



Tertiary Education Commission
Te Amorangi Mātauranga Matua

STATEMENT OF INTENT

2012/13 – 2014/15

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FOREWORD

Having an excellent tertiary education system is of great importance and value to New Zealand. It impacts both economically and socially and is a key driver of New Zealand's future.

In planning for the coming three years, we have considered carefully the Government's vision for a world-leading tertiary education system and how we can work towards this goal.

The performance of both the TEC and tertiary education organisations is of top-most importance, and will continue to be the major focus of TEC's strategic direction. Recent significant change at the TEC both in structure, and in the implementation of policy changes such as linking funding to performance, have provided strong groundwork for this direction.

We will work to achieve four outcomes for the betterment of New Zealand:

- Increasing tertiary education's contribution to economic recovery and growth;
- Doing better for Māori and Pasifika;
- Enhancing transitions from post compulsory to tertiary education; and
- Improving system performance.

We will also be giving particular attention to how we can continue to support the rebuild of Canterbury and the growth of Auckland through providing a skilled workforce ready to meet these challenging situations.

To help us achieve our goals, we will be working closely with other tertiary education agencies to ensure there is effective sector-wide action. And, recognising the wider-reaching influence of tertiary education, there will also be greater collaboration with agencies where we can work together to achieve greater outcomes for New Zealand.

There is much for the TEC to accomplish over the coming years, but I am confident we are well-placed to meet our strategic goals.



Sir Wira Gardiner
Chair
Tertiary Education Commission

23 May 2012



DECLARATION

This Statement of Intent for 2012/13 to 2014/15 is produced in accordance with sections 141 and 142 of the Crown Entities Act 2004 and section 159KE of the Education Act 1989.

This Statement of Intent describes how the Tertiary Education Commission Te Amorangi Mātauranga Matua (TEC), as the government agency responsible for planning, funding and monitoring the government's investment in New Zealand's tertiary education and training system, will go about its work over the next three years.

As Commissioners we acknowledge that, in signing this statement, we are responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures.

The prospective financial statements, associated assumptions and the forecast statement of service performance meet the requirements of the Crown Entities Act 2004.

These statements and assumptions are all related to prospective results forecasted in subsequent years. The TEC will not be updating these prospective financial statements following their publication.

As set out in the section 142 of the Crown Entities Act, the Statement of Intent sets out the impacts the TEC seeks to achieve and the performance measures covering these activities.

We certify that the information contained in the Statement of Intent 2012/13 to 2014/15 is a fair and reasonable reflection of the TEC's operating intentions.

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



Sir Wira Gardiner
Chair
Tertiary Education Commission

23 May 2012



Robin Hapi
Chair
Audit and Risk Committee
Tertiary Education Commission

23 May 2012



THE TERTIARY EDUCATION COMMISSION

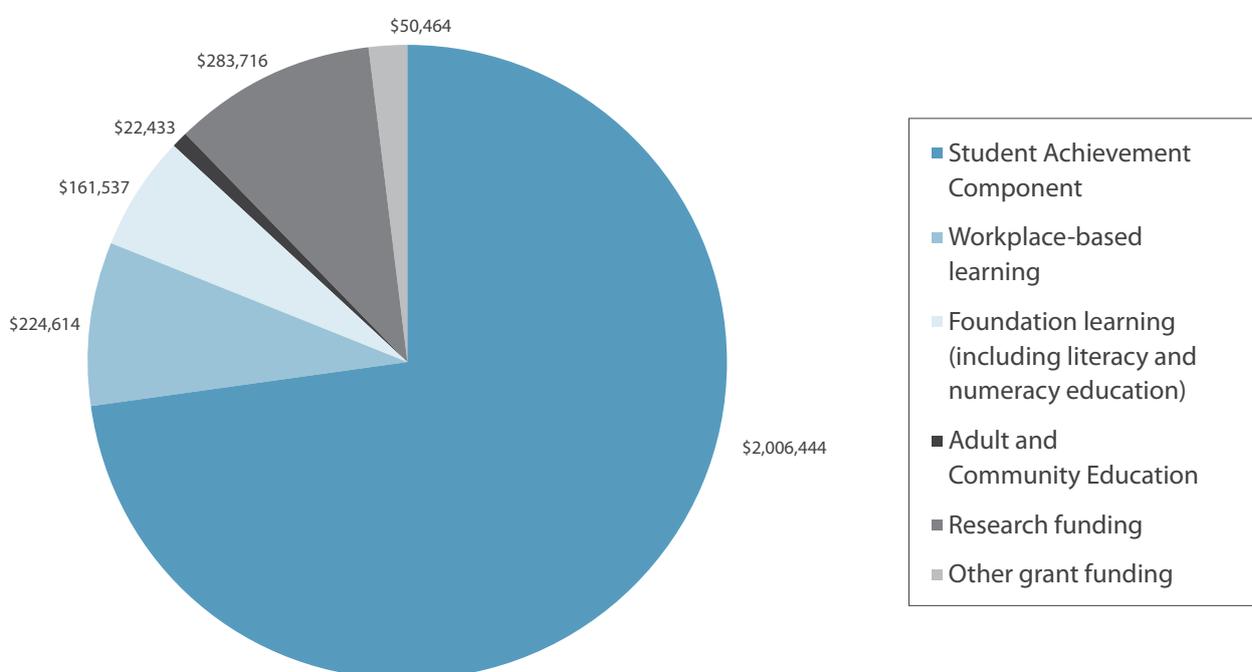
The Tertiary Education Commission (TEC) is a Crown Entity. Our principal legislated function, under the Education Act 1989, is to give effect to the Tertiary Education Strategy.¹ The TEC does this by:

- allocating government funding to tertiary education organisations through the Plan process;

- monitoring performance of tertiary education organisations; and
- providing advice to the Government (including ownership advice) on the tertiary education sector.

The TEC allocates approximately \$2.7 billion a year on behalf of the Government to fund tertiary education provision.²

Figure 1: Tertiary Education Commission – Grant funding, 2011/12 (\$000)



All forms of post-secondary school education and training funding come under the TEC's umbrella, including: literacy, numeracy and foundation education, full-time academic study, work-related training, and research, including training of postgraduate researchers.

Overall, there are over 700,000 students, learners and trainees (including international students) in the tertiary education system accessing learning and training opportunities provided by nearly 800 organisations delivering tertiary education.

HOW THE TEC OPERATES

The TEC operates in three principal ways:

- Investment;
- Influence; and
- Information.

The primary lever is **investment**, through the Plan process, but the TEC also acts as an agent of **influence**, providing leadership, guidance, and **information** to tertiary education organisations, students, industry, employers and the community.

¹ In addition, the TEC has specified functions under the Industry Training Act 1992 and the Modern Apprenticeship Training Act 2000.

² This figure includes only funding the TEC allocates, and does not include student support funding (approx. \$2.2 billion, Student Loan Scheme, Annual Report 2010/11, pg 9).

These three levers are set out in more detail below.

KEY LEVERS

Investment that...

- aligns funding to where the greatest returns to New Zealand can be made through the ability to be able to move funding from low to high performing providers and funds. The TEC uses a performance consequences framework and from 2013 will shift SAC funding on the basis of performance against educational performance indicators (Performance-Linked Funding);
- advances economic and social outcomes for Māori, Pasifika and young people through targeting investment in TES priority areas;
- provides real returns to education for individual learners through better employment and income outcomes for individual learners; and
- responds to emerging needs e.g. Christchurch through the ability to transfer funding away from low performing areas towards areas with the greatest need.

Influence that...

- encourages excellent provider performance and responsiveness to their communities through encouraging providers to reflect the needs of communities in level and volume of provision;
- promotes the uptake of knowledge and skills by firms, and responsiveness of provision and research to the needs of industry and business through plan commitments reflecting industry need, employment outcomes of graduates and the commercialisation and uptake of research; and
- encourages the contribution of tertiary education to economic recovery and growth.

Information that...

- enables learners to make better education choices and loan commitments through the publication of timely and accurate provider performance information;
- encourages innovation and rewards creativity through sharing models of effective practice; and

- ensures that tertiary education providers and industry training organisations are publicly accountable for the investments made by learners and taxpayers, as well as outcomes achieved, through publishing performance information, rewarding high performance and sanctioning low performance.

FUNDING OF TERTIARY EDUCATION

The tertiary education system funding framework complements the tertiary education reforms and the Tertiary Education Strategy. Its purpose is to resource and steer the tertiary education system, while providing tertiary education organisations with the flexibility to operate in a responsive and innovative way.

In setting the total amount of funding available, the Government takes account of cost pressures, expected demographic change, student demand and competing priorities within and outside the education sector. The quality assurance and performance monitoring system now has an increased focus on outcomes. There is greater transparency in the performance of the tertiary education system, and of tertiary education organisations within the system, as the quality of performance information improves and is made more available to students and the public. Part of each tertiary education organisation's funding will be linked to its performance against educational performance indicators from 2013.

INVESTMENT PLANS

Most of the Government's contribution to funding is allocated based on the agreement of Plans with individual tertiary education organisations. Plans are the most important direct lever the TEC has for influencing and incentivising the behaviour of tertiary education organisations.

A Plan is an accountability document that sets out the proposed activities of a tertiary education organisation, the rationale for these activities, and how the success of the activities will be measured. At the same time, Plans set out what a tertiary education organisation will deliver in return for the money invested by Government.



Developing a Plan is the responsibility of each tertiary education organisation. To assist this process, the TEC provides performance information to all tertiary education organisations. Plan Guidance sets out what the TEC expects to fund. The TEC then agrees with individual tertiary education organisations what they will achieve over the Plan period. The TEC determines how much funding will be given to each organisation and provide money to tertiary education organisations to realise their Plan commitments.

Previous levels of funding from the TEC do not automatically create an entitlement to future funding at the same levels. The TEC will assess proposed Plans using the prescribed and Gazetted decision-making criteria and make funding decisions.

The two largest funding components cover the teaching and learning of domestic students and research.

FUNDING FOR TEACHING AND LEARNING

The majority of funding is provided for teaching and learning. Student Achievement Component funding provides the Government's contribution to the costs of teaching and learning and other costs related directly to student numbers. The volume of provision and the types of qualifications and programmes funded through the Student Achievement Component are approved by the TEC after assessment of each tertiary education organisation's Plan.

The Student Achievement Component rates are differentiated by discipline to reflect the costs associated with different types of study. For example, the funding rates for arts courses are lower than those for science courses.

Industry training and Modern Apprenticeships provide systematic training in skills characteristic of, or likely to be valuable to, an industry. These programmes are delivered to people employed in that industry.

The TEC also provides funding for targeted training, including Youth Guarantee and Foundation-Focussed Training Opportunities.

FUNDING FOR RESEARCH

The phased introduction of the Performance-Based Research Fund (PBRF) was completed in 2007. Under this fund, providers are allocated funding on the basis of their research performance, using a set of performance indicators, complemented by peer assessment of the quality of their research. Before the introduction of the PBRF, the main funding for the research activities of tertiary education organisations was delivered as part of the student component funding for degree and postgraduate enrolments.

In 2002 and 2003, the Government invited bids from tertiary education organisations to host Centres of Research Excellence (CoREs) - inter-institutional research networks focused on areas of established research excellence of importance to New Zealand. Seven CoREs were funded, each for a period of six years. In 2006, bids were invited for extension of the programme and in May 2007 the Government announced additional funding for six of the original CoREs as well as a new CoRE.



TERTIARY EDUCATION IN NEW ZEALAND

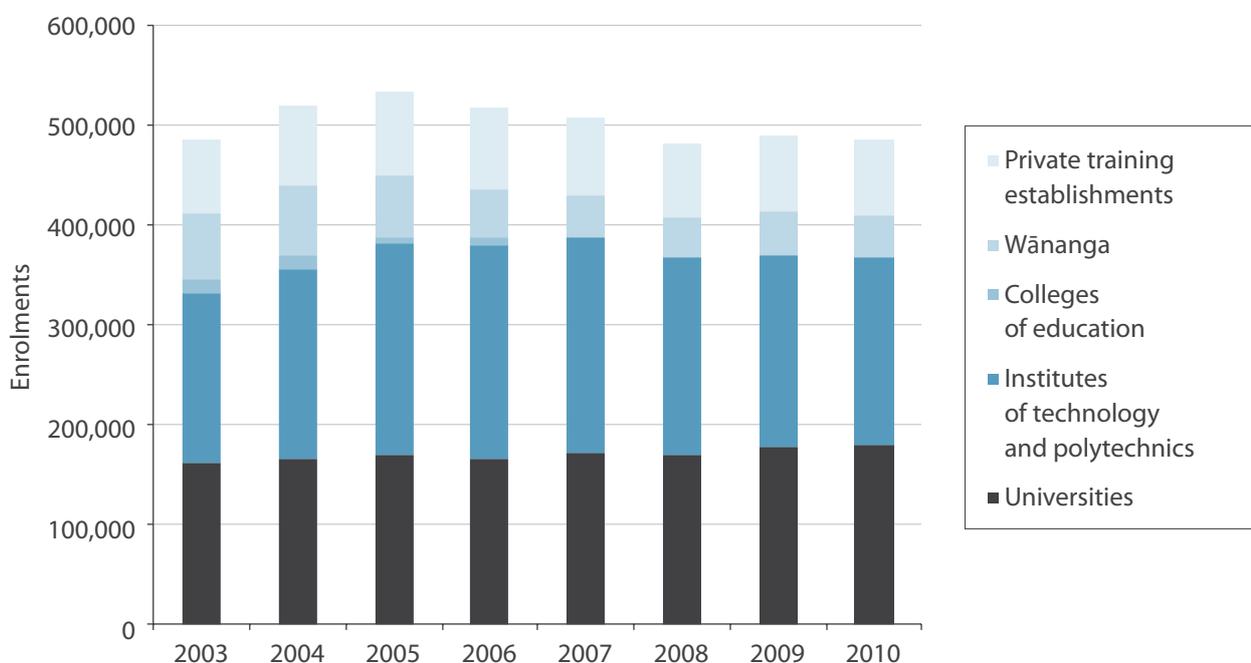
Tertiary education covers all forms of post-secondary school education and training – from foundation learning, adult and community education, and industry training as well as the more “traditional” full-time academic study and research. Tertiary education is delivered by many types of tertiary education organisations (TEOs):

- universities;
- institutes of technology and polytechnics (ITPs);
- wānanga;
- industry training organisations (ITOs);
- private training establishments (PTEs) and other tertiary education providers (OTEPs); and
- other funding organisations, including Adult and Community Education providers.

Of these, the 29 universities, ITPs and wānanga are Crown Entities in terms of the Public Finance Act 1989, and are known as tertiary education institutions (TEIs).

Policy decisions over the past decade have seen large increases in government expenditure on tertiary education, primarily with the purpose of increasing participation. Over the past five years there has been a much stronger emphasis on ensuring the quality of tertiary provision to improve educational outcomes and to provide a clear return on the investments made by learners and government. The following figures illustrate the increase in participation in tertiary education.

