School of Dance and School of Drama	2,264
Total revenue	2,084,592
Expenses	
Provision at levels 1 and 2	100,580
Provision at levels 3 and above	1,976,717
– Universities	1,187,511
– Institutes of Technology and Polytechnics	476,231
– Wānanga	131,775
– Private Training Establishments	181,200
Information and Communication Technology Graduate Programmes	5,031
Section 321 Grants for School of Dance and School of Drama	2,264
Total expenses	2,084,592
Surplus/(deficit)	–

How performance will be assessed

Measure	Actual Funded 2015 (Note 1)	Actual Funded 2016 (Note 1)	Forecast 2017 (Note 2)
Number of domestic equivalent full-time students at levels 1 and 2 (Note 2)	12,098	11,495	12,200 ±5%
Number of domestic equivalent full-time students New Zealand Qualifications Framework level 3 and above by sub-sector (Note 2)			
Universities	117,528	116,977	109,600 ±5%
Institutes of Technology and Polytechnics	54,733	54,139	51,100 ±5%
Wānanga	17,423	18,668	17,100 ±5%
Private Training Establishments	20,780	20,488	20,800 ±5%
Total domestic equivalent full-time students at New Zealand Qualifications Framework level 3 and above	210,465	210,272	198,600 ±5%
Total domestic equivalent full-time students	222,563	221,768	210,800 ±5%

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

Note 2 – Forecasts are anticipated outputs based on the commitments tertiary education organisations have made for 2017. Forecasts are shown at 95% of expected delivery.

Measure	Actual 2015	Target 2016	Target 2017
Percentage of equivalent full-time students funded through Student Achievement Component fund that were Māori at NZQF level 4 and above	18%	Increase	Maintain or Increase
Percentage of Student Achievement Component funded equivalent full-time students that were Pasifika at NZQF level 4 and above	9%	Increase	Maintain or Increase
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	Maintain or Increase

Actuals for 2016 were unavailable at time of publishing.



Performance measures



Performance measures



Performance measures

Investment Plan performance commitments targets for Student Achievement Component funding

Sector performance commitment shifts linked to funding		2015 Investment Plan Commitment	2015 Actual	2017 Commitment
Course completion	All learners	84%	83%	85%
	Māori learners at NZQF levels 4 and above	81%	77%	81%
	Pasifika learners at NZQF levels 4 and above	77%	73%	76%
	Under-25-year-old learners at NZQF levels 4 and above	85%	85%	86%
Qualification completion	All learners	77%	77%	78%
	Māori learners at NZQF levels 4 and above	71%	67%	71%
	Pasifika learners at NZQF levels 4 and above	66%	60%	65%
	Under-25-year-old learners at NZQF levels 4 and above	71%	72%	74%
Progression	From NZQF levels 1-3 to levels 4 and above for all learners	40%	37%	43%
Retention	For all learners across all NZQF levels	76%	74%	79%

This data does not use the new cohort-based methodologies that will be introduced in the future.

Actuals for 2016 were unavailable at time of publishing.

Training for Designated Groups

This category is limited to the purchasing and arranging of training linked to the New Zealand Qualifications Framework and the purchase of both on-job and off-job training places, including delivery of fully or partially funded training places and other industry-training related projects.

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.

Funding qualifications valued by employers links to the Tertiary Education Strategy Priorities 1 and 2:

- › Priority 1: Delivering skills for industry
- › Priority 2: Getting at-risk young people into a career.



