



Statement of Intent

2008/09–2010/11

Making good
investment
decisions

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Preamble

This Statement of Intent for the years 2008/09 to 2010/11 is produced in accordance with sections 141 and 142 of the Crown Entities Act 2004 and section 159KE of the Education Act 1989.

It describes the three-year vision and strategies of the Tertiary Education Commission Te Amorangi Mātauranga Matua (TEC), as the agency facilitating the implementation of the government's reforms of the New Zealand tertiary education and training system.

The Statement of Intent is supported by an Output Agreement with the Minister for Tertiary Education.

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 forecast financial statements and assumptions and the Forecast Statement of Service Performance have been prepared to meet the requirements of the Crown Entities Act 2004.

These statements and assumptions are all related to prospective results forecasted in subsequent years. There are no actual results incorporated in these projections.

We certify that the information contained in the Statement of Intent 2008/09 to 2010/11 is a fair and reasonable reflection of the TEC's operating intentions.

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



David Shand

Chair

Tertiary Education Commission



Kaye Turner

Deputy Chair

Tertiary Education Commission

Dated: 23 June 2008

Chair's foreword

Tertiary education has a vital role to play in New Zealand's economic transformation and ongoing social and cultural development.

Recent changes to the way in which tertiary education in this country is managed, funded and monitored will help ensure our sector can enhance its performance and deliver in today's rapidly changing world.

Implementation of the new system is well under way and is proceeding with a high level of sector support - thanks in no small part to the quality of the relationships being built by TEC Investment Managers and their counterparts in the tertiary education sector.

We are confident that this progress will continue as the TEC works with the tertiary education sector to fine-tune the new system, and ensure it is able to deliver the envisaged benefits for students, employers, communities and other stakeholder groups.

Through its Stakeholder Engagement Managers, the TEC is working with stakeholder groups and the tertiary education sector to develop linkages that improve the sector's understanding of the country's education and training needs.

The TEC is also building up its own knowledge of those needs, and this knowledge is informing the TEC's decisions about where to invest taxpayer money in the tertiary education sector.

Work is also progressing to improve the quality and timeliness of information on the tertiary education sector's achievements for students and other stakeholder groups. Improvements in this area are vital if the TEC is to get better results from the taxpayer money spent on tertiary education.

It is almost a year since the TEC realigned its structure to ensure it had the capacity and capability to deliver on its role to lead government's relationship with the tertiary education sector, and make good investment decisions in tertiary education on behalf of the government and taxpayer.

Looking ahead, it is critical that the new system is recognised by the sector and stakeholder groups as being predictable, fair and transparent and based on sound analysis that is consistently applied.

The TEC does not underestimate the difficulty of achieving this, but is committed to working in partnership with everyone involved to ensure the success of the new system - a system that has the capability to deliver the quality tertiary education, training and research that New Zealand needs.



David Shand

Chair

Who we are

Mission statement

The TEC works with the tertiary education sector and others to enhance the relevance of, foster excellence in, and enable access to, tertiary education and training so that all can meet their full potential and contribute to New Zealand's ongoing development and wellbeing.

What we do

The TEC's functions and responsibilities cover all forms of tertiary research, education and training. These include:

- Adult and Community Education (ACE)
- foundation education, comprising literacy, numeracy and language, as well as basic computing and interpersonal skills
- certificates and diplomas
- bachelor degrees
- postgraduate qualifications (many of them requiring students to conduct substantial original research)
- industry training, including Modern Apprenticeships
- tertiary research funding, including the Performance-Based Research Fund and Centres of Research Excellence.

The functions of the TEC are stated in section 159F of the Education Act 1989. Essentially, the TEC:

- guides the sector on government expectations surrounding: the shifts in tertiary education capability and provision; and tertiary education organisations (TEOs)
- works directly with TEOs to develop Investment Plans that give effect to government priorities and meet stakeholder needs

- approves funding for Investment Plans and in doing so progressively develops a relevant, viable and sustainable network of tertiary education provision and research in New Zealand
- monitors and advises on the delivery of Investment Plans to improve the performance of the tertiary education system and protect the Crown's interest in public tertiary education institutions (TEIs).

As part of its investment approach, the TEC works with stakeholders to ensure investment in tertiary education is informed by their needs. Stakeholders include students, employers, industries, communities and iwi.

The TEC advises the Minister on tertiary education in New Zealand. The nature of the tertiary education system (and the changes to the system), along with an increased availability of information about tertiary education, has led to more pressure for policy advice and the need for an increased policy capability at the TEC.