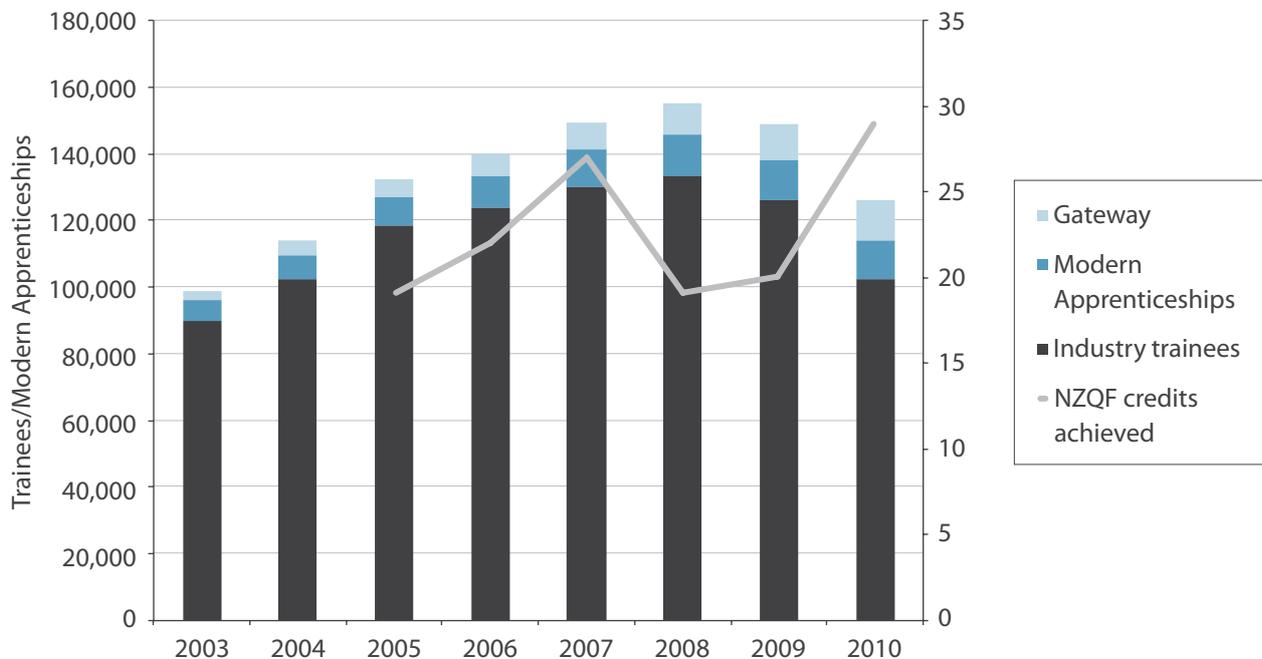
Figure 2: Provider-based enrolments, 2003-2010³



³ Does not include workplace-based training (e.g. industry training) or informal education and training (e.g. adult and community education).



Figure 3: Participation in workplace-based learning, 2003-2010 (as at 31 December)



THE ROLE OF TERTIARY EDUCATION

High quality education is central to helping New Zealand achieve its economic, social, cultural and environmental goals. The Government's vision is for a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st century.

A world-leading education system is an important first step towards a productive and growing economy that delivers greater prosperity, security and opportunity for all New Zealanders.

The tertiary education sector plays a core role in advancing New Zealand's economic and social development by providing:

- high quality education to prepare and maintain a relevantly skilled, flexible workforce;
- high quality research that builds New Zealand's knowledge-base and drives innovation; and
- international education that contributes to export earnings and strengthens tertiary education organisations.

Tertiary education is major enabler of economic competitiveness, in an increasingly knowledge-driven global economy. High-quality tertiary education is a vital determinant of a country's well-being, and there is an imperative for countries to raise employment skills, to sustain a globally competitive research base and to improve knowledge dissemination to the benefit of society.

Higher educational attainment, in terms of recognised qualifications, is associated with a range of positive outcomes, including better income and employment.

In 2010, the unemployment rate for those with a tertiary qualification was only 4.1 percent, compared to 8.0 percent for those with a school qualification only, and 9.7 percent for those with no qualifications.⁴

There are strong social and economic benefits in ensuring that adults have good literacy and numeracy skills, including an association with higher earnings and increased chances of being in stable employment. Higher educational attainment is also associated with a number of other positive outcomes such as improved health.

⁴ Household Labour Force Survey, Statistics New Zealand, December 2011



In addition, tertiary education enriches lives, contributes to a vibrant society and promotes freedom of thought and expression. New Zealand's culture is enriched through tertiary education's role in the arts and creative endeavours, which also helps to transmit the wider culture, including *ahuatānga Māori* and *tikanga Māori*, within society.

WHAT A HIGH-PERFORMING TERTIARY SYSTEM LOOKS LIKE

A high-performing tertiary education system for New Zealand is one in which every TEO understands, clearly articulates and delivers on its long-term strategic mission and its particular role in New Zealand's wider educational, economic, social and environmental context.

In addition, it is a tertiary education system in which:

AT THE SYSTEM LEVEL:

- learners have access to foundational education at the local level, vocational and generic diploma- and degree-level education at the regional level, and specialist degree and postgraduate programmes in selected main centres;
- public funding is based on TEO performance, so that taxpayers' money is buying the best education that it can buy;
- overall levels of student participation and achievement are above the OECD average, and Māori and Pasifika learners achieve on a par with everyone else in a system that takes account of culture, language and identity;
- Māori enjoy education success as Māori; and Māori learners, their *whānau*, *hapū* and *iwi* are engaged on clear pathways in high quality education; and
- the system has an international reputation for quality, providing New Zealand graduates with attributes and qualifications that are valued internationally, and attracting and retaining students and academics from offshore.

WITH RESPECT TO ECONOMIC CONTRIBUTION AND SKILL DEVELOPMENT:

- TEOs make clear and diverse contributions to national and regional economic growth and skill development;
- all TEOs learn about the needs of the labour markets they feed, and use this information to manage their programme portfolios and to shape student demand, meaning skill shortages rarely arise;
- TEOs engaged in vocational education work together to develop and deliver vocational pathways and national qualifications that meet the needs of learners, businesses, employers and industries; and
- workforce literacy and numeracy rates are in the top quartile of the OECD.

FOR STUDENTS NAVIGATING THE SYSTEM:

- schools and tertiary education providers work together to create clear local and regional pathways for students, from schooling through tertiary to the labour market;
- prospective students have access to high-quality careers advice and good information about their employment prospects (especially for vocational qualifications) before they enrol;
- Māori and Pasifika learners have access to pastoral care and mentoring that supports their culture, language and identity to enhance achievement and progression to higher levels;
- TEOs collect feedback from learners and use it to improve the student experience; and
- all graduates are equipped to apply their skills appropriately in the labour market.



TRANSMITTING KNOWLEDGE BEYOND THE TEO:

- innovation and knowledge generated in TEOs is used by businesses, employers and industries and other bodies (including local government and the non-government sector) to improve what they do;
- TEOs share and disseminate evidence of good practice for practitioners to build system capability and performance for Māori and Pasifika learners; and
- TEOs produce graduates with critical thinking skills for the industries, jobs and problems of tomorrow.

IN GOVERNANCE AND MANAGEMENT:

- all TEOs engage in ongoing self-evaluation, and focus their efforts on those activities that lead to the best outcomes for learners and stakeholders;
- all TEOs are financially viable and sustainable, adjusting their business models when the environment changes, and collaborating or consolidating as required to achieve impact and economies of scale; and
- all TEOs manage their assets to ensure the best use of resources across the sector, and build capital asset management capability, as measured against annual self-assessments and periodic independent assessments by asset management experts as per TEC guidance.

OPERATING ENVIRONMENT

Over the next 3-5 years, the following key factors will influence the shape of tertiary education in New Zealand:

- Economic
- Population
- Skills
- Education
- Environment
- Organisational assumptions

ECONOMIC

The economy is likely to continue to grow steadily over the next decade, with lower levels of government revenue and government spending than those of the past decade.

New Zealand is a small economy and is very closely linked to and affected by international movements. Global sentiment is becoming increasingly downbeat, posing risks to New Zealand's outlook. As the euro debt crisis intensifies and the US economy has failed to show momentum, forecasts for global growth have been increasingly revised lower. At this stage, few forecasters are picking a double-dip recession, but the risks are certainly skewed to the downside.

Against this however, greater strength in domestic demand has contributed to stronger Gross Domestic Product (GDP) growth over the first half of 2011 than forecast in the Budget. Annual GDP growth was 1.3 percent to 31 December 2011. GDP is predicted to recover, with average annual growth of 2.6 percent to 2016, peaking at 3.8 percent per annum in March 2014.⁵

The overall unemployment rate was 6.3 percent at 31 December 2011. Youth unemployment (15-19 year olds) was 24.2 percent at 31 December 2011 (up 0.8 percent from the previous quarter). Unemployment rates are widely varied by ethnicity: 4.7 percent for Europeans, 13.4 percent for Māori, and 13.8 percent for Pasifika.⁶ Overall unemployment is predicted to fall to 4.6 percent by March 2016.⁷

The economic outlook for New Zealand, while somewhat weaker than forecast in the Pre-election Update, remains positive. New Zealand's terms of trade are expected to remain at elevated levels; our largest trading partners are amongst the stronger-performing countries in the world; and the rebuilding of Canterbury will provide a substantial impetus to economic activity over coming years. Nonetheless, there remains a risk that economic events offshore, particularly in Europe, could have a significant negative effect on the New Zealand economy.

As the global population grows, there will be increasing demand for food. This creates an opportunity and a risk for New Zealand; the opportunity is to grow its international market for value-added foods by investing in high-value food manufacturing, while the risk is that New Zealand continues to rely too heavily on low-tech products where short-term gains are easily won but our ability to grow in the long term is limited by the natural environment.

A related risk is investment in research, science and technology (RS&T). New Zealand's private sector investment in RS&T is low by international levels, and in an environment of low tax revenue, the Government will find it increasingly difficult to compensate for low levels of private investment by paying more itself.

Continuing work on the CER with Australia (including lower trade barriers, more similar regulation, and easier flow of labour and capital) may gradually result in New Zealand thinking of itself as a contributor to and beneficiary of the "Australasian economy", rather than a separate economic system in competition with Australia.

⁵ *Monthly Economic Indicators*, The Treasury, February 2012

⁶ *Household Labour Force Survey*, Statistics New Zealand, December 2011

⁷ *Budget Policy Statement*, The Treasury, February 2012



In terms of the teaching workforce, there will be ongoing constraints in the supply of teachers of te reo Māori and Māori medium, together with some specialist secondary subjects.

Economic constraints will mean little new funding for tertiary education, except in specific targeted areas (for example, Canterbury recovery related initiatives, STEM, Māori, Pasifika and foundation education). Persistent unemployment, and particularly youth unemployment, will lead to increased demand for tertiary education (although demand for industry training will remain weak.)

POPULATION

Population growth will slow because of the narrowing gap between births and deaths. The population age structure will continue to gradually but significantly change, resulting in more older people and further ageing of the population.

The population of 18-22 year olds is the key demographic driver of demand for tertiary education. The size of this population group has peaked, and will fall significantly in the next 15 years before rising again after 2025.

The make-up of New Zealand's population will gradually change. The 'European or Other (including New Zealander)' population is projected to increase by an average of 0.4 percent a year from 3.21 million in 2006 to 3.47 million in 2026; the Māori population by 1.3 percent a year from 620,000 to 810,000; the Asian population by 3.4 percent a year from 400,000 to 790,000; and the Pasifika population by 2.4 percent a year from 300,000 to 480,000.

Sixty percent of New Zealand's population growth between 2006 and 2031 will be in the Auckland region. By 2021, the Auckland region will have not just the largest overall population, but the highest growth rate and the largest number and growth of Māori, Pasifika and young people (15-39 year olds).

Deaths will outnumber births in over one-third of territorial authority areas by 2031. Two-fifths of New Zealand's 73 territorial authority areas will have fewer residents in 2031 than now.

Overall population demand for tertiary education will fall, but there will likely be increased demand from specific population groups (Māori, Pasifika and Asian) and in Auckland.

SKILLS

The Department of Labour forecasts strong growth in the number of jobs requiring high-level qualifications, especially high-level vocational qualifications. Much of the projected employment growth will be in the service sector (including high-end service skills e.g. financial services) rather than in the manufacturing sector. On current projections, the demand is unlikely to be met without significant migration⁸.

The long-term picture of international demand for highly skilled individuals is unclear. On the one hand, as the BRICS⁹ shift from low-tech to high-tech economies, they will want (and will be able to support) more highly skilled migrants. On the other hand, these countries are all investing significantly in their own higher education (increasingly though private and international providers), so after a time they may meet their own growing demand domestically.

Set against this is New Zealand's advantage as an attractive and safe place to live. As BRICS increase the supply of highly skilled workers into the global labour market, the country may have increasing choice about what skills it imports.

⁸ Department of Labour (2011), Skills Challenge Report

⁹ Brazil, Russia, India, China, South Africa: five economies projected to grow significantly over the next decade

EDUCATION

Some key trends will include:

- Increased publication and use of educational performance information will see students being more selective about choosing programmes of study. TEOs will increasingly focus on education performance and graduate outcomes.
- Constraints on funding may lead to a number of mergers between institutions and the greater use of shared services.
- Tuition subsidy increases will be constrained and tuition subsidies will be used to signal government priorities.

ENVIRONMENT

Scientific evidence strongly supports the idea that change is occurring to the world's climate from human activity. This may well result in more extreme weather events, which tend to have the greatest impact on small island nations, like our closest Pacific neighbours. There is a likelihood that New Zealand's relationships with these nations will change, through changed patterns of migration, trade relationships, and aid relationships.

Growing environmental consciousness, and a trend towards the "greening" of business may require different sets of skills in future employees, as well as a changed focus to continuing education. Similarly, research focus may change to more deeply emphasise sustainable product and system development.

ORGANISATIONAL ASSUMPTIONS

In 2012/13, the TEC's core functions will remain unchanged, but increasing effort will be given to ensure it is fit for purpose in the future. The TEC's structure is focussing on funding and monitoring of tertiary education organisations to provide it with solid evidence to determine tertiary education needs.

The TEC will work closely with other agencies (particularly, other education agencies) to deliver outcomes which will benefit the economy.

The impacts of the Canterbury earthquakes will continue to be significant and ongoing. Levels of provision in the region will be lower than previously anticipated, while provision in other parts of the country will increase to partly compensate for this decrease. Recovery from the earthquakes may create significant increased demand for building related skills. The TEC will need to be able to work flexibly to respond to the changing needs of tertiary education stakeholders in the region, and support both providers and students through this period of uncertainty.



STRATEGIC DIRECTION

THE TERTIARY EDUCATION STRATEGY 2010-15

The TEC's primary strategic guidance comes from the Tertiary Education Strategy. The Tertiary Education Strategy is issued by the Minister responsible for tertiary education and sets out the Government's long-term strategic direction for tertiary education, the current and medium-term priorities and the Government's expectations of the sector.