Training for Designated Groups

Training for Designated Groups	Budget 2017/18 \$000
Revenue	
Crown revenue	
Industry Training Fund	176,151
Industry Training Fund – Direct Access Scheme	5,000
Industry Training-related Projects	1,600
Youth Guarantee	118,327
Gateway	19,013
Total revenue	320,091
Expenses	
Industry Training Fund	176,151
Industry Training Fund – Direct Access Scheme	5,000
Industry Training-related Projects	1,600
Youth Guarantee	118,327
Gateway	19,013
Total expenses	320,091
Surplus/(deficit)	-



Performance measures

How performance will be assessed

Measure	Actual Funded 2015	Actual Funded 2016	Forecast 2017 (Note 1)
Industry Training – funded standard training measures (Note 2)	27,883	27,425	28,000 ±5%
Apprentices – funded standard training measures (Note 2)	15,375	16,213	17,300 ±5%
Youth Guarantee – total funded equivalent full-time students	9,258	8,846	9,200 ±5%
Gateway – total participants and number of schools	13,956 in 374 schools	13,641 in 369 schools	13,200 ±5% in up to 375 schools

Note 1 – Forecasts are anticipated outputs based on the commitments tertiary education organisations have made for 2017. Forecasts are shown at 95% of expected delivery.

Note 2 – Standard training measure is the amount of training required for a trainee to achieve 120 credits on the New Zealand Qualifications Framework. Funding is based on the number of standard training measures arranged by an industry training organisation in a calendar year.

Access to Tertiary Education

This appropriation is limited to improving access to tertiary education and training.

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

Investing in priority learner group activities links to the Tertiary Education Strategy Priorities 2 and 3:

- › Priority 2: Getting at-risk young people into a career
- › Priority 3: Boosting achievement of Māori and Pasifika.

Access to Tertiary Education	Budget 2017/18 \$000
Revenue	
Crown revenue	
Equity Funding	17,149
Māori and Pasifika Trades Training (Top-ups)	9,300
Total revenue	26,449
Expenses	
Equity Funding	17,149
Māori and Pasifika Trades Training (Top-ups)	9,300
Total expenses	26,449
Surplus/(deficit)	-

How performance will be assessed

Measure	Actual 2015	Actual 2016	Target 2017
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	New measure	New measure	Baseline year
Māori and Pasifika Trades Training – number of learners per calendar year	1,787	2,360	2,900 ±5%



Access to Tertiary Education



Performance measures



Tertiary Sector/ Industry Collaboration Projects

Tertiary Sector / Industry Collaboration Projects

This appropriation is limited to funding activities that improve the relevance to industry of tertiary education provision.

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

Investing in the development of knowledge and skill links to the Tertiary Education Strategy Priorities 1 and 3:

- › Priority 1: Delivering skills for industry
- › Priority 3: Boosting achievement of Māori and Pasifika.

Tertiary Sector / Industry Collaboration projects	Budget 2017/18 \$000
Revenue	
Crown revenue	
National Centre for Tertiary Teaching Excellence	3,556
Information and Communications Technology Graduate Schools (Development and Delivery)	2,771
Engineering Education to Employment	1,578
Industry Training Organisation Strategic Leadership Fund	1,000
Māori and Pasifika Trades Training (Brokerage)	2,595
Māori and Pasifika Trades Training (Consortium)	3,177
Centres of Asia-Pacific Excellence	10,000
Section 321 Taranaki Futures Trust	125
Quality Teaching Agenda	3,570
Total revenue	28,372
Expenses	
National Centre for Tertiary Teaching Excellence	3,556
Information and Communications Technology Graduate Schools (Development and Delivery)	2,771
Engineering Education to Employment	1,578
Industry Training Organisation Strategic Leadership Fund	1,000
Māori and Pasifika Trades Training (Brokerage)	2,595
Māori and Pasifika Trades Training (Consortium)	3,177
Centres of Asia-Pacific Excellence	10,000
Section 321 Taranaki Futures Trust	125
Quality Teaching Agenda	3,570
Total expenses	28,372
Surplus/(deficit)	-

How performance will be assessed

Measure	Actual 2015	Actual 2016	Target 2017
Number of domestic equivalent full-time students in Information and Communications Technology (ICT) Graduate Schools per calendar year	New measure	60	300 ±5%
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	New measure	New measure	Baseline year
Māori and Pasifika Trades Training – number of learners per calendar year	1,787	2,360	2,900 ±5%

Secondary-Tertiary Interface (Vote Education)

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

Secondary-Tertiary Interface (Vote Education)	Budget 2017/18 \$000
Revenue	
Crown revenue	18,225
Total revenue	18,225
Total expenses	18,225
Surplus/(deficit)	-



Performance measures



Secondary-Tertiary Interface (Vote Education)

Research



Centres of Research Excellence

Centres of Research Excellence

This appropriation is limited to the purchase of cooperative and collaborative tertiary research in areas of research strength in the tertiary education sector through the contestable Centres of Research Excellence Fund.