The Tertiary Education Commission

The TEC is a Crown entity established under the Education Act 1989. It is governed by a Board of Commissioners which is appointed by, and responsible to, the Minister for Tertiary Education. The TEC has independent statutory powers relating to the planning and approval of government funding for individual TEOs. It operates within strategic and policy frameworks set by the government. Under the Crown Entities Act 2004, the TEC is a Crown Agent which must give effect to government policy as and when directed by the responsible Minister.

The TEC manages the taxpayer's significant investment in tertiary education (\$3.1 billion for 2008). It provides the government with evidence about where its money is being spent and the outcomes resulting from that investment.

Where a need for new education and training is identified, the planning, funding and monitoring system is able to respond. This will help the sector and the TEC bring about better outcomes for students and other stakeholders.

Students can be more confident that they are investing their time and money in a tertiary education system that is able to respond to the labour market, the economy and society's needs through strong links between TEOs, business, industries and communities. As a formal part of investing in tertiary education - stakeholder groups like students, employers, iwi and communities have an opportunity for their voices to be heard.

A well-functioning tertiary education system is important to New Zealand's future - quality tertiary education is vital to the progression of New Zealand's economic transformation and social development goals. The TEC is the means through which the government works with the tertiary education sector to ensure the strategic use of resources, capability building and the implementation of its tertiary education strategies. This involves a managed funding environment in which TEOs plan and manage growth and change.

Operating environment

In 2006 there were 484,000 students enrolled in formal tertiary study at government funded TEOs. These can be broken down as follows:

Students* by different variables, 2007		Number	Proportion
Sub-sector	Institutes of technology and polytechnics	217,000	28%
	Universities	170,000	22%
	Private training establishments	78,000	10%
	Wānanga	42,000	6%
	ACE	252,000 (2006)	33%
		759,000	
Qualification level	Certificate and/or diploma level	338,000	71%
	Bachelor degree level	147,000	30%
	Postgraduate level	37,000	7%
		522,000	
Age	Under 25 years	200,000	41%
	25-40 years	146,000	31%
	Over 40 years	138,000	28%
		484,000	

* The figures will add up to more than 491,000 (or more than 100%) because of those students who enrol in more than one qualification and/or more than one tertiary education organisation.

There were also 176,000 trainees engaged in industry training in the workplace in 2006 (including 9,500 Modern Apprentices).

The tertiary education sector has a wide range of provider types including public TEIs, private training establishments (PTEs), industry training organisations (ITOs), ACE providers and others.

In 2006, TEIs provided education and training for 86 percent of all students.

Following the completion of mergers between colleges of education and universities, the different types of organisations are:

- eight universities, spread throughout New Zealand. In 2006, they collectively enrolled 172,000 students, representing 125,000 equivalent full-time students (EFTS)
- twenty institutes of technology and polytechnics (ITPs) spread across the country. The number of students enrolled at ITPs in 2006 was 214,000 or 76,000 EFTS
- three wānanga, which in 2006 had 49,000 students or 24,000 EFTS
- private training establishments and other tertiary education providers, which in 2006 had 80,000 students or 42,000 EFTS, some of whom are not directly funded by the TEC
- Thirty-eight ITOs around the country established by particular industries or industry groups. Industry training is part subsidised by government, with industry providing a cash contribution to costs.

Key themes

In an age of international competition for labour, the TEC's work with the sector and other agencies will help to strengthen New Zealand's competitiveness as a place to work, live, raise

a family and do business. Through the new investment system, the TEC will be able to influence the delivery of a sustainable tertiary education sector that meets the country's economic, cultural and social needs.

The future calls for a more cohesive tertiary sector no longer driven solely by student enrolments. Funding investment decisions will be driven by analysis, evidence and the needs of stakeholders, students, business and communities. There will be an increased requirement for educational success for young New Zealanders - more people achieving higher qualifications and more students completing their courses. A strong research focus with improved links to industry will also be needed to create economic opportunities - learning will be a lifelong experience for an increasing number of New Zealanders.

The TEC and TEOs, particularly ACE providers, will increasingly focus on providing effective programmes to meet the growing demand for workplace literacy and numeracy programmes that enhance skill levels in the workforce.

The TEC is also the lead agency for the implementation of the Skills Strategy, which aims to address ongoing skills shortages. Greater achievement in advanced trade, technical and professional qualifications is needed to meet regional and national industry needs that have arisen from economic growth, the changing nature of industries and demographic changes.

The TEC continues to play a crucial role in supporting innovation, for example investment through the Performance-Based Research Fund and Centres of Research Excellence. As the government's innovation policy evolves, the TEC will work with other agencies to make further progress.