The Tertiary Education Strategy is set within the Government's overall aims for New Zealand: economic growth that delivers greater prosperity, security, and opportunities for all New Zealanders. The Government's vision is for a world-leading education system that equips New Zealanders with the knowledge, skills and values to be successful citizens in the 21st century. To achieve this, the Government expects the tertiary education system to:

- provide learning opportunities for New Zealanders of all backgrounds to gain world-class skills and knowledge;
- raise the skills and knowledge of the current and future workforce to meet labour market demand and social needs;
- produce high-quality research to build New Zealand's knowledge base and respond to the needs of the economy; and
- enable Māori to enjoy education success as Māori.

Through the Tertiary Education Strategy, the Government has indicated clear choices about the priorities for investment and access across the whole tertiary education system. The Tertiary Education Strategy identifies seven priorities:

- increasing the number of young people (those aged under 25 years) achieving qualifications at level 4 and above, particularly degrees;
- increasing the number of Māori students enjoying success at higher qualification levels;
- increasing the number of Pasifika students achieving at higher qualification levels;
- increasing the number of young people moving successfully from school into tertiary education;
- improving the literacy, language and numeracy and skills outcomes from level 1 to 3 study;
- improving the educational and financial performance of providers; and
- strengthening research outcomes.

The strategic direction sends clear messages to tertiary education organisations and students about what the Government requires for the investment provided. Tertiary education organisations are expected to focus on the priorities set out in the Tertiary Education Strategy and strengthen their engagement with students, communities and industries.

The Government expects students to take responsibility for their own performance. Providers also need to create learning environments that support progression and completion by a diverse range of students.



GOVERNMENT PRIORITIES

In addition to the Tertiary Education Strategy, through the next three years, the Government's priority is to strengthen tertiary education provision overall, and further improve the alignment of tertiary spending with its economic growth goals.

The tertiary system needs to be more responsive to population shifts, changes in demand, and performance, as well as the needs of both students and employers in different regions.

The TEC will use purchasing mechanisms, including price, to shift the tertiary education system to respond to gaps in provision (such as STEM subject areas, as well as managerial and entrepreneurial capability).

The TEC will carefully consider how the tertiary education system should respond to increased demand as Canterbury is rebuilt, and ensure that Christchurch tertiary education institutions are rebuilt and the post-compulsory network in the region is strengthened.

The Government has a manifesto commitment to continue to improve governance and operations of publically owned tertiary institutions. The TEC will be providing advice on governance arrangements and statutory interventions, building on the work undertaken in 2009 regarding governance of ITPs.

BETTER PUBLIC SERVICES

Having access to high-quality public services is essential to our modern society. The better our public services, the more the public service can respond to the needs and expectations of New Zealanders. One of the Government's priorities is delivering better public services within tight financial constraints.

The Government has announced three changes that will help sharpen the public sector's focus on delivering better frontline services for New Zealanders. These changes are:

- setting 10 challenging and specific results for the public sector to achieve over the next three to five years;
- lowering the cap on employees working in core government administration; and
- creating a single, dedicated, business-facing government department – the Ministry of Business, Innovation and Employment – from the resources of four existing agencies.

The TEC will be responding to the Government priorities by contributing to the following performance goals:

BOOSTING SKILLS AND EMPLOYMENT

- Increase the proportion of 18-year-olds with NCEA level 2 or equivalent qualification (targets for 2016 and 2021).
- Increase the proportion of 25-34 year olds with advanced trade qualifications, diplomas and degrees (at level 4 or above) (targets for 2017 and 2021).

	Measure	Baseline	Medium-term Target	2021 Target
Boosting skills and employment	Percentage of 18-year-olds with NCEA level 2 or equivalent qualification	66%	Specific targets will be released by the Government by 30 June 2012	
	Percentage of 25-34 year olds with advanced trade qualifications, diplomas and degrees (at level 4 or above)	52%		



EDUCATION SECTOR OUTCOMES

Within the New Zealand education system, there are seven agencies each with clearly delineated roles, responsibilities and functions defined in the Education Act 1989, and the Crown Entities Act 2004. While each agency has well-developed policy tools and levers to effect change within their areas of responsibility there is the potential for far greater impact when agencies collaborate to support shared outcomes and provide strong, consistent messages.

During 2011/12, the education sector agencies have participated in the development of a shared framework to support joined-up planning, clearer accountability and actions that reflect the Government's goals for the education system.

Education sector agencies work collaboratively on a whole of sector outcomes framework – each agency contributing differently according to their varying responsibilities. The vision for the education sector is:

- A world-leading education system that equips all learners with the knowledge, skill and values to be successful citizens in the 21st century.

The high-level outcomes for the education sector are:

- Education provision of increasing quality and value to all.
- Maximising the contribution of education to the New Zealand economy.
- Education success for every learner.
- Higher returns on education investment.
- Improving outcomes for priority groups.

The diagram at Appendix 3 illustrates the whole of education sector outcomes framework.

TERTIARY EDUCATION COMMISSION OUTCOMES 2012/13 – 2014/15

The TEC's focus for the next three years is on the four key outcomes:

- Increasing tertiary education's contribution to economic recovery and growth.
- Doing better for Māori and Pasifika.
- Enhancing transitions from post compulsory to tertiary education.
- Improving system performance.

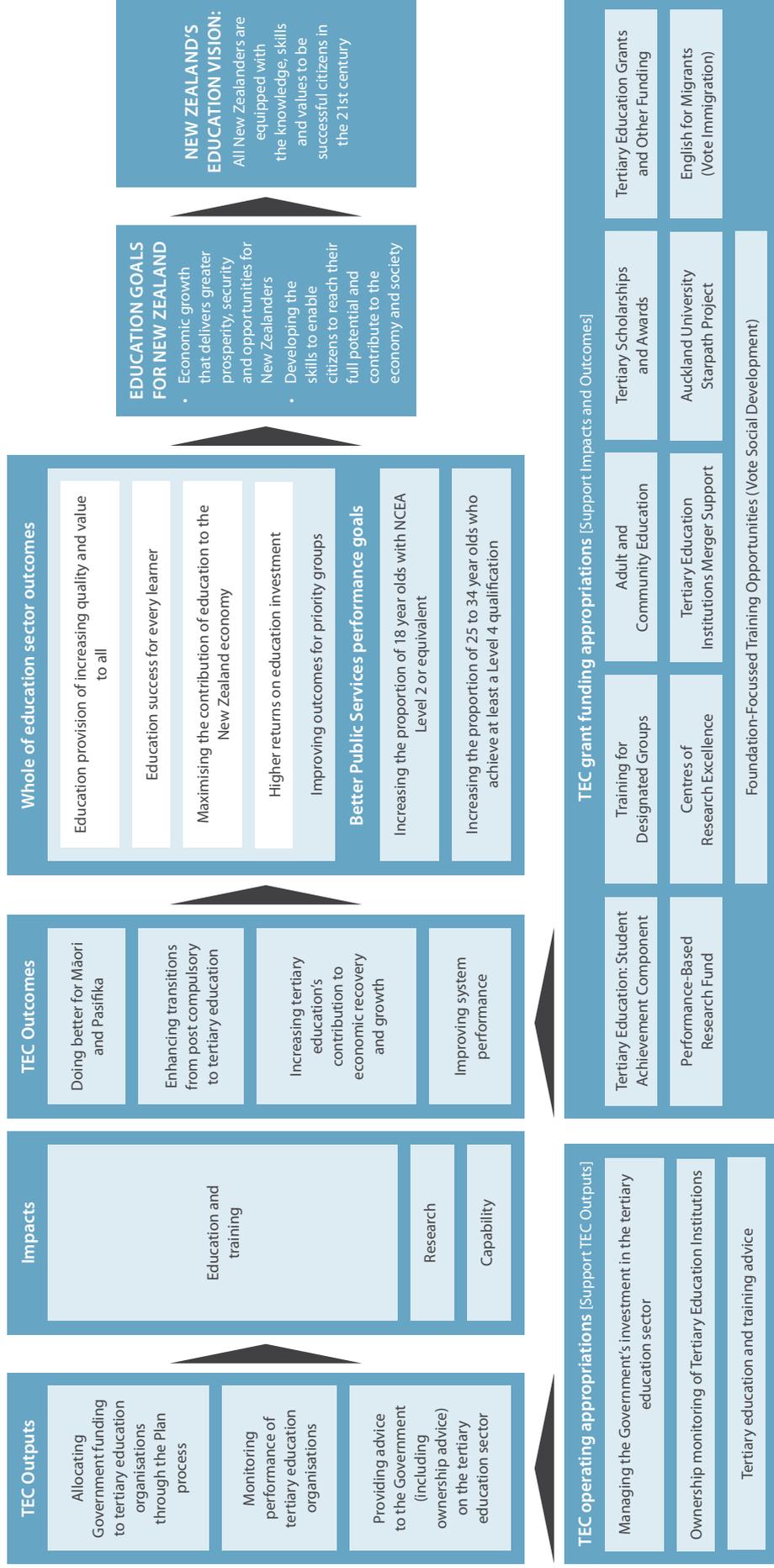
The following diagram illustrates the TEC's Strategic Framework.



TERTIARY EDUCATION COMMISSION - STRATEGIC FRAMEWORK

TERTIARY EDUCATION STRATEGY 2010-2015: PRIORITIES

- increasing the number of young people (aged under 25) achieving qualifications at levels four and above, particularly degrees
- increasing the number of Māori students enjoying success at higher levels
- increasing the number of Pasifika students achieving at higher levels
- increasing the number of young people moving successfully from school into tertiary education
- improving literacy, language, and numeracy and skills outcomes from levels 1 to 3 study
- improving the educational and financial performance of providers
- strengthening research outcomes



OUTCOME ONE: DOING BETTER FOR MĀORI AND PASIFIKA

- Increasing the number of Māori students enjoying success at higher qualification levels
- Increasing the number of Pasifika students achieving at higher qualification levels

WHY THIS IS IMPORTANT

To lift economic growth and productivity, the country needs to invest better in the skills of the workforce. Māori and Pasifika will be an increasingly large proportion of the population, and even larger proportion of our workforce – the same groups which are currently not achieving tertiary education outcomes.

Addressing longstanding issues of system under-performance for Māori and Pasifika learners is still a challenge. The disparities in tertiary education achievement in New Zealand are being addressed.

Participation rates for both Māori and Pasifika have increased recently (in fact age-standardised participation rates for Māori are higher than for all other population groups) but outcomes from that increased participation hasn't followed. Both Māori and Pasifika are less likely to succeed and they realise significantly lower financial returns from tertiary education. In part this reflects subject choice, over-representation at lower levels of tertiary education and lower completion rates.

Further work is required, from the TEC, tertiary education organisations and stakeholders to address this issue. The TEC can more actively use the levers it has to provide incentives to TEOs to improve outcomes for these priority learner groups.

WHAT IS THE TEC GOING TO DO?

- The TEC will “hard-wire” performance commitments for Māori and Pasifika achievement outcomes as part of TEOs' 2013-15 Plans.
- The TEC will work closely with the Ministry of Education and other agencies on the revisions of *Ka Hikitia* and the *Pasifika Education Plan* and agree appropriate stretch targets for Māori and Pasifika achievement in tertiary education.

MEASURES OF PROGRESS

The goals of increasing the number of Māori and Pasifika students enjoying success at higher qualification levels mean that we need to have more Māori and Pasifika students enrolling in higher level qualifications and finishing those qualifications. Māori and Pasifika should be achieving outcomes from tertiary education on a par with the rest of the population.



The following measures will be used to indicate progress against this outcome:

	Measure	Actual 2010/11	Target 2014/15
More Māori and Pasifika students enrolling in higher level qualifications	Percentage of Māori students achieving a qualification at Level 4 and above	50%	64%
	Percentage of Pasifika students achieving a qualification at Level 4 and above	55%	64%
	<i>Percentage of all students achieving a qualification at Level 4 and above (comparative measure)</i>	64%	
More Māori and Pasifika students completing qualifications	Percentage of Māori students starting a bachelor's qualification who complete a qualification at the same level, or higher, eight years later	42% (2010)	60%
	Percentage of Pasifika students starting a bachelor's qualification who complete a qualification at the same level, or higher, eight years later	43% (2010)	60%
	<i>Percentage of all students starting a bachelor's qualification who complete a qualification at the same level, or higher, eight years later (comparative measure)</i>	60% (2010)	

OUTCOME TWO: ENHANCING TRANSITIONS FROM POST COMPULSORY TO TERTIARY EDUCATION

- Increasing the number of young people moving successfully from school into tertiary education
- Improving the literacy, language and numeracy and skills outcomes from level 1 to 3 study

WHY THIS IS IMPORTANT

Far too many young people are failing to leave school with the skills to make a useful contribution to the workforce and society. Young people are the principal source of new skills in the labour market, so it is important that young people are engaging in education or are in employment.

Thirty four percent of Māori will leave school with no qualification and 16 percent will become disengaged from employment education and training by age 17. This compares with only 13 percent and five percent for non-Māori/non-Pasifika for these measures respectively.

In addition, many New Zealanders have left the education system without the literacy and numeracy skills they need to contribute fully to society.

Most recent data shows that 18 percent of Māori and 16 percent of Pasifika will not have achieved basic literacy skills by age 10. This compares to only four percent for non-Māori/non-Pasifika.

The 2006 Adult Literacy and Lifeskills Survey showed that 43% of adult New Zealanders aged 16 to 65 have literacy and numeracy skills below those needed to participate fully in a modern, high-skilled economy. Studies show that increasing workforce literacy and numeracy skills results in significant increases in workplace productivity. The tertiary system needs to increase its focus on foundation level study (Levels 1-3) to ensure that programmes are appropriate and get the results our society needs in the most effective and efficient way.



WHAT IS THE TEC GOING TO DO?

Increasing the number of young people making successful transitions from school to tertiary education:

- One significant initiative is the Youth Guarantee programme which offers vocationally focused educational opportunities as well as improving transitions between school, tertiary education and work for targeted 16 - 17 year olds. The Youth Guarantee programme is a priority for the Government and expects to fund an additional 1,250 places per year (that is, a total of 3,750 additional places over the next three years).
- The TEC will be working with other agencies (particularly the Ministry of Education) to progress work on the development of new vocational pathways (including expansion of Trades Academies) to give students who are interested in vocational learning clear linkages between what they are studying and their post-school options. This work will support student decision-making, and provide employers with simplified information about the knowledge and skills of school leavers.
- The TEC needs to better understand which active labour market programmes are effective in channelling young people into future education or employment. To support this, the TEC will be working with the Ministry of Business, Innovation and Employment to undertake research to evaluate the effectiveness of various programmes and implement improvements where necessary.
- A review of the provision of career advice and guidance will strengthen students' decision making, particularly in relation to vocational education, and the TEC will be working with agencies (particularly Careers Services) to support this review.