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

Purchasing research is linked to the Tertiary Education Strategy Priorities 5 and 6:

- › Priority 5: Strengthening research-based institutions
- › Priority 6: Growing international linkages.

Centres of Research Excellence	Budget 2017/18 \$000
Revenue	
Crown revenue	49,800
Total revenue	49,800
Total expenses	49,800
Surplus/(deficit)	-



Performance measures

How performance will be assessed

Measure	Dimension	Actual 2015/16	Target 2016/17	Target 2017/18
Centres of Research Excellence Annual Reports are reviewed against milestones and key performance indicators set in research plans and meet assessment criteria	Quality	Achieved	Achieved	Achieved

Tertiary Education Research and Research-Based Teaching

This appropriation is limited to funding research and research-based teaching on the basis of measured research quality in tertiary education organisations and supporting wānanga research capability.

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.

Funding research and research-based teaching is linked to the Tertiary Education Strategy Priorities 5 and 6:

- › Priority 5: Strengthening research-based institutions
- › Priority 6: Growing international linkages.

Tertiary Education Research and Research-Based Teaching	Budget 2017/18 \$000
Revenue	
Crown revenue	
Wānanga Research Capability Fund	1,500
Performance-Based Research Fund	307,500
– Quality Evaluation element	169,125
– Research Degree Completions element	76,875
– External Research Income element	61,500
Total revenue	309,000
Expenses	
Wānanga Research Capability Fund	1,500
Performance-Based Research Fund	307,500
– Quality Evaluation element	169,125
– Research Degree Completions element	76,875
– External Research Income element	61,500
Total expenses	309,000
Surplus/(deficit)	–



Tertiary Education Research and Research-Based Teaching



Performance measures

How performance will be assessed

Measure	Dimension	Actual 2015	Target 2017
Research degree completions (measured by Performance-Based Research Fund (PBRF) – eligible research degree completions)	Quantity	3,858	3,900 ±5%
Percentage increase in amount of external research income for PBRF – eligible providers	Quantity	8.5% (Note 1)	2-4%

2016 Performance-Based Research Fund data was not available at time of publishing.

Note 1 – This figure was incorrectly reported in the 2015/16 Annual report as 3.3% owing to a typographical error.



University-led Innovation

University-led Innovation

This appropriation is limited to supporting universities to attract entrepreneurial academics to drive collaboration between universities and established and emerging businesses.

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.

University-led Innovation	Budget 2017/18 \$000
Revenue	
Crown revenue	10,833
Total revenue	10,833
Total expenses	10,833
Surplus/(deficit)	–



Performance measure

How performance will be assessed

Measure	Dimension	Actual 2015/16	Actual 2016/17	Target 2017/18
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	New measure	New measure	Baseline year

The competitive selection round was completed in April 2017 and contract negotiations are being entered into.

Benefits or Related Expenses

Support to Apprentices

This appropriation is limited to payments to New Zealand Apprentices and other participants in workplace-based training, including Māori and Pasifika Trades Trainees, towards their tools and other training related costs.

This appropriation is intended to assist people establishing a career in industry by providing financial assistance.

Support to Apprentices is linked to Tertiary Education Strategy Priorities 1, 2 and 3:

- › Priority 1: Delivering skills for industry
- › Priority 2: Getting at-risk young people into a career
- › Priority 3: Boosting achievement of Māori and Pasifika.