How tertiary education contributes to New Zealand

Government direction

The government's aim for New Zealand is a high-income, knowledge-based economy, which is innovative and creative and which provides a high quality of life to all New Zealanders. To help achieve this goal, the government has developed the following themes for the next decade - Economic Transformation, Families Young and Old, and National Identity - underpinned by environmental sustainability. A strong tertiary education sector will play a vital role in each of these government themes.

Economic Transformation requires New Zealand to attract and encourage high-value businesses and well-paid jobs, and to develop a highly-skilled workforce. Tertiary education supports the development of high-level skills and knowledge and provides the opportunity for people to update them through lifelong learning. It plays a critical role in supporting the development of knowledge and innovation through research and scholarship.

Families Young and Old is about supporting all families, and individuals within those families, to reach their full potential. The tertiary education sector underpins the development of a skilled workforce, and the research required for the development of the health, education, justice and social systems.

National Identity relates to all New Zealanders being able to take pride in who and what we are - through our arts, culture, film, sports and music, our appreciation of the natural environment, our understanding of our history and our stance on international issues. Tertiary education supports Māori to maintain and develop Māori language, knowledge and culture. The tertiary education system fosters many of our top achievers, who exemplify and develop our cultural and sporting life.

Education is critically important for supporting environmental sustainability and sustainable development. It can give future leaders the knowledge they need to operate in a world that is rapidly running out of resources and that is facing the challenges of climate change. Through teaching and learning, research, knowledge transfer and innovation, education can add value to primary production, help manage pressure on natural resources, and help manage and restore our indigenous ecosystems and biodiversity.

The education sector agencies¹ share a common outcome of 'a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st century'. The sector operates within some shared frameworks, particularly those articulated in *Ka Hikitia - Managing for Success: The Māori Education Strategy 2008-2012* and the *Pasifika Education Plan*.

Within the common framework of sector priorities, the government's expectations and priorities for tertiary education are set out in the Tertiary Education Strategy.

The Tertiary Education Strategy 2007-12

The government's themes have shaped the development of the Tertiary Education Strategy 2007-12 (Tertiary Education Strategy). The Tertiary Education Strategy details the government's strategy for increasing the contribution that tertiary education makes towards its goals.

The Tertiary Education Strategy sets out the government's long-term direction for tertiary education as well as its current and medium-term priorities for tertiary education. The government's long-term strategic direction for tertiary education addresses economic, social

¹ Ministry of Education, Career Services Rapuara, Education Review Office, New Zealand Qualifications Authority, New Zealand Teachers Council and the Tertiary Education Commission.

and environmental goals and the development aspirations of Māori and other groups.

The Tertiary Education Strategy establishes distinctive contributions for different parts of the tertiary sector and identifies areas where the government is seeking shifts or changes in education and training provision in order to better meet skill and learning needs.

Another key concept being promoted in the Tertiary Education Strategy is the network of provision. The TEC works with TEOs to define their distinctive contribution to tertiary education and the way their strengths complement those of other organisations regionally and nationally. The network of provision will reflect the particular mix of education and training that organisations offer nationally and within each different part of the sector that - supported with funding - meets the needs of relevant stakeholders and New Zealand as a whole.

The tertiary education sector's contribution to the government's development goals - as outlined in the Tertiary Education Strategy - is expected to encourage:

- success for all New Zealanders through lifelong learning
- the creation and application of knowledge to drive innovation
- strong connections between TEOs and the communities they serve.