Improving the literacy, language and numeracy and skills outcomes from level 1 to 3 study:

- In line with the Government's goal of having more New Zealanders achieving level 2 or equivalent qualifications, the TEC will support the implementation of a more effective framework for foundation-level tertiary education at levels 1 and 2. The employment returns for level 1 and 2 study are very low, and the proposed changes to levels 1 and 2 provision are required to address this. More effective foundation learning also provides a way to improve achievement for Māori and Pasifika learners at levels 1-3.
- The TEC will require full uptake and use of the Literacy and Numeracy for Adults Assessment Tool and expect to see significant levels of improvement in literacy and numeracy outcomes for learners.
- In 2013 and 2014, the TEC will be working with agencies to increase the value of foundation education for both students and the Government by targeting provision to students with low or no qualifications.¹⁰
- The TEC will also be working with the Ministry of Education to support work on fees and subsidy policies for study at levels 1 and 2.

¹⁰ Foundation level ESOL and te reo courses will be exempt from this requirement, and will be available to students who already hold higher level qualifications



MEASURES OF PROGRESS

The following measures will be used to indicate progress against this outcome:

	Measure	Actual 2010/11	Target 2014/15
Increasing the proportion of young people making successful transitions from school to tertiary education	Percentage of 15-24 year olds not in employment education or training	12.5% [OECD average: 12.2%]	Less than OECD average [as at June 2015]
	Percentage of young people moving from post compulsory to tertiary education by age 19	58%	63%
Improving the literacy, language and numeracy and skills outcomes from level 1 to 3 study	Percentage of learners with improved LLN skills as measured by Assessment Tool	Not available	75%

OUTCOME THREE: INCREASING TERTIARY EDUCATION'S CONTRIBUTION TO ECONOMIC RECOVERY AND GROWTH

- Increasing the number of young people (those aged under 25 years) achieving qualifications at level 4 and above, particularly degrees
- Strengthening research outcomes

WHY THIS IS IMPORTANT

New Zealand has traditionally had relatively low productivity growth. How countries perform in developing and utilising skills is one important factor that helps to explain differences in countries' long-term productivity and growth performance. The impact of skills on productivity depends critically on the quality of an economy's institutions, and the effectiveness of firms in utilising the skills of their workforces.¹¹ Tertiary education contributes to productivity by supplying more skilled employees.

New Zealand needs to unlock the value that tertiary education can add to its growth and development. While the TEC is not in the business of "picking winners" it does have a broad overview of the entire tertiary sector and needs to be able to bring together key stakeholders and provide high-level information and analysis to the sector. The TEC needs to utilise information and analysis to better effect, for example to promote demand for trade skills in Canterbury.

The investment planning process focuses TEOs on offering the qualifications that students want to study and that perform well in terms of the educational performance indicators. This means that signals from the labour market to students need to be obvious and clear, so that students can make better choices about the type and level of study which are most likely to lead to the most appropriate employment outcomes. The TEC will be working with other agencies to expand and improve the range of employment outcomes information available to the public, as well as the strengthening of careers advice for prospective students.

New Zealand has two important and specific regional development issues to address: the rebuild of Canterbury and supporting the growth of Auckland.

¹¹ Working Smarter: Driving Productivity Growth Through Skills, New Zealand Treasury, Productivity Paper 08/06, Wellington, 2008



The Canterbury earthquakes provide both great challenges and opportunities for the TEC and tertiary education sector as a whole. The Government will likely provide targeted funding for the tertiary sector to assist in the recovery, for example additional trades training places and support the viability of TEOs in the region. The TEC needs to be able to respond quickly and flexibly to direct funding to the areas of greatest need.

Over the next 10 years, the major areas of population growth will be in Auckland – specifically, Māori and Pasifika young people in the Manukau region. The TEC needs to provide the right incentives to ensure that enough appropriate tertiary education provision is available for these growing population groups.

Research and innovation are also key drivers of productivity, and there is room to improve the contribution the research sector makes to economic growth. The tertiary sector needs to focus on achieving greater alignment of research outcomes across the research sector and increase the return on the public investment in research through the greater utilisation of research by businesses.

WHAT IS THE TEC GOING TO DO?

The TEC has three key areas of work to do:

Ensure that more young people undertake qualifications that are appropriate to their skill level and career aspirations

- Collect and publish annual data on graduate employment outcomes to enable students to make the best decisions about tertiary education.
- Ensure that TEOs work closely with their stakeholders, and particularly industry and employers to better match provision with labour market demand.
- Make direct investment decisions in specific areas of provision which better align with economic development goals (for example, STEM subject areas).

Regional development

- Work with the Ministry of Business, Innovation and Employment providing whole of labour market policy advice on local and national issues with a bearing on the rebuild and wider Canterbury recovery. This will include consideration of how increased productivity in the construction industry might be addressed in response to increases in the demand for labour.
- Support the development and implementation of the Auckland Economic Development Strategy and addressing labour market issues that arise through that work.

Ensure research is aligned across research-agencies and with the needs of industry

- Work with other agencies to agree research priorities.
- Ensure that TEOs work closely with businesses and employers to better match research and innovation needs of industry.
- Implement funding stream changes resulting from reviews of Performance-Based Research Fund (PBRF) and the Centres of Research Excellence (CoREs).



MEASURES OF PROGRESS

The following measures will be used to indicate progress against this outcome:¹²

	Measure	Actual 2010/11	Target 2014/15
Increasing the number of young people (those aged under 25 years) achieving qualifications at level 4 and above, particularly degrees	Earnings premium of bachelor's degree or higher beyond a school qualification	1.33 times higher (2009) <i>[cf OECD average 1.63 times higher]</i>	1.50 times higher
	Percentage of young people (under 25) gaining bachelor's degrees	25%	28%
Strengthening research outcomes	Percentage increase in External Research Income earned [PBRF measure]	-1.9%	4%

OUTCOME FOUR: IMPROVING SYSTEM PERFORMANCE

- Improving the educational and financial performance of providers

WHY THIS IS IMPORTANT

The Government provides over \$4 billion of funding in tertiary education each year (including funding for Student Loans and Allowances). The public needs to be sure that it is getting good value for money in terms of both the financial and educational performance of providers.

The tertiary education sector has received increased Government expenditure each year since 2000. In the current economic climate, the Government has clearly signalled that it is not able to continue to increase investment in tertiary education.

In the short-term, demand for tertiary education is expected to rise, especially for university places and in areas of population growth, notably Auckland. While the country is coming out of the recession, economic growth and employment growth are still slow. This will mean ongoing pressure from young

people wanting tertiary education and training as well as higher numbers of people wanting to up-skill to improve their chance of being employed or moving up in the labour market.

The effects of the Canterbury earthquakes in 2010 and 2011 will require the TEC to work more flexibly to support provision and providers in the Canterbury region. This may involve, for example, consideration of additional funding for providers or of the effect of the earthquake on TEO performance and excluding Canterbury providers from the consequences for performance-linked funding.

Increased student demand, at least in the short term, with the same level of funding will put pressure on tertiary education organisations to perform. They will need to be better at managing their financial performance and at improving educational performance for their students. Students need to be completing qualifications which give them the skills that employers need, so they can secure employment. Tertiary education organisations will need to be better at understanding industry demand for skills, and be able to tailor provision to better match supply of skills to the needs of industry and employers.

¹² We will add employment outcome measures when these are developed, later in 2013



WHAT IS THE TEC GOING TO DO?

- The TEC will continue to work to improve the governance and operations of TEIs. Working with the Ministry of Education, the TEC will examine options for work on governance arrangements and statutory interventions for wānanga and universities. This work builds on the 2009 reforms of governance arrangements and statutory interventions for polytechnics' councils. Any adjustments to current governance arrangements and statutory interventions will require amendments to the Education Act 1989.

- The TEC will proactively work with TEIs to use benchmarking analysis and efficiency measures to identify opportunities for performance and efficiency improvement. All tertiary education institutions will be encouraged to take up use of the New Zealand Benchmarking Tool by the end of 2012.

MEASURES OF PROGRESS

The following measures will be used to indicate progress against this outcome:

	Measure	Actual 2010/11	Target 2014/15
Improving the educational performance of providers	Aggregate sector qualification completion rate (TEC Educational Performance Indicator measure)	64% (2011)	68%
Improving financial performance of providers	Percentage of TEIs meeting or exceeding TEC financial benchmark indicators : <ul style="list-style-type: none"> • Net surplus (before abnormals) to revenue • Net cashflow from operations • Liquid funds • 3 year average return of property, plant and equipment 	88%	95%
	Percentage of TEIs participating in the New Zealand Benchmarking Tool which show improvements in the Tool's "Value for Money" measure.	New measure	95%

ORGANISATIONAL CAPABILITY

The development of TEC's capability is driven by the need to support a strong focus on both current and future improvement in the delivery of agreed outcomes for tertiary education and on achieving continued improvement in organisational value-for-money and effectiveness.

The TEC has changed considerably since its inception, evolving its role and the shape of its organisation to meet the changing political and fiscal environment and the needs of the tertiary education sector.

The size of the organisation has been actively reduced by approximately 35%¹³ over the past four years. Operating and personnel expenses have also been decreasing over the same period, both as a driver of, and in response to, reductions in full-time equivalent employee numbers.

Continuing the journey to increase the value TEC provides over time is the biggest challenge for TEC's organisational capability. Focussing on changes in the sector, on core services and streamlining systems and processes so they are as efficient as possible, is critical to success and provides a major focus for capability improvement efforts.

Our approach to capability development is focussed in three areas:

PEOPLE CAPABILITY

OUR OBJECTIVES:

- Stabilise our workforce after a period of intensive change.
- Improve the capability of our people to deliver services more efficiently.
- Strengthen the alignment of our people development with TEC and sector direction.

OUR ACTIONS:

- Actively grow service and process management skills, including business acumen.
- Reshape our people development programmes to align to the organisation design and direction.
- Achieve a more consistent alignment between role requirements and people.

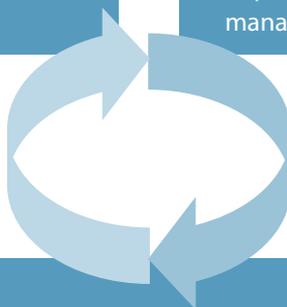
TECHNOLOGY INNOVATION

OUR OBJECTIVES:

- High quality and timely information to assist TEC and the tertiary sector to make sound investment decisions to meet the country's future needs.
- Increased use of information technology to reduce manual intervention in key processes.
- Achievement of savings through use of technology.

OUR ACTIONS:

- Automation of data collection and collation from education providers.
- User friendly web-based reporting available to the sector.
- Implement a web-based provider/funding management system.



SERVICE EFFECTIVENESS

- Working towards shared (corporate) services across education sector agencies.
- Building strong sector collaboration across key projects.
- Outsourcing non-core TEC services through all-of-Government procurement arrangements.

¹³ This is a reduction in full time equivalent positions



MANAGING OUR RISK

To be successful in its role, the TEC is required to identify and manage the internal and external risks that can impact on delivering on the Government's priorities.

The TEC has refreshed its approach to identifying, analysing, evaluating, mitigating and monitoring our key organisational risks. The approach is consistent with the principles of an effective risk management and assurance system¹⁴ and is designed to be integrated into management's core functions.

The core risks for the TEC reflect its primary role as a funding and monitoring agency that is responsible for distributing over \$2.7 billion per annum. The following table provides an overview of the TEC's core agency and Crown risks and the mitigating strategies.

CORE ORGANISATIONAL RISKS	RESPONSE STRATEGY: HOW THE TEC WILL MITIGATE THIS RISK
<p>Delivery of the Government's priorities</p> <p>Failure to deliver on the Government priorities as set out in the Tertiary Education Strategy and the Better Public Service</p>	<ul style="list-style-type: none"> • Work with other government agencies to deliver on the Tertiary Education Strategy and Better Public Service priority areas. • Effective engagement with our key stakeholders. • Provide clear expectations through Plan Guidance and Investment Plan process. • Monitor use of performance targets in Investment Plans for TEOs to deliver priorities. • Publication of performance information by sub-sector and by individual TEO. • Work closely with government agencies and TEOs to meet the need for the Canterbury rebuild programme.
<p>Organisational performance</p> <p>Not having the internal capability and capacity to deliver on the work programme</p>	<ul style="list-style-type: none"> • Implementation and operation of sound management practices for major cross-organisation systems and processes. • Prudent financial management policies and proOECDures in operation. • Use of sound security and business continuity policies and proOECDures in place to maintain the integrity and resilience for TEC's information systems.
<p>Fund management</p> <p>Failure to properly manage the Crown funds for which the TEC is responsible for</p>	<ul style="list-style-type: none"> • Operate an effective and efficient tertiary education organisation monitoring system to ensure that funds are being used for their intended purpose. This includes the alignment with other educational agencies' monitoring systems such as NZQA. • Take appropriate action to recover Crown funding where necessary.

¹⁴ As set out in the Joint Australian New Zealand International Standard for Risk Management (AS/NZS ISO 31000:2009)

<p>Evidence-based decisions</p> <p>Inadequate evidence base to substantiate cross organisational and agency decisions</p>	<ul style="list-style-type: none"> • Good validation processes to ensure the reliability and integrity of the data that is used to inform the decision making process. • Transparency of decision making process. • Improving the timelines and quality of tertiary information across the sector to inform better decision making.
<p>Legal</p> <p>Our actions create legal risks</p>	<ul style="list-style-type: none"> • Development of consistent and agreed investment framework. • Operate effective legal compliance framework and process. • Legal advice sought and acted on.

TEC'S MEDIUM-TERM FINANCIAL STRATEGY

Our financial and non-financial performance expectations, including our capital expenditure, are based on a number of assumptions on what may occur during the next three years.

The medium-term financial strategy will assist us to develop and maintain an appropriate financial position and a prudent level of cash reserves for reinvestment in the infrastructure and business systems required to deliver our core services into the future.

Key elements of our medium-term financial strategy include:

- Ensuring value for money in our expenditure and managing cost pressures by seeking ongoing improvement in operational efficiency;
- Ensuring revenue matches or exceeds expenditure in the medium term. Where appropriate, we may run surpluses and deficits to manage cyclical expenditure such as the 2012 Quality Evaluation of the Performance-Based Research Fund; and
- Building a strong cash position, through careful management of our assets and depreciation policies, for future capital reinvestment programmes.



WORKING WITH OTHER AGENCIES

EDUCATION SECTOR AGENCIES' ROLES AND FUNCTIONS

ROLES AND FUNCTIONS

The seven education sector agencies have clearly delineated roles, responsibilities and functions within the wider education system. They have well-developed policy tools and levers to effect change within their areas of responsibility. These roles and functions are defined in the Education Act 1989, and the Crown Entities Act 2004.