Support to Apprentices	Budget 2017/18 \$000
Revenue	
Crown revenue	
Māori and Pasifika Trades Training (Tools)	1,036
Total revenue	1,036
Total expenses	1,036
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.



Support to Apprentices





Tertiary Scholarships and Awards

Tertiary Scholarships and Awards

This appropriation is limited to providing scholarships for tertiary students and other awards in the tertiary sector, and the provision of scholarships and bursaries to Māori and Pasifika students. It includes training assistance under Queen Elizabeth II Study Awards and recognition of outstanding tertiary education teachers.

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	Budget 2017/18 \$000
Revenue	
Crown revenue	
Trainee Medical Intern Grant	13,452
Tertiary Teaching Awards	200
Ministry of Education administered awards	1,080
Total revenue	14,732
Expenses	
Trainee Medical Intern Grant	13,452
Tertiary Teaching Awards	200
Ministry of Education administered awards	1,080
Total expenses	14,732
Surplus/(deficit)	-

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



Forecast Financial Statements

Forecast Statement of Comprehensive Revenue and Expense

For the years ended 30 June

	2017 Forecast \$000	2018 Budget \$000
REVENUE		
Operating revenue:		
Vote Education/Tertiary Education – Ministry of Education (MoE)	46,809	62,186
Contract revenue – Pre-purchased English Language Tuition	299	250
Other revenue	2,057	3,026
Total operating revenue	49,165	65,462
Grants revenue:		
Vote Education/Tertiary Education – MoE	2,871,893	2,935,766
Prior year recoveries	4,000	2,000
Total grants revenue	2,875,893	2,937,766
Finance revenue:		
Interest income on bank deposits – operating	1,268	1,096
Interest income on bank deposits – grants	300	300
Total finance revenue	1,568	1,396
Total revenue	2,926,626	3,004,624
EXPENSE		
Operating expense:		
Personnel costs	31,144	40,601
Other expenses	16,491	21,764
Capital charge	1,838	1,684
Depreciation	938	1,072
Amortisation	3,439	4,939
Total operating expense	53,850	70,060
Grants expense:		
Grants expenses – MoE	2,872,493	2,936,066
Bad and doubtful debts	–	–
Total grants expense	2,872,493	2,936,066
Total expense	2,926,343	3,006,126
SURPLUS/(DEFICIT)		
Operating surplus/(deficit)	(3,417)	(3,502)
Grants surplus/(deficit)	3,700	2,000
Total comprehensive revenue and expense	283	(1,502)

Forecast Statement of Financial Position

As at 30 June

	2017 Forecast \$000	2018 Budget \$000
CURRENT ASSETS		
Cash and cash equivalents	58,495	53,214
Prepayments	700	863
Debtors and other receivables	566,426	566,472
Total current assets	625,621	620,549
NON-CURRENT ASSETS		
Property, plant and equipment	5,486	5,272
Intangible assets	6,786	11,121
Work in progress	3,733	3,733
Total non-current assets	16,005	20,126
Total assets	641,626	640,675
CURRENT LIABILITIES		
Creditors and other payables	536,158	536,338
GST payable	351	443
Employee entitlements	1,690	2,171
Pre-purchased English Language Tuition – fees in advance	2,347	4,410
Provisions for lease	112	112
Repayment of grants surplus	6,259	2,191
Total current liabilities	546,917	545,665
NON-CURRENT LIABILITIES		
Pre-purchased English Language Tuition – fees in advance	25,029	24,096
Employee entitlements	593	602
Provisions for lease	1,113	1,013
Total non-current liabilities	26,735	25,711
Total liabilities	573,652	571,376
Net assets	67,974	69,299
EQUITY		
General funds	67,974	69,299
Total equity	67,974	69,299