The agencies' areas of responsibility are:

The **Tertiary Education Commission** has the statutory responsibility of funding and monitoring the tertiary sector while enhancing the academic freedom and institutional autonomy of tertiary providers. The TEC's primary levers for achieving the Government's priorities for education are funding and associated accountability levers. The TEC, through the Investing in a Plan mechanism, buys a series of educational outcomes across the tertiary sector, while leaving the decisions as to how these outcomes are achieved to the providers. The TEC also has some powers to intervene in under-performing tertiary providers.

The **Ministry of Education** is a core government department and the lead advisor on the entire education system. The Ministry also fulfils a sector leadership role across education sector agencies. It has substantial operational responsibility across the early childhood and schooling areas: providing funding, setting standards, developing national guidelines and curriculum standards, managing the school property portfolio and providing services to schools, early childhood services, students and communities.

The Ministry advances the Government's priorities through a range of levers, including funding, intervention, regulation and information.

The **New Zealand Qualifications Authority** (NZQA)'s responsibilities extend across the senior-secondary and tertiary sectors, through its primary roles of developing and maintaining New Zealand's educational qualification framework, administering the National Certificate of Educational Achievement (NCEA), and quality assuring the non-university tertiary sector. NZQA advances the Government's priorities through its management of regulatory and quality assurance levers across the tertiary sector, including private providers where the Government has no other levers. NZQA, through these levers, has the ability to determine which tertiary providers are able to offer which qualifications, and the standards to which those providers will be held. NZQA more directly determines the educational standards that are needed to achieve success against the national qualification, NCEA.

Careers New Zealand has responsibility for providing education, information, advice and support to help New Zealanders make good decisions about their careers. It does this through both direct interaction with New Zealanders through a number of media, but increasingly through the development and support of best practice across the wider spectrum of providers of careers services. As leaders of the careers sector, Careers New Zealand advances the Government's priorities through the levers of designing benchmarks, developing the capability of other providers of careers services, better, more targeted information and interventions for targeted groups.

The **New Zealand Teachers Council** is the professional body for the teaching profession, and has a greater level of autonomy from the Crown than the other education sector agencies. The Council is responsible for setting and maintaining the standards by which teachers can gain and maintain membership of the teaching profession. They also engage in research and other professional projects to support the teaching profession, and support the maintenance of professional standards through competence and discipline processes and judicial bodies. The Council advances the Government's priorities through these regulatory levers, ensuring the quality of the workforce in the schooling and early childhood education sectors.



Education New Zealand (ENZ) is a new crown entity, established (on 1 September 2011) to lead the Government's drive to grow international education, and to manage the Government's investment in international education promotion and offshore activities. Its role is to give effect to the Government's international education policies through a range of marketing, promotions and representational functions.

The Education Review Office (ERO) is a core government department. It advances the Government's educational priorities through evaluations of the quality of education and care in schools and early childhood services, and of the implementation of government education priorities in these sectors. Its independence from schools and early childhood services, as well as from the agencies that set the policies and standards, allows it to provide assurance and information to the Government about the quality of education services and sector performance. Creation and provision of information, leading to improvement at the institution and system level is one of ERO's levers. Its independence also provides an accountability lever, in that ERO can make authoritative judgments on action to be taken by schools, early childhood services or interventions by other education agencies.

CROSS-AGENCY COLLABORATION

Collaboration across the education sector fosters the synergy needed to achieve a greater impact on learner achievement. The TEC works closely with the six other education agencies directly involved in the leadership and management of the education sector.

Collaboration takes many forms, ranging from formal oversight by chief executives (for example, the Education Sector ICT Standing Committee which takes a sector view on key technology investments), to informal exchanges of information between our teams. Where initiatives will have an impact on multiple agencies (for example, online moderation, Youth Guarantee or changes to tertiary information), contributions are sought from all relevant agencies. These contributions take a variety of forms, including input to project direction and governance, resources to undertake work, or changes in the agency's own processes in support of the initiative.

In its drive to improve the efficiency and effectiveness of the public sector, the Government is identifying and integrating similar or related services. Education sector agencies have been working together for some time using a range of shared services and will continue to identify opportunities to continue this on a sector and all-of-government basis.

The TEC is working with other government organisations to ensure the effective operation of the labour market, including the Ministry of Business, Innovation and Employment, and improve the way that businesses make the most out of people while they are in employment. This work will result in the development of a unified cross-government skills strategy and action plan that outlines the actions needed to provide a more skilled workforce for New Zealand businesses.

As well as people with the rights skills and knowledge to contribute to economic growth, New Zealand needs science and innovation to enable people and resources to be productive. The TEC is working with the Ministry of Business, Innovation and Employment to ensure that all government funded research is relevant to the future needs of New Zealand.



STATEMENT OF FORECAST SERVICE PERFORMANCE

The TEC has three key **outputs** which are supported by a number of **operational appropriations**:

Outputs	Supporting appropriations
Allocating Government funding to tertiary education organisations through the Plan process	Managing the Government's Investment in the Tertiary Education Sector
Monitoring performance of tertiary education organisations	Ownership Monitoring of Tertiary Education Institutions
Providing advice to the Government (including ownership advice) on the tertiary education sector	Tertiary Education and Training Advice

These **outputs** have three primary **impacts**, which in turn are also supported by a number of **grant funding appropriations**:

Impacts	Supporting appropriations
Education and training	Tertiary Education: Student Achievement Component
	Training for Designated Groups
	Adult and Community Education
	Tertiary Scholarships and Awards
	Tertiary Education Grants and Other Funding
	Foundation-Focussed Training Opportunities (Vote Social Development)
	English for Migrants (Vote Immigration)
Research	Performance-Based Research Fund
	Centres of Research Excellence
Capability	Tertiary Education Institution Merger Support
	Auckland University Starpath Project



OPERATIONAL APPROPRIATIONS

MANAGING THE GOVERNMENT'S INVESTMENT IN THE TERTIARY EDUCATION SECTOR

BUDGET 2012/13 - \$33.203 MILLION

This appropriation is limited to developing, implementing and managing an investment system that aligns planning, funding, monitoring and quality assurance of tertiary education in accordance with the provisions of the Education Act 1989 and other relevant legislation.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Plans for tertiary education organisations demonstrate evidence of alignment with employer, community and learner needs	100%	100%	100%
Plans for tertiary education organisations include targets for improving achievement rates for priority groups in the Tertiary Education Strategy	100%	100%	100%
Percentage of Plans submitted for funding approval that have a funding decision made by 1 December	TEIs & ITOs = 100% Other TEOs = 91%	98%	98%
Payments are made to tertiary education organisations as per the agreed contractual terms and conditions	99%	98%	98%
Percentage of respondents to the TEC Customer Satisfaction Survey which is either "satisfied" or "very satisfied"	New measure	65%	70%
Number of tertiary education organisations audited by the TEC	48 audits ¹⁵	25-30 audits	25-30 audits
Programme evaluations and cost-benefit studies are completed in accordance with the 2011/12 Programme Evaluation Plan	3 evaluations and studies completed	3-5 evaluations and studies completed	3-5 evaluations and studies completed

¹⁵ A higher than usual number of ITO audits were undertaken in 2010/11



OWNERSHIP MONITORING OF TERTIARY EDUCATION INSTITUTIONS

BUDGET 2012/13 - \$2.567 MILLION

This appropriation is limited to monitoring and advisory services – including interventions – on the Government’s ownership interest in tertiary education institutions.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Ownership monitoring advice will be delivered in accordance with agreed quality standards. (<i>Refer Characteristics of Quality Advice, below</i>)	New measure	100%	100%
Percentage of statutory interventions approved at the appropriately delegated level	New measure	100%	100%

TERTIARY EDUCATION AND TRAINING ADVICE

BUDGET 2012/13 - \$3.837 MILLION

This appropriation is limited to providing advice and support to Ministers on the tertiary sector and tertiary education and training issues.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Number of Ministerial-related items provided to the Office of the Minister for Tertiary Education, Skills and Employment	1,422	1,150	1,150
Advice on tertiary sector and tertiary education in general will be delivered in accordance with agreed quality standards. (<i>Refer Characteristics of Quality Advice, below</i>)	New measure	100%	100%

Characteristics of Quality Advice

Purpose	The purpose of the paper is clear – for instance, what decision is being sought and by when.
Audience awareness and readability	The paper is customer-focused, pitched at the right level of detail, and framed in terms of how it fits with previous advice and communications with the Minister. The paper is free of jargon and unexplained acronyms, and uses simple sentence construction and short paragraphs. Key messages are readily apparent to the reader.
Objectives	The paper sets out clear policy objectives which identify the outcome(s) the proposal is trying to achieve. These objectives inform the criteria against which policy options are assessed. The objectives demonstrate an awareness of, and attendance to, Ministry priorities and government policy, including <i>Ka Hikitia</i> , the <i>Pasifika Education Plan</i> , and the <i>Disability Strategy</i> .
Presentation	The format meets specific requirements, for example, as set by Cabinet Office or the Minister, the Minister, uses correct template, correct grammar and spelling will be used, numbers are accurate and internally consistent.
Consultation	All appropriate parties have been consulted.



GRANTS AND CONTRACT FUNDING

TERTIARY EDUCATION: STUDENT ACHIEVEMENT COMPONENT

BUDGET 2012/13 – \$2,021.907 MILLION

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

The Student Achievement Component (SAC) is the Government's contribution to the direct costs of teaching, learning, and other costs driven by learner numbers. SAC funding comprises two elements:

- The programme element, which relates to the types of programmes or courses approved for funding in a TEO's Plan, is based on the SAC funding categories.
- The volume element, which relates to the number of valid enrolments in those programmes or courses.



PARTICIPATION

Output measure	Estimated Funded Actual 2010	Estimated Funded Actual 2011	Target 2012 (+/- 3%)	Forecast 2012	Target 2013	Target 2014
Number of Domestic Equivalent Full-Time Students (EFTS) by subsector						
Universities	116,989	119,404	118,638	118,543		
Institutes of Technology and Polytechnics	68,659	66,614	66,284	67,361		
Wānanga	25,316	24,874	24,676	24,555		
Private Training Establishments	20,748	24,061	25,241	24,983		
Other Tertiary Education Providers	3,141	Merged with Private Training Establishments from 2011				
Number of Domestic Equivalent Full-Time Students (EFTS) at level 3 and above by sub-sector¹⁶						
Universities					111,540 ± 5%	110,791 ± 5%
Institutes of Technology and Polytechnics					54,282 ± 5%	53,897 ± 5%
Wānanga					16,560 ± 5%	16,559 ± 5%
Private Training Establishments					22,839 ± 5%	22,631 ± 5%
Number of Domestic Equivalent Full-time Students (EFTS) at levels 1 and 2 ¹⁶					16,168 ± 3%	15,570 ± 3%
Total Student Achievement Component EFTS	234,853	234,952	234,839	235,442	232,191	230,179
<i>Youth Guarantee¹⁷</i>	<i>1,963</i>	<i>2,343</i>	<i>7,500</i>	<i>7,349</i>	<i>8,525</i>	<i>9,835</i>
<i>Youth Training</i>	<i>5,253</i>	<i>5,253</i>	<i>Merged with Youth Guarantee</i>			
<i>Total Youth Guarantee and Youth Training</i>	<i>7,216</i>	<i>7,596</i>	<i>7,500</i>	<i>7,349</i>	<i>8,525</i>	<i>9,835</i>
Grand Total	242,069	242,549	242,339	242,791	240,716	240,014
Number of EFTS at Level 1-3 on the New Zealand Qualifications Framework with embedded literacy and numeracy	11,082	22,116	26,500	26,500	N/A ¹⁸	N/A ¹⁸

¹⁶ From the 2013 calendar year, the Tertiary Education: Student Achievement Component appropriation is structured by level rather than subsector. The performance measure of the number of domestic equivalent full-time students is still divided by subsector for provision at level 3 and above, but from the 2013 calendar year it is expressed as a range rather than a specific target.

¹⁷ Included for comparative purposes. Youth Guarantee funding has been transferred from the non-departmental output expense Tertiary Education: Student Achievement Component to Training for Designated Groups from the 2012 calendar year.

¹⁸ From 2013, embedded language, literacy and numeracy at levels 1 and 2 is a requirement of funding. Therefore, this performance measure is no longer relevant.

LEVEL OF STUDY

Output measure	Actual 2010	Target 2012	Target 2013
Qualification Level	%	%	%
Levels 1-3 (certificates)	19	19	18
Levels 4 (certificates)	12	11	11
Levels 5-7 (diploma)	13	13	13
Level 7 (degree/graduate diploma)	45	46	46
Levels 8-9 (postgraduate)	9	9	9
Level 10 (doctorate)	2	2	3
Level 4 and above	81	81	82
Total percentage	100%	100%	100%

MĀORI PARTICIPATION

Output measure	Actual 2010	Target 2012	Target 2013
Percentage of all SAC-funded EFTS which are Māori	%	%	%
Levels 1-3	6	6	7
Levels 4 and above	14	14	15

PASIFIKA PARTICIPATION

Output measure	Actual 2010	Target 2012	Target 2013
Percentage of all SAC-funded EFTS which are Pasifika	%	%	%
Levels 1-3	2	2	3
Levels 4 and above	6	6	7

YOUNG PEOPLE

Output measure	Actual 2010	Target 2012	Target 2013
Percentage of all SAC-funded EFTS which are 16-25 years old	%	%	%
Levels 1-3	7	8	9
Levels 4 and above	49	50	51



COURSE COMPLETION

Output measure	Actual 2010	Target 2012	Target 2013
	%	%	%
Māori learners enrolled at level 4 and above	72	73	74
Pasifika learners enrolled at level 4 and above	69	69	70
Young people aged under 25 enrolled at level 4 and above	82	83	84
All learners enrolled at level 4 and above	81	81	82

QUALIFICATION COMPLETION

Output measure	Actual 2010	Target 2012	Target 2013
	%	%	%
Māori learners enrolled at level 4 and above	52	56	58
Pasifika learners enrolled at level 4 and above	52	56	58
Young people aged under 25 enrolled at level 4 and above	61	65	67
All learners enrolled at level 4 and above	64	67	68

PROGRESSION

Output measure	Actual 2010	Target 2012	Target 2013
	%	%	%
Progression to higher level study in the following year for all learners studying at level 1–3 in the stated year	26	36	37

RETENTION (PLAN COMMITMENTS)

Output measure	Actual 2010	Target 2012	Target 2013
	%	%	%
Percentage of students retained or a completed qualification	New measure	60	62

TRAINING FOR DESIGNATED GROUPS

INDUSTRY TRAINING FUND BUDGET 2012/13 - \$158.087 MILLION

MODERN APPRENTICESHIPS BUDGET 2012/13 - \$49.299 MILLION

YOUTH GUARANTEE BUDGET 2012/13 - \$97.198 MILLION

GATEWAY BUDGET 2012/13 - \$19.013 MILLION



This appropriation 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.

Industry training and Modern Apprenticeships provide systematic training in skills characteristic of, or likely to be valuable to, an industry. These programmes are delivered to people employed in that industry.