Forecast Statement of Changes in Equity

For the years ended 30 June

	2017 Forecast \$000	2018 Budget \$000
Balance at 1 July	70,891	67,974
Capital contribution	500	–
Capital contribution – Careers New Zealand introduction	–	4,827
Total comprehensive revenue and expense for the year	283	(1,502)
Provision for repayment of grants surplus	(3,700)	(2,000)
Balance at 30 June	67,974	69,299

Forecast Statement of Cash Flows

For the years ended 30 June

	2017 Forecast \$000	2018 Budget \$000
Cash flows from operating activities		
<i>Cash was provided from:</i>		
Operating MoE	46,809	62,186
Operating contract revenue – Pre-purchased English Language Tuition	564	250
Operating other	2,078	3,026
Grants MoE	2,874,630	2,933,266
Grants – Pre-purchased English Language Tuition	5,906	3,629
Grants recoveries – prior year	4,000	2,000
	2,933,987	3,004,357
<i>Cash was applied to:</i>		
Grants payments	(2,866,908)	(2,936,066)
Payments to employees	(31,199)	(40,541)
Other operating payments	(17,366)	(21,819)
Capital charge	(1,838)	(1,684)
GST – net	(964)	–
	(2,918,275)	(3,000,110)
Net cash flows from operating activities	15,712	4,247
Cash flows from investing activities		
<i>Cash was provided from:</i>		
Sale of property, plant and equipment	6	–
Interest income on bank deposits – operating	1,245	1,097
Interest income on bank deposits – grants	300	300
	1,551	1,397
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	(1,605)	(510)
Purchase of intangible assets	(3,589)	(7,069)
	(5,194)	(7,579)
Net cash flows from investing activities	(3,643)	(6,182)
Cash flows from financing activities		
<i>Cash was provided from:</i>		
Capital contribution MoE	500	–
<i>Cash was applied to:</i>		
Repayment of grants surplus (net) – MoE	(5,343)	(6,068)
Net cash flows from financing activities	(4,843)	(6,068)
Net increase/(decrease) in cash and cash equivalents	7,226	(8,003)
Cash and cash equivalents at the start of the year	51,269	58,495
Careers New Zealand cash introduced	–	2,722
Cash and cash equivalents at the end of the year	58,495	53,214

Reconciliation of Total Comprehensive Revenue and Expenses with the Net Cash Inflows from Operating Activities

For the years ended 30 June

	2017 Forecast \$000	2018 Budget \$000
Total comprehensive revenue and expenses	283	(1,502)
Add non-cash Items:		
Depreciation of property, plant and equipment	938	1,072
Amortisation of intangibles	3,439	4,939
(Gain)/loss on disposal of property, plant and equipment	6	–
Total non-cash items	4,383	6,011
Add/(deduct) net movements in working capital	12,591	1,135
Add/(less) items classified as investing activities		
Interest income	(1,545)	(1,397)
Total investing activities	(1,545)	(1,397)
Net cash flows from operating activities	15,712	4,247

Movement of Forecast Property, Plant and Equipment

	Leasehold Improvements \$000	Computer Equipment \$000	Office Equipment \$000	Furniture and Fittings \$000	Motor Vehicles \$000	Total \$000
Cost						
Balance at 1 July 2016	3,395	5,968	137	603	–	10,103
Additions	1,140	425	20	20	–	1,605
Disposals/written off	(6)	–	–	–	–	(6)
Balance at 30 June 2017	4,529	6,393	157	623	–	11,702
Balance at 1 July 2017	4,529	6,393	157	623	–	11,702
Additions	360	110	20	20	–	510
Careers New Zealand assets introduced	25	232	27	–	64	348
Balance at 30 June 2018	4,914	6,735	204	643	64	12,560
Accumulated Depreciation						
Balance at 1 July 2016	89	4,832	31	326	–	5,278
Depreciation expenses	311	561	24	42	–	938
Balance at 30 June 2017	400	5,393	55	368	–	6,216
Balance at 1 July 2017	400	5,393	55	368	–	6,216
Depreciation expenses	434	560	29	36	13	1,072
Balance at 30 June 2018	834	5,953	84	404	13	7,288
Carrying amounts						
At 1 July 2016	3,306	1,136	106	277	–	4,825
At 30 June and 1 July 2017	4,129	1,000	102	255	–	5,486
At 30 June and 1 July 2018	4,080	782	120	239	51	5,272