The Youth Guarantee programme (currently part of SAC) is targeted specifically at improving the

educational achievements of 16 and 17 year olds by providing them with an opportunity to participate in a range of vocational courses free of charge. The objectives of the Youth Guarantee programme are to:

- Increase the educational achievement of targeted 16 and 17 year olds not currently engaged in education by providing them with improved access to study towards qualifications at levels 1 to 3 on the New Zealand Qualifications Framework (NZQF) in tertiary education.
- Improve transitions between school, tertiary education and work.

Output measure	Actual 2010	Target 2012	Target 2013
Number of standard training measures funded (Industry training and Modern Apprenticeships) ¹⁹	58,351	55,392	55,392
Industry training			
Proportion of trainees enrolled at ITOs who are Māori are at level 4 and above	5%	8%	8%
Proportion of trainees enrolled at ITOs who are Pasifika at level 4 and above	1%	2%	2%
Proportion of trainees enrolled at ITOs who are under 25 years, at Level 4 and above	14%	17%	18%
Total trainees (placements)	195,180	175,900	166,100
Credit achievement rate (all trainees)	65%	65%	67%
Average number of NZQF credits achieved per industry trainee	22	20	20
Programme completion rate (all trainees)	55%	60%	63%
Number of STMs at levels 1-3 with embedded literacy and numeracy	Not available	12,000	12,000
Modern Apprenticeships			
Total trainees	11,634	14,000	14,000
Credit weighted programme completions	66%	66%	68%
Youth Guarantee (formerly Youth Training)			
Total places	4,083 ²⁰	7,342	8,518
Average number of NZQF credits achieved per Youth Guarantee trainee	New measure	40	40
Gateway			
Total participants	11,366	12,600	13,000
Average number of NZQF credits achieved per Gateway participant	15	10	10

¹⁹ The falling number of STMs from 2009 reflects decisions to remove funding from low value provision in the industry training sector.

²⁰ The 2010 number is for Youth Training only, prior to the merger with Youth Guarantee. Targets for 2012 and 2013 are therefore not directly comparable.



ADULT AND COMMUNITY EDUCATION BUDGET 2012/13 - \$58.217 MILLION

This appropriation is limited to providing funding for delivery of non-formal adult and community education activities and services including literacy and numeracy, and English for speakers of other languages training, through tertiary education organisations, schools and employers.

The purpose of Adult and Community Education (ACE) is to provide adults with community-based education, foundation skills and pathways into other learning opportunities that meet identified community learning needs and funded ACE priorities:

- Targeting learners whose initial learning was not successful.
- Raising foundation skills.
- Strengthening social cohesion.

Output measure	Actual 2010	Target 2012	Target 2013
School-based adult and community education			
Participation by learners in school-based programmes	20,561	24,000	24,000
Percentage of learners from the priority groups identified in the Tertiary Education Strategy (Māori, Pasifika, second chance learners, learners with English language needs, learners with no formal qualification)	Not available	50%	50%
Literacy and Numeracy			
Intensive Literacy and Numeracy - total number of learners	5,466	5,100	5,100
Intensive Literacy and Numeracy – percentage of learners who show an improvement in literacy and numeracy skills as measured against the Adult Literacy and Numeracy Learning Progressions	Not available	80%	80%
Workplace Literacy Fund - total number of learners	7,500	8,900	8,900
Workplace Literacy Fund - learners who complete programme	79%	80%	80%

TERTIARY SCHOLARSHIPS AND AWARDS BUDGET 2012/13 - \$11.166 MILLION

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. The guidelines, criteria and process for the various scholarships and awards are available from the Ministry of Education or the TEC.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Number of medical intern places funded	302	350	350
Number of other scholarship places funded	252	175	100

**TERTIARY EDUCATION GRANTS
AND OTHER FUNDING**

BUDGET 2012/13 - \$34.370 MILLION

This appropriation is limited to providing contestable funding and miscellaneous funding to tertiary education organisations.

The appropriation includes a broad range of particular funds with specific targeted impacts primarily aimed at improving educational outcomes for priority learner groups and enhancing the educational capability of tertiary education organisations (including equity funding, literacy and numeracy capability building projects).

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Agreements are consistent with need and purpose of fund	100%	100%	100%
Clear objectives and measures for the use of funding are agreed in Plans (or other mechanisms such as funding agreements) for tertiary education organisations	100%	100%	100%

**FOUNDATION-FOCUSSED
TRAINING OPPORTUNITIES
(VOTE SOCIAL DEVELOPMENT)**

BUDGET 2012/13 - \$47.974 MILLION

The TEC is contracted to administer funding for vocationally based skills training for working-age people through the Foundation-Focussed Training Opportunities Programme. Funding is provided

through the Vocational Skills Training appropriation in Vote Social Development. Foundation-Focussed Training Opportunities has been significantly reconfigured for 2011, with the TEC-administered programme having a much greater focus on improving literacy and numeracy of learners. Performance targets are negotiated with the Ministry of Social Development annually.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Percentage of learners who complete their course of study (minimum 14 weeks training)	New measure	80%	80%
Percentage of learners who achieve employment outcomes commensurate with their benefit type and aligned job seeking obligations, within 91 days of completion of training	New measure	38%	38%
Percentage of learners who move off benefit and progress into further training or education and NZQF level two or above, within 91 days of completion of training	New measure	26%	26%



**ENGLISH FOR MIGRANTS
(VOTE IMMIGRATION)**

BUDGET 2012/13 - \$0.800 MILLION

The TEC is contracted to administer funding for English for Migrants programmes. Funding is provided from levies collected from migrants by Immigration New Zealand.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Effective management of contracts with training providers to deliver English Speakers of Other Languages training for migrants who have pre-purchased their tuition through Immigration New Zealand	100%	100%	100%

PERFORMANCE-BASED RESEARCH FUND

BUDGET 2012/13 - \$256.250 MILLION

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

The primary purpose of the Performance-Based Research Fund (PBRF) is to ensure that excellent research in the tertiary education sector is encouraged and rewarded. This entails assessing the research performance of tertiary education organisations and then funding them on the basis of their performance.

The PBRF model has three elements:

- Quality Evaluation: to reward and encourage the quality of researchers (60 percent of the fund).
- Research Degree Completions: to reflect research degree completions (25 percent of the fund).
- External Research Income: to reflect external research income (15 percent of fund).

Output measure	Actual 2010	Target 2012	Target 2013
Research degree completions (measured by PBRF eligible research degree completions)	3,062	3,350	3,500
Percentage increase in amount of external research income for PBRF eligible providers	-1.9%	4%	4%

CENTRES OF RESEARCH EXCELLENCE

BUDGET 2012/13 - \$31.690 MILLION

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.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
The Annual Reports of each Centre of Research Excellence covering agreed reporting areas are approved by the TEC by March of each year	100%	100%	100%
Centres of Research Excellence demonstrate collaborative research creating significant levels of knowledge transfer (as measured by qualitative review of Centres of Research Excellence Annual Reports)	100%	100%	100%

TERTIARY EDUCATION INSTITUTION MERGER SUPPORT

BUDGET 2012/13 - \$1.500 MILLION

This appropriation is limited to providing support toward the additional costs related to the merger of particular tertiary education institutions.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Merger milestones are met according to funding agreements	100%	100%	100%

AUCKLAND UNIVERSITY STARPATH PROJECT

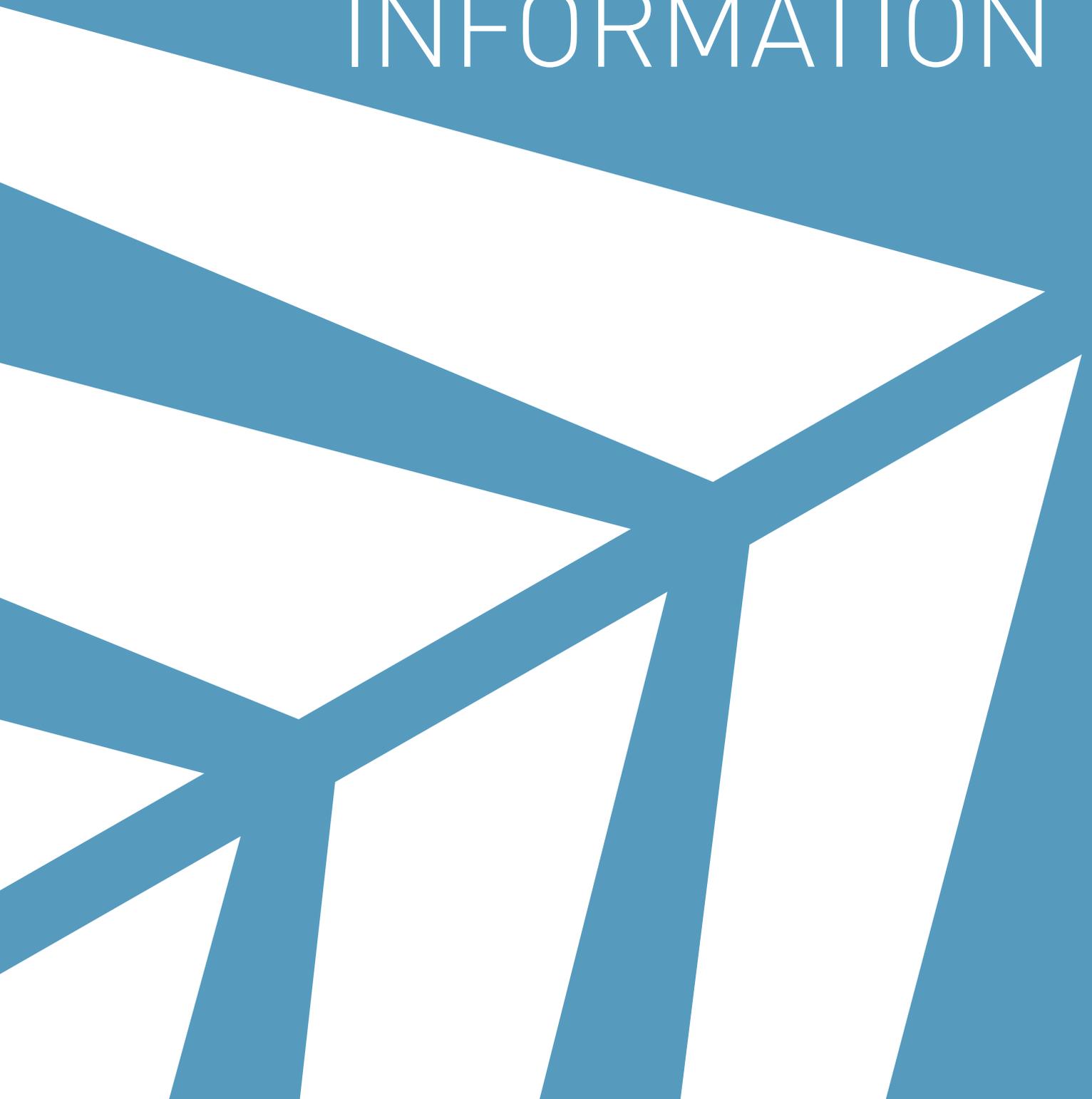
BUDGET 2012/13 - \$2.450 MILLION

This appropriation is limited to funding to support the Starpath initiatives at the University of Auckland.

Output measure	Actual 2010/11	Target 2011/12	Target 2012/13
Project milestones are met according to funding agreement	100%	100%	100%
Funding agreement monitored and action taken as required	100%	100%	100%



PROSPECTIVE FINANCIAL INFORMATION



SUMMARY OF KEY FINANCIAL PERFORMANCE INDICATORS (\$'000)

YEAR ENDED 30 JUNE

	Budget 2013	Projected 2014	Projected 2015
Operating Performance			
Revenue	46,908	45,413	45,138
Expenses	46,327	43,347	44,521
Net Surplus/(Deficit)	581	2,066	617
Personnel/Total Expenses (%)	51%	53%	52%
Financial Performance			
Closing Equity	21,747	23,813	24,430
Working Capital Ratio	1.12	1.19	1.35

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME (\$'000)

YEAR ENDED 30 JUNE

	2013 Operations	2013 Grants	2013 Consolidated	2014 Consolidated	2015 Consolidated
CONTINUING OPERATIONS					
Revenue and Contract					
Operating and Contract Revenue:					
Vote Tertiary Education - Ministry of Education (MoE)	39,607	-	39,607	38,402	38,127
Contract Funding - Ministry of Social Development (MSD)	6,661	-	6,661	6,661	6,661
Contract Funding - Immigration New Zealand (INZ)	150	-	150	150	150
Total Operating and Contract Revenue	46,418	-	46,418	45,213	44,938
Grants and Contract Revenue:					
Vote Tertiary Education - MoE	-	2,741,147	2,741,147	2,737,675	2,738,367
Contract Revenue - MSD	-	47,974	47,974	46,784	46,784
Contract Revenue - INZ	-	800	800	800	800
Total Grants and Contract Revenue	-	2,789,921	2,789,921	2,785,259	2,785,951
Finance Revenue:					
Interest Income on Bank Deposits - Operating	490	-	490	200	200
Total Finance Revenue	490	-	490	200	200
TOTAL REVENUE	46,908	2,789,921	2,836,829	2,830,672	2,831,089
EXPENSES					
Operating Expenses:					
Personnel	23,800	-	23,800	23,000	23,000
Operating	12,200	-	12,200	10,000	10,000
Third Party Payments	4,290	-	4,290	3,000	3,000
Depreciation and Amortisation	6,037	-	6,037	7,347	8,521
Total Operating Expenses	46,327	-	46,327	43,347	44,521
Grants Expenses:					
Grants Disbursed and Accrued - MoE	-	2,741,147	2,741,147	2,737,675	2,738,367
Contract Disbursed and Accrued - MSD	-	47,974	47,974	46,784	46,784
Contract Disbursed and Accrued - INZ	-	800	800	800	800
Total Grants and Contract Expenses	-	2,789,921	2,789,921	2,785,259	2,785,951
TOTAL EXPENSES	46,327	2,789,921	2,836,248	2,828,606	2,830,472

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Operating Surplus/(Deficit)					
Operating Surplus	91	-	91	1,866	417
Finance Income	490	-	490	200	200
Total Operating Surplus	581	-	581	2,066	617
Other Comprehensive Income:					
Other Comprehensive Income	-	-	-	-	-
Total Comprehensive Income for the Year	581	-	581	2,066	617

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY (\$'000)

YEAR ENDED 30 JUNE

	2013 Operations	2013 Grants	2013 Consolidated	2014 Consolidated	2015 Consolidated
Equity at the Start of the Year	21,166	-	21,166	21,747	23,813
Net Surplus	581	-	581	2,066	617
Total Recognised Revenues and Expenses for the Year	21,747	-	21,747	23,813	24,430
Public Equity at the End of the Year	21,747	-	21,747	23,813	24,430



PROSPECTIVE STATEMENT OF FINANCIAL POSITION (\$'000)

YEAR ENDED 30 JUNE

	2013 Operations	2013 Grants	2013 Consolidated	2014 Consolidated	2015 Consolidated
Current Assets					
Cash and Cash Equivalents	14,667	30,998	45,665	49,026	52,112
Accounts Receivable	1,000	9,400	10,400	10,400	10,400
Total Current Assets	15,667	40,398	56,065	59,426	62,512
Property, Plant and Equipment	3,803	-	3,803	3,809	3,508
Intangible Assets (Software)	17,576	-	17,576	16,207	10,435
Total Non-Current Assets	21,379	-	21,379	20,016	13,943
Total Assets	37,046	40,398	77,444	79,442	76,455
Equity					
General Funds	21,747	-	21,747	23,813	24,430
Total Equity	21,747	-	21,747	23,813	24,430
Current Liabilities					
Accounts Payable and Accrued Expenses	12,279	30,898	43,177	43,109	39,505
GST Payable	320	-	320	320	320
Accrued Salaries and Wages	600	-	600	600	600
Employee Benefits	800	-	800	800	800
English for Migrants - Revenue in Advance	500	1,000	1,500	1,500	1,500
Repayment Provisions	-	3,500	3,500	3,500	3,500
Total Current Liabilities	14,499	35,398	49,897	49,829	46,225
Non-Current Liabilities					
English for Migrants - Revenue in Advance	-	5,000	5,000	5,000	5,000
Employee Benefits	800	-	800	800	800
Total Non-Current Liabilities	800	5,000	5,800	5,800	5,800
Total Liabilities	15,299	40,398	55,697	55,629	52,025
Total Equity and Liabilities	37,046	40,398	77,444	79,442	76,455



PROSPECTIVE STATEMENT OF CASH FLOW (\$'000)

AS AT 30 JUNE

	2013 Operations	2013 Grants	2013 Consolidated	2014 Consolidated	2015 Consolidated
Cash Flows from Operating Activities					
Cash was provided from:					
Funding - Operating MoE	39,607	-	39,607	38,402	38,127
Funding - Operating MSD	6,661	-	6,661	6,661	6,661
Funding - Operating INZ	150	-	150	150	150
Funding - Grants MoE	-	2,741,147	2,741,147	2,737,675	2,738,367
Funding - Grants MSD	-	47,974	47,974	46,784	46,784
Funding - Grants INZ	-	800	800	800	800
Interest Income on Bank Deposits - Grants	-	3,500	3,500	3,500	3,500
	46,418	2,793,421	2,839,839	2,833,972	2,834,389
Cash was applied to:					
Grants and Contract Payments	-	2,789,921	2,789,921	2,785,259	2,785,951
Payments to Employees	19,400	-	19,400	19,200	19,200
Other Operating Expenses	13,821	-	13,821	15,168	18,704
Capital Charge	1,700	-	1,700	1,700	1,700
	34,921	2,789,921	2,824,842	2,821,327	2,825,555
Net Cash Inflows from Operating Activities	11,497	3,500	14,997	12,645	8,834
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of Property, Plant and Equipment	-	-	-	-	-
Interest Income on Bank Deposits - Operating	490	-	490	200	200
Cash was applied to:					
Purchase of Property, Plant and Equipment	1,875	-	1,875	1,641	1,344
Purchase of Intangible Assets (Software)	8,335	-	8,335	4,343	1,104
Net Cash Outflows from Investing Activities	(9,720)	-	(9,720)	(5,784)	(2,248)
Cash Flows from Financing Activities					
Cash was provided from:					
Capital Contribution	-	-	-	-	-



Cash was applied to:					
Repayment of Grants Surplus	-	3,500	3,500	3,500	3,500
Net Cash Outflows from Financing Activities	-	(3,500)	(3,500)	(3,500)	(3,500)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,777	-	1,777	3,361	3,086
Cash and Cash Equivalents at the Start of the Year	12,890	30,998	43,888	45,665	49,026
Cash and Cash Equivalents at the End of the Year	14,667	30,998	45,665	49,026	52,112

RECONCILIATION TO NET SURPLUS/(DEFICIT) FROM THE PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME (\$'000) AS AT 30 JUNE

	2013 Operations	2013 Grants	2013 Consolidated	2014 Consolidated	2015 Consolidated
Net Surplus from Operations	91	-	91	1,866	417
Add/(Subtract) Non-Cash Items:					
Depreciation of Property, Plant and Equipment	1,375	-	1,375	1,635	1,645
Amortisation of Intangibles	4,662	-	4,662	5,712	6,876
Gain on Disposal of Property, Plant and Equipment	(8)	-	(8)	-	-
	6,120	-	6,120	9,213	8,938
Add/(Subtract) Movements in Working Capital Items:	5,377	3,500	8,877	3,432	(104)
	5,377	3,500	8,877	3,432	(104)
Net Cash Flows from Operating Activities	11,497	3,500	14,997	12,645	8,834



DETAILS OF PROSPECTIVE OPERATING EXPENSES (\$'000)

AS AT 30 JUNE

	2013	2014	2015
Salaries	19,400	19,200	19,200
Contributions to Defined Contribution Plans	484	485	485
Training and Development	365	273	273
Other Personnel Expenses	3,551	3,042	3,042
Total Prospective Personnel Expenses	23,800	23,000	23,000
Property Rental	1,770	1,693	1,693
Motor Vehicles	20	25	25
Computer Operations	3,658	3,407	3,407
Consultants and Professional Services	672	680	680
Audit Fees - External Audit	163	163	163
Travel	1,365	436	436
Insurance	169	169	169
Legal Fees	135	120	120
Capital Charge	1,700	1,700	1,700
Managing Third Party Contracts	4,290	3,000	3,000
Bank Fees	43	43	43
Telephone, Tolls and Postage	294	283	283
Other Supplies and Services	1,294	1,117	1,117
Commissioners Fees	164	164	164
Panel Members Fees and Honoraria	753	-	-
Total Prospective Operating Expenses	16,490	13,000	13,000
Depreciation of Property, Plant and Equipment	1,375	1,635	1,645
Amortisation of Intangible Assets	4,662	5,712	6,876
Total Prospective Depreciation and Amortisation	6,037	7,347	8,521
Total Prospective Operating Expenses	46,327	43,347	44,521



DETAILS OF PROSPECTIVE PROPERTY, PLANT AND EQUIPMENT (\$'000) AS AT 30 JUNE

	Opening NBV	Depreciation Charges	Purchases	Closing NBV
2013				
Computer Equipment	2,157	1,015	1,475	2,617
Motor Vehicles	25	6	-	19
Office Equipment	115	56	100	159
Furniture & Fittings	513	112	150	551
Leasehold Improvements	493	186	150	457
Total	3,303	1,375	1,875	3,803
2014				
Computer Equipment	2,617	1,275	1,241	2,583
Motor Vehicles	19	6	-	13
Office Equipment	159	56	100	203
Furniture & Fittings	551	112	150	589
Leasehold Improvements	457	186	150	421
Total	3,803	1,635	1,641	3,809
2015				
Computer Equipment	2,583	1,285	944	2,242
Motor Vehicles	13	6	-	7
Office Equipment	203	56	100	247
Furniture & Fittings	589	112	150	627
Leasehold Improvements	421	186	150	385
Total	3,809	1,645	1,344	3,508

DETAILS OF PROSPECTIVE INTANGIBLE ASSETS (\$'000)

AS AT 30 JUNE

	Opening NBV	Amortisation Charges	Purchases	Closing NBV
2013				
Software	13,903	4,662	8,335	17,576
2014				
Software	17,576	5,712	4,343	16,207
2015				
Software	16,207	6,876	1,104	10,435

PROSPECTIVE STATEMENT OF COMMITMENTS (\$'000)

Statement of Commitments

It is expected that the TEC will enter into contracts resulting in the following:

Non-Cancellable Operating Leases (Rental Agreements)

Not later than one year	1,576
Later than one year and not later than two years	1,576
Later than two years and not later than five years	1,323
Later than five years	0
Total	4,475

Capital Commitments

Capital expenditure contracted for at balance date but not provided for:	100
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Non-Cancellable Contracts

Not later than one year	1,571,736
Later than one year and not later than two years	36,444
Later than two years and not later than five years	1,991
Later than five years	-
Total	1,610,171



REVENUE (\$000)

Vote Tertiary Education

Year
ended 30
June 2013

Grants Appropriations

Non-Departmental Output Expenses

Adult and Community Education	58,217
Centres of Research Excellence	31,690
Performance Based Research Fund	256,250
Tertiary Education Grants and Other Funding	34,370
Tertiary Education: Student Achievement Component	2,021,907
Training for Designated Groups	323,597
Total-Non Departmental Output Expenses	2,726,031

Benefits and Other Unrequited Expenses

Tertiary Scholarships	11,166
Total Benefits and Other Unrequited Expenses	11,166

Non-Departmental Other Expenses

University of Auckland Starpath Project	2,450
Tertiary Education Institution Merger Support	1,500
Total Non-Departmental Other Expenses	3,950

Vote Tertiary Education - Grants Appropriations	2,741,147
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Operating Appropriations

Non-Departmental Output Expenses

Managing the Government's Investment in the Tertiary Education Sector	33,203
Ownership Monitoring of Tertiary Education Institutions	2,567
Tertiary Education and Training Advice	3,837
Vote Tertiary Education - Operating Appropriations	39,607



NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

NOTE 1: REPORTING ENTITY

The Tertiary Education Commission (TEC) is a Crown Entity and was established on 1 January 2003 pursuant to section 159C of the Education Act 1989. The TEC is domiciled in New Zealand. As such the TEC's ultimate parent is the New Zealand Crown.

The TEC's principal function is to give effect to the tertiary education strategy.

The TEC is also required to:

- operate the tertiary funding system generally;
- monitor the performance of tertiary education organisations; and
- provide advice to the Minister on the implementation of policy and on the operational implications of new policy initiatives.

The TEC has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZIFRS).

NOTE 2: BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial statements have been prepared in terms of the Education Act 1989, section 152 of the Crown Entities Act 2004, and in compliance with New Zealand generally accepted accounting practice. They comply with NZIFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

(B) BASIS OF MEASUREMENT

The measurement base adopted is historical cost.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The prospective 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.

(D) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these prospective financial statements, the TEC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual result. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including 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:

Property, plant and equipment useful lives and residual value

At each balance date, the TEC reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the TEC to consider a number of factors such as 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 impact the depreciation expense recognised in the Prospective Statement of Comprehensive Income, and carrying amount of the asset in the Prospective Statement of Financial Position.

The TEC minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes.

The TEC has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in Details of Prospective Property, Plant and Equipment.



Intangible assets

In Details of Prospective Intangible Assets, certain assumptions have been made about continued useful life of intangible assets. See note 3(j) below for assumptions made on intangible assets.

(E) CRITICAL JUDGEMENTS IN APPLYING THE TEC'S ACCOUNTING POLICIES

Management has exercised the following critical judgement in applying the TEC's accounting policies in the prospective financial statements:

Lease classification

Determining whether a lease agreement is a finance 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 Prospective 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 that none of its lease arrangements are finance leases.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which materially affect the measurement of financial performance and financial position are set out below. These policies have been applied consistently to all periods presented in these prospective financial statements.

(A) BUDGET FIGURES

The budget figures have been prepared in accordance with generally accepted accounting practice and NZIFRS and are consistent with the accounting policies adopted by the TEC for the preparation of the financial statements.

(B) REVENUE

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

Revenue from the Crown

The TEC is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the TEC meeting its objectives as specified in this Statement of Intent. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

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 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. Interest earned on Grants funds is paid to the Crown.



(C) GOODS AND SERVICE TAX (GST)

The prospective financial statements are stated exclusive of GST with the exception of debtors and other receivables and creditors and other payables which are stated with GST included. Net GST receivable or payable at the end of the financial year is included in the Prospective Statement of Financial Position. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The TEC is not required to account for GST on its Vote Education grants revenue and expense. This grant revenue and expense is stated exclusive of GST as inclusive amounts do not provide meaningful information for reporting purposes. The treatment aligns TEC's reporting with Appropriation and Treasury requirements.

(D) INCOME TAX

The TEC is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

(E) CASH AND CASH EQUIVALENTS

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

(F) DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value. Debtors and other receivables are recorded at their expected realisable value after providing for impairment (doubtful and uncollectible debts).

Impairment of a receivable is established when there is objective evidence that the TEC will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

(G) PROVISIONS

The TEC recognises a provision 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 expenditure 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 due to the passage of time is recognised as finance cost.

(H) FINANCIAL INSTRUMENTS

Non-derivative financial instruments

The TEC is party to non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and other receivables and creditors and other payables. All financial instruments are recognised in the Prospective Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Prospective Statement of Comprehensive Income.

All financial instruments are shown at their carrying value which approximates their fair value. Cash and cash equivalents comprise cash balances and call deposits. Debtors and other receivables are recognised at fair value and subsequently at amortised cost.

(I) PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Property, plant and equipment consists of leasehold improvements, furniture and office equipment, computer equipment, and motor vehicles.

Property, plant and equipment are recorded at historical cost, less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to NZIFRS was determined by reference to its fair value at that date.



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.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

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 included in the Prospective Statement of Comprehensive Income.

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 Prospective Statement of Comprehensive Income as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the remaining useful lives of the improvements, whichever is shorter. Items under construction are not depreciated. The total cost of a capital project is transferred to the appropriate asset class on its completion and then depreciated.

The useful lives and associated depreciation rates of major classes of assets were estimated as follows:

Computer equipment	4 years	25%	straight line
Office equipment	5 years	20%	straight line
Furniture & fittings	10 years	10%	straight line
Leasehold improvements	4-10 years	10-25%	straight line
Motor vehicles	5 years	20%	straight line

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

(J) INTANGIBLE ASSETS

Software acquisition and development

Intangible assets consist of items of acquired software. These are capitalised on the basis of the costs incurred to acquire and to bring to use. 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 the software development, employee costs and those staff training costs directly related to enabling the item of software. All other staff training costs are recognised as an expense when incurred.

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

Costs associated with the 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 and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Prospective Statement of Comprehensive Income. The useful life and associated amortisation rates were estimated as follows:

Computer software	4 years	25%	straight line
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(K) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets 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 amount. The recoverable amount is the higher of asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The TEC currently has no assets carried at a revalued amount. For assets not carried at a revalued amount, the total impairment loss or the amount of any reversal of impairment loss is recognised in the Prospective Statement of Comprehensive Income.

(L) EMPLOYEE ENTITLEMENTS

Provision is made in respect of the TEC's liability for annual, long service, retirement and sick leave. Fair value is determined from the market-based evidence by an independent actuary.

Short-term employee entitlements

Employee entitlements that the TEC expects to be settled within the 12 months of balance date are measured at undiscounted nominal values 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, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The TEC recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlement 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 the TEC anticipates it will be used by staff to cover those future absences.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave 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 entitlements information
- the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.



(M) SUPERANNUATION SCHEME

Defined contribution scheme

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Statement of Comprehensive Income as incurred.