Movement of Forecast Intangible Assets

	Software \$000
Cost	
Balance at 1 July 2016	35,905
Additions	3,595
Balance at 30 June 2017	39,500
Balance at 1 July 2017	39,500
Additions	7,069
Careers New Zealand assets introduced	2,205
Balance at 30 June 2018	48,774
Accumulated Depreciation	
Balance at 1 July 2016	29,275
Amortisation	3,439
Balance at 30 June 2017	32,714
Balance at 1 July 2017	32,714
Amortisation	4,939
Balance at 30 June 2018	37,653
Carrying amounts	
At 1 July 2016	6,630
At 30 June and 1 July 2017	6,786
At 30 June and 1 July 2018	11,121

Forecast Grants Revenue from the Crown and Planned Grants Expenses

For the year ended 30 June 2018

	Revenue \$000	Expenses \$000
Vote Tertiary Education:		
Non-Departmental Output Expenses		
Multi Category Appropriation (MCA) – Community Education	77,286	77,286
MCA – Tertiary Education: Student Achievement Component	2,084,592	2,084,592
MCA – Training for Designated Groups	320,091	320,091
Centres of Research Excellence	49,800	49,800
Access to Tertiary Education	26,449	26,449
Tertiary Education Research and Research-Based Training	309,000	309,000
University-led Innovation	10,833	10,833
Tertiary Sector/Industry Collaboration Projects	28,372	28,372
Total Non-Departmental Output Expenses	2,906,423	2,906,423
Benefits and Other Unrequited Expenses		
Tertiary Scholarships and Awards	14,732	14,732
Support to Apprentices	1,036	1,036
Total Benefits and Other Unrequited Expenses	15,768	15,768
Vote Education:		
Non-Departmental Output Expenses		
Secondary-Tertiary Interface	18,225	18,225
Non-Departmental Output Expenses Total	18,225	18,225
Total revenue/expenses	2,940,416	2,940,416
Administered by Ministry of Education		
Quality Teaching Agenda	3,570	3,570
Scholarships and Awards	1,080	1,080
Administered by Tertiary Education Commission	2,935,766	2,935,766
Total revenue/expenses	2,940,416	2,940,416
Prior year items		
	2,000	300
Administered by Tertiary Education Commission	2,935,766	2,935,766
Total grants revenue/expenses	2,937,766	2,936,066

Revenue to Fund the Tertiary Education Commission's Operations

For the year ended 30 June 2018

	Revenue \$000
Vote Tertiary Education:	
Non-Departmental Output Expenses	
Administration of and Support for the Tertiary Sector	47,054
Total Non-Departmental Output Expenses (Operating Appropriations Revenue)	47,054
Other Revenue	
Māori Education Trust	109
Contract revenue - Pre-purchased English Language Tuition	250
Interest income	1,096
Other revenue	1,256
Total Operating Revenue	49,765
Vote Education:	
Non-Departmental Output Expenses	
Provision of Information and Advisory Services	15,132
Total Non-Departmental Output Expenses (Operating Appropriations Revenue)	15,132
Other Revenue	
Other revenue	1,770
Total Operating Revenue	16,902
Administered by the Tertiary Education Commission	65,462
Administered by the Māori Education Trust	109
Interest income	1,096
Total Operating Revenue	66,667

Notes to the Forecast Financial Statements

Statement of accounting policies

Reporting entity

The TEC is a Crown entity as defined by the Crown Entities Act 2004 and was established on 1 January 2003 pursuant to section 159C of the Education Act 1989. It is domiciled in New Zealand. The TEC's ultimate parent is the New Zealand Crown.