Defined benefit scheme

The TEC makes contributions to the Government Superannuation Fund, which is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit plan accounting, as it is not possible to determine from the terms of the scheme the extent to which the scheme's surplus or deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

(N) LEASE PAYMENTS

The TEC leases all its office premises and where prudent, office equipment. As all risks of ownership are retained by the lessor, these leases are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Prospective Statement of Comprehensive Income.

(O) CONTINGENT LIABILITIES

Contingent liabilities are disclosed at the point at which the contingency is evident.

(P) COMMITMENTS

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

(Q) STATEMENT OF CASH FLOWS

Cash means cash balances on hand, held in bank accounts, and demand deposits.

Operating activities include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support the TEC's operating and distribution activities. Cash outflows include payments made to employees, suppliers, and for distribution expenses and taxes.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities and other non-current assets.

Financing activities are those activities relating to changes in equity and debt capital structure of the TEC.

(R) COST ALLOCATION

The TEC has derived the net cost of service for each significant activity using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are allocated to significant activities based on as full time equivalents (FTEs) and direct labour hours.

"Direct costs" are those costs directly attributable to a significant activity.

"Indirect costs" are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

The cost of internal services not directly charged to activities is allocated as overheads using appropriate cost drivers such as full time equivalents (FTEs) and direct labour hours.

(S) CREDITORS AND OTHER PAYABLES

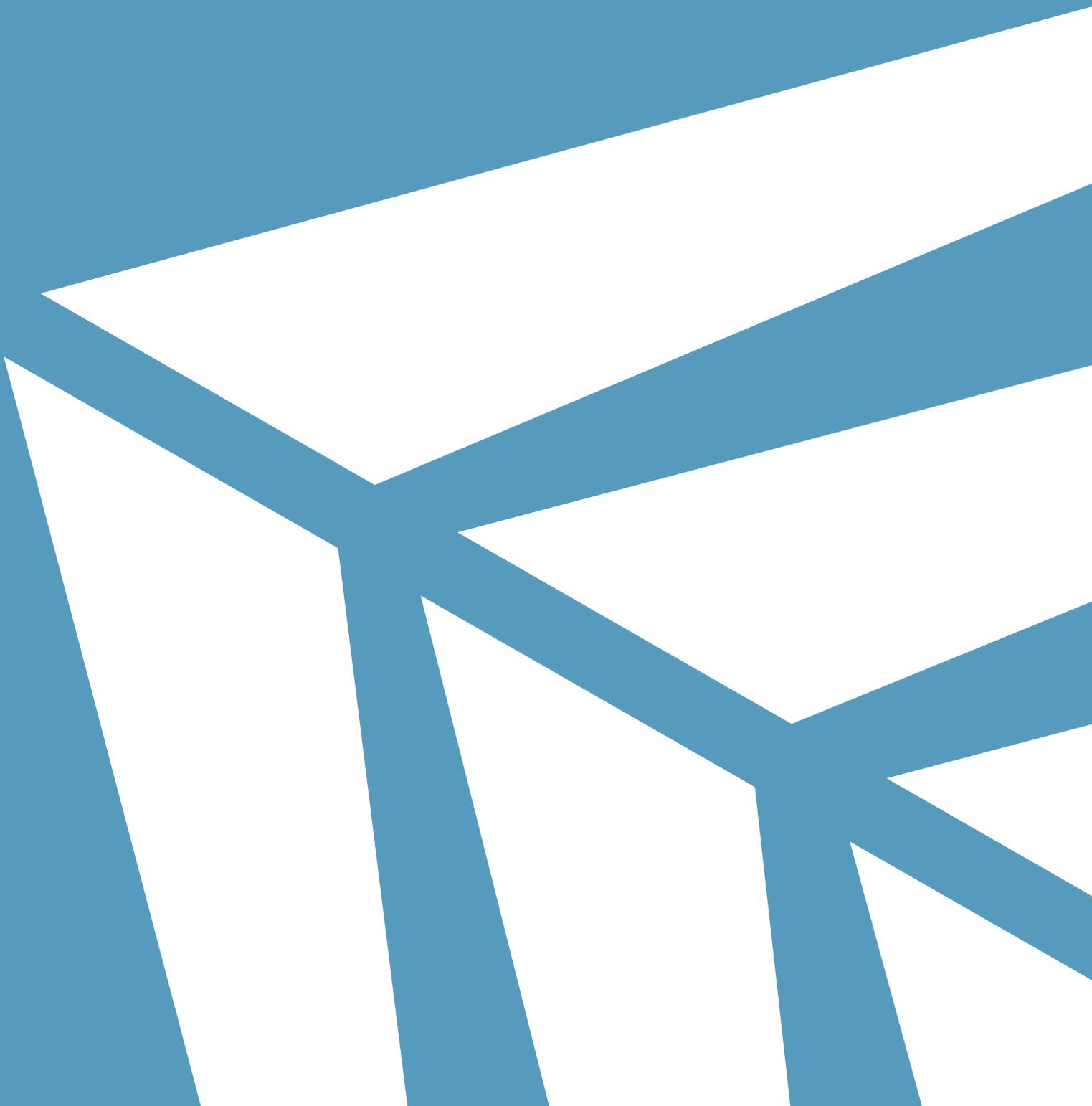
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(T) CHANGES IN ACCOUNTING POLICIES

There are have been no changes in accounting policy that impact the financial years covered by these prospective statements.



APPENDICES



APPENDIX 1: TEC FUNCTIONS

FUNCTIONS OF THE TEC UNDER THE EDUCATION ACT 1989

The functions of the TEC are to:

- give effect to the Tertiary Education Strategy by:
 - prescribing and publishing guidance on the content of, and processes associated with seeking funding approval for, proposed Plans;
 - prescribing and publishing guidance on the criteria the TEC will use to assess proposed Plans;
 - assessing proposed Plans and deciding whether they will receive funding approval by applying the relevant assessment criteria;
 - determining the amount of funding payable to organisations by applying the appropriate funding mechanisms;
 - allocating funding to organisations that have Plans;
 - allocating funding to organisations that are not required to have Plans in order to receive funding;
 - prescribing what Plan summaries must contain for the purposes of public inspection;
 - building the capability of organisations;
- provide advice to the Minister on
 - the activities and performance of the tertiary education sector generally;
- develop details of how to implement funding mechanisms;
- implement funding mechanisms;
- conduct applied policy and programme research, monitoring, and evaluation;
- monitor the performance of organisations that receive funding from the TEC including by measuring performance against specified outcomes;
- undertake any functions that the Minister directs the TEC to undertake under section 159J;

- undertake any functions delegated to the TEC, including (without limitation) functions relating to the funding of organisations other than under section 159YA or 159ZC; and
- undertake any other function given by this Act, the Industry Training Act 1992, the Modern Apprenticeship Training Act 2000, or any other enactment.

The Education Act 1989 also instructs the TEC to:

- comply with any direction of the Minister given under section 103 of the Crown Entities Act 2004
- work closely with the stakeholders of tertiary education providers and industry training organisations; and
- work closely with tertiary education providers and industry training organisations.

FUNCTIONS UNDER THE INDUSTRY TRAINING ACT 1992

The TEC must have regard to the following matters in determining whether to approve funding for an industry training organisation's proposed Plan:

- the amount of training to which it relates, and the likely number of trainees to be trained in accordance with it;
- the desirability of introducing into the organisation's industry (or the organisations' industries) skills (whether new skills or enhanced existing skills) likely to increase its (or their) international competitiveness;
- the desirability of extending industry training to industries, or areas of any industry (or industries), where industry training linked to nationally recognised qualifications has not traditionally been available; and
- the desirability of extending industry training to people of a kind or description specified in the TEC's Statement of Intent as people to whom industry training linked to nationally recognised qualifications has not traditionally been available (whether within any industry or industries, or generally).



The TEC also has the following functions under the Act:

- to promote the wide availability within industry of high quality industry training linked to nationally recognised qualifications;
- to promote the availability of industry training linked to nationally recognised qualifications to people of a kind or description specified in the TEC's Statement of Intent as people to whom such training has not traditionally been available (whether within any industry or industries, or generally);
- to administer and disburse public money appropriated by Parliament for the purpose of industry training;
- to promote, in accordance with its Statement of Intent, the protection of the interests of people receiving training under apprenticeship contracts or technician's contracts and people receiving training under programmes of industry training recognised under the Act;
- to ensure that there are in place, and monitor and ensure the effectiveness of, systems to maintain at a satisfactory level the quality and effectiveness of industry training; and
- to exercise the powers and perform the functions of resolving coverage disputes and issuing or revoking certificates of exemption from payment of a levy.

FUNCTIONS UNDER THE MODERN APPRENTICESHIPS TRAINING ACT 2000

The TEC's main function under the Modern Apprenticeships Training Act is to promote apprenticeship training by entering into funding agreements.

In determining whether to enter into a funding agreement, the TEC must have regard to the desirability of avoiding unnecessary duplication of effort (in light of the existence of other funding arrangements) and consult the New Zealand Qualifications Authority.

A funding agreement must:

- specify agreed levels of performance for the apprenticeship co-ordinator or co-ordinators (or prospective apprenticeship co-ordinator or co-ordinators) concerned; and
- provide for the variation, suspension, and termination, of funding or of the funding agreement or of both, if the specified levels of performance are not achieved.

An industry training organisation may agree with the TEC to perform its functions and duties stated in an industry or industries other than the industry or industries in respect of which the industry training organisation is recognised under the Act.

The TEC also has the following functions under the Act:

- to develop and recommend to the Minister a code of practice, to offer guidance, consistent with the Act, about the responsibilities relating to apprenticeship training of apprenticeship coordinators, employers, and apprentices;
- to make the approved code of practice available;
- to monitor apprenticeship co-ordinators' performance;
- to try to find new employers with whom apprentices can complete their training, if it is impracticable for them to complete their training with an existing employer; and
- to administer and disburse public money appropriated by Parliament for the purpose of apprenticeship training.

The TEC may require a co-ordinators to give information:

- to determine the extent to which the agreed levels of performance specified in a funding agreement are being or have been met, the TEC may, by written notice to the apprenticeship co-ordinator, require an apprenticeship co-ordinator to give the TEC in writing any specified financial report, or statistical or other information, relating to the apprenticeship co-ordinator's activities under the agreement.



APPENDIX 2: OTHER MATTERS

GENERAL OPERATING AND LEGISLATIVE COMPLIANCE

The TEC will continue to contribute to whole-of-government strategies in areas relevant to its role and functions. As outlined in this Statement of Intent, the TEC is giving priority and value to building and further developing strong and effective linkages and partnerships within the Government sector. In the performance of its duties, and in addition to its specific compliance requirements as specified in the Education Act 1989, the Industry Training Act 1992, the Crown Entities Act 2004 and the Public Finance Act 1989, the TEC will assess its compliance with all relevant legislation as part of its risk management.

STATEMENT IN TERMS OF SECTION 11(D) OF THE INDUSTRY TRAINING ACT 1992

In terms of section 11(d) of the Industry Training Act 1992, the TEC specifies that Māori, Pasifika and women are people to whom industry training has not traditionally been available.

MATTERS REQUIRING MINISTERIAL APPROVAL

Determining the design of mechanisms that the TEC uses to fund organisations

As required by section 159L of the Education Act 1989, the Minister determines the design of the funding mechanisms that the TEC uses to fund organisations. The TEC develops the details of how to give expression to the Minister's determination and implements the funding mechanisms.

Acquisitions

When assets are being acquired that are equal to or greater than 50 percent of the TEC's Public Equity, Ministerial approval will be obtained prior to the acquisition proceeding. The TEC does not anticipate any investments of this magnitude during the 2012/13 - 2014/15 period.

Divestments

When assets are being divested that are equal to or greater than 10 percent of the TEC's Public Equity, Ministerial approval will be obtained prior to the divestment proceeding. The TEC does not anticipate any divestments of this magnitude during the 2012/13 - 2014/15 period.

Increases to appropriations and baselines

The Minister will be consulted on any matter that is likely to require an increase in existing appropriations and baselines, or to impact on the Crown's Balance Sheet. Suitable approvals will be sought if considered appropriate by the Minister.

MATTERS REQUIRING MINISTERIAL CONSULTATION

Use of reserves and material impacts on the TEC's balance sheet

Any reserves held by the TEC can only be used in ways that contribute to its goals and are consistent with its functions. In conjunction with its risk management policy, prudent management of reserves is required. The TEC will consult with the Minister before committing to draw on its reserves to fund operating activity. Where an acquisition or divestment (not being a major transaction) is considered by the TEC to have a material impact on the TEC's Income Statement in any given year and that transaction is not disclosed in the Statement of Intent, the Minister will be consulted prior to the acquisition or divestment proceeding.

REPORTING

Annual report

As soon as practicable after the end of each financial year, the TEC will prepare an Annual Report as specified in section 150 of the Crown Entities Act 2004.

The Annual Report will include information as specified in sections 151-156 of the Crown Entities Act 2004, including information on compliance with its obligation to be a good employer.

The Annual Report will also include information specified in section 159KF of the Education Act 1989, including how the Commission is monitoring, and how it will report on, progress in giving effect to the Tertiary Education Strategy.



Other reporting

The TEC will keep the Government advised of issues likely to impinge on its responsibilities or that may expose the Crown to significant risk. This requires the TEC to be aware of any possible implications that Government decisions and actions may have on wider government policy issues; and advising the Minister and the Minister's agent as soon as practicable; and to keep the Minister and their agent informed of significant issues that are controversial or likely to be discussed in the public arena, or that require action or a response by the Minister at some later stage. The general expectation is that the TEC will keep the Minister and their agent informed and will allow for sufficient time for comment before implementing strategic initiatives such as:

- Significant changes in the scope or nature of operations and the TEC's capability.
- Seeking approval for revenue changes.
- Responding to a major change in the operating environment.

The TEC will provide the Minister with any information that the Minister requires that relates to any aspect of the TEC's activities pursuant to section 133 of the Crown Entities Act 2004.

The TEC will provide the Minister of Finance with any information requested by the Minister in connection with the exercise of his or her powers under Part 4 of the Crown Entities Act 2004.

OTHER FINANCIAL PROVISIONS

Investment of funds and use of derivatives

From time to time, the TEC has a requirement to invest surplus funds on a short-term basis. These investments are made in keeping with the requirements of the Crown Entities Act 2004. The TEC will not enter into a derivative instrument, or amend the terms of a derivative instrument, without the prior written consent of the Minister of Finance.

Distribution of surpluses to the Crown

The TEC is subject to section 165 of the Crown Entities Act 2004 and, as such, may be required to pay to the Crown a sum equal to the whole or any part of a net surplus of the TEC, as determined in accordance with generally accepted accounting practice or any other basis that may be agreed between the Minister of Finance and the TEC.

Capital charge payable

The TEC is subject to section 166 of the Crown Entities Act 2004 and, as such, must pay to the Crown a capital charge in respect of the net assets of the TEC of an amount, and at the times, prescribed by the capital charge rules.



APPENDIX 3: WHOLE OF EDUCATION SECTOR OUTCOMES FRAMEWORK



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