The TEC's primary objective is to provide services to the New Zealand public, as opposed to that of making a financial return. Accordingly, the TEC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

Statement of compliance

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

The purpose of these forecast financial statements is to provide information on the TEC's future operating intentions against which it must report, and be audited against, at the end of the fiscal year. Use of this information for any other purpose may not be appropriate.

Please note that these financial statements contain no actual results. Actual results achieved are likely to vary from the forecast information and the variation may be material.

These forecast financial statements comply with PBE standards.

Basis of measurement

The forecast financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency for the TEC is New Zealand dollars.

Changes in accounting policies

There have been no changes from the accounting policies adopted in the last audited financial statements.

Summary of significant accounting policies

Revenue

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

Revenue from Crown

The TEC is primarily funded from the Crown. This funding is restricted in its use for the purpose of the TEC meeting its 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 in which it relates.

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

Contract revenue – Pre-purchased English Language Tuition

As a part of their residency requirements, some migrants are required to pay English language tuition fees. This fee is paid to the Ministry of Business, Innovation and Employment (MBIE) as an agent for the TEC. The fees are then passed to the TEC to administer. The TEC retains an administration fee of 10%. A migrant can then enrol in an English language course at an approved course provider. The TEC pays the student fees direct to that organisation. If not used within five years the balance is returned to MBIE.

Interest income on bank deposits – operating

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate. The interest earned is used in the TEC's operations.

Interest income on bank deposits – grants

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate. The interest earned on grants funds is paid to the Crown.

Capital charge

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

Grants expenditure

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.

Leases**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.

Cash and cash equivalents

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

Debtors and other receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that the TEC will not be able to collect the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected. The carrying amount of the assets is reduced through the use of a provision account and the amount of loss is recognised in the surplus or deficit. When the debt is uncollectable, it is written off against the provision account for receivables. Overdue receivables that have been renegotiated are classified as current (that is not past due).

Bank deposits

Investments in bank term deposits are initially measured at the amount invested.

After initial recognition these investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Property, plant and equipment

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 the TEC 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.

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.

Subsequent costs

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 the TEC 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.

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:

Computer equipment	4 years	25% straight line
Office equipment	4-5 years	20-25% straight line
Furniture and fittings	10 years	10% straight line
Leasehold improvements	Life of lease	Maximum 17% straight line
Motor vehicles	4-5 years	20-25% 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.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired 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 by the TEC are recognised as an intangible asset.

Direct costs include software development and employee costs directly related to enabling the item of software 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. Costs associated with development and maintenance of the TEC's website 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 that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of the major class of intangible assets have been estimated as follows:

Computer software	3-4 years	25-33% straight line
Videos	3 years	33% straight line

Impairment of property, plant and equipment and intangible assets

The TEC does 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 a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that 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.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders 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 to, 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 that 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 that are due to be settled beyond 12 months after the end of the period in which the employee renders 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 staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information
- › the present value of the estimated future cash flows.

Presentation of employee entitlements

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.

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.

Provisions

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 that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision owing to the passage of time is recognised as an interest expense and is included in finance costs.

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.

Lease incentives

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

Goods and services tax (GST)

All items in the financial statements are presented exclusive of GST, with the exception of 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 amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The TEC is a public authority and consequently is exempt from payment of income tax. Accordingly, no provision has been made for income tax.

Cost allocation

The TEC has 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 to significant activities based on full-time equivalents and direct labour hours.

The cost of internal services not directly charged to activities is allocated as overheads, using appropriate cost drivers, such as full-time equivalent and direct labour hours.

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 forecast financial statements the TEC has 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 discussed below.

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

At each balance date the useful lives and residual values of property, plant and equipment 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 by the TEC 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. The TEC minimises 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.

The TEC has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

Management has exercised the following 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 substantially all the risks and rewards of ownership to the TEC.

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.

The TEC has exercised its judgement on the appropriate classification of equipment leases and has determined none of its lease arrangements are finance leases.