Statement of Tertiary Education Priorities 2008-10

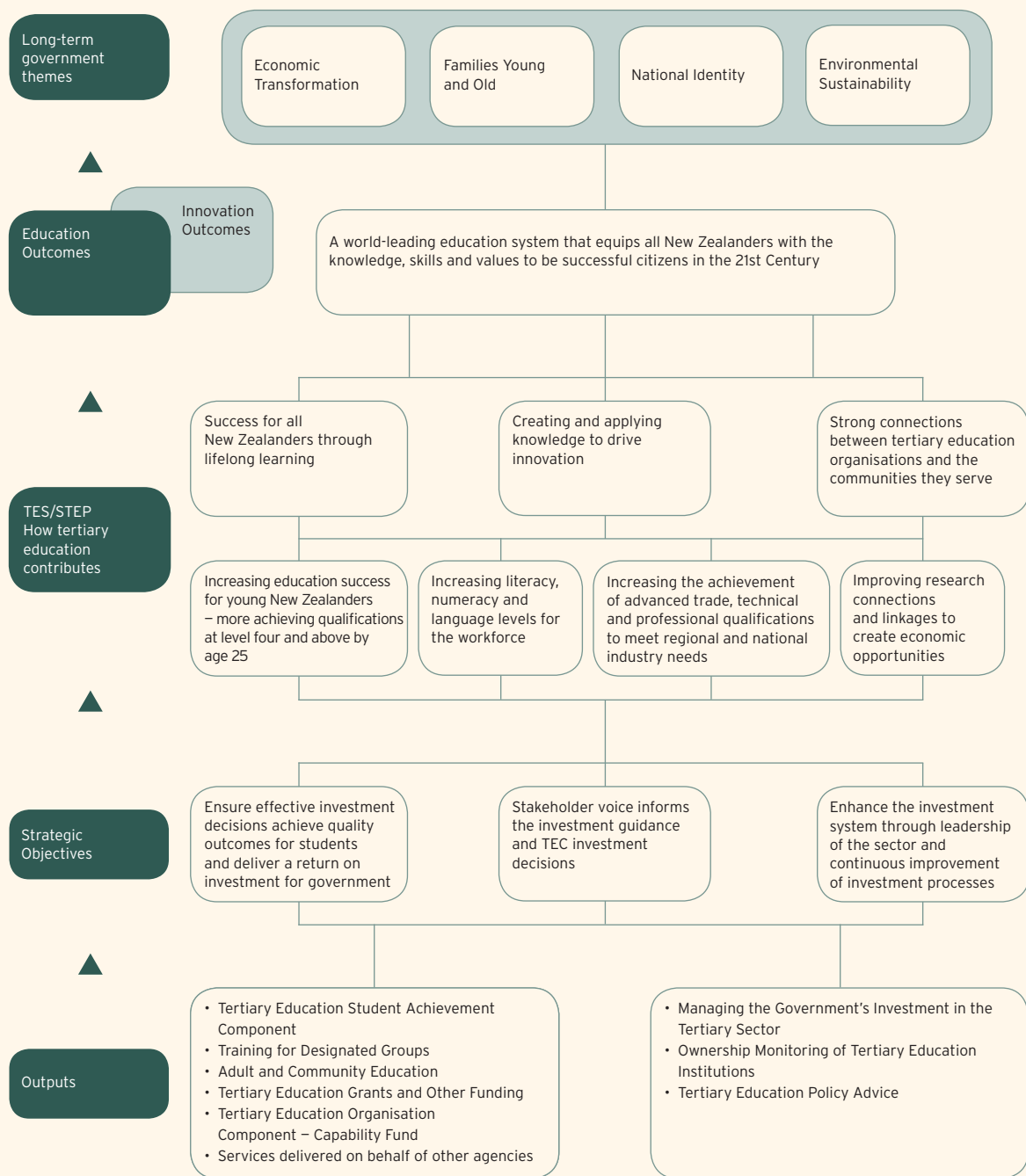
The Statement of Tertiary Education Priorities 2008-10 is incorporated in the Tertiary Education Strategy and identifies priority outcomes for tertiary education in the immediate future. The TEC will focus on the following priorities.

- Increasing educational success for young New Zealanders - more achieving qualifications at level 4 and above by age 25.
- Increasing literacy, numeracy and language levels for the workforce.
- Increasing the achievement of advanced trade, technical and professional qualifications to meet regional and industry needs.
- Improving research connections and linkages to create economic opportunities.

Monitoring the strategy

The Ministry of Education monitors the sector's progress towards achieving the goals set out in the Tertiary Education Strategy. This monitoring will show the progress different parts of the sector are making in achieving the desired systemic shifts. Monitoring will focus on outcomes where possible, as well as the size of the relevant provision and the amount to which it contributes to achieving the priorities. Monitoring will also consider the value being gained through the money invested in tertiary education.

Figure 1: Links between the TEC's outputs and the government's themes



Investing in a Plan

An integrated, effective and efficient tertiary sector

The planning, funding and monitoring system aims to build a more integrated, effective and efficient tertiary education sector that delivers the education and training New Zealand needs to underpin its economic transformation and social and cultural development. The investment system seeks to balance student choice with national, regional, community and developmental priorities. This requires a tertiary education system in which the expectations and outcomes being sought are clear, funding is aligned with the outcomes sought, appropriate monitoring and quality assurance regimes are in place and in which all players have the capability to contribute effectively.

An evidence-based approach to decision-making at all levels is another critical part of the investment system. Enhancing the evidence base will be an important area of development over the next few years. This will include agreeing data definitions for existing key performance indicators (KPIs), developing new KPIs for shifts in line with the Tertiary Education Strategy, collecting consistent quality data and agreeing how this performance information is linked over time to funding.

The investment system is also about building capability within TEOs over time. Each three-year planning and investment cycle will progressively shift the sector towards an aligned, responsive network of provision, supported by TEOs with the capability to deliver quality outcomes for students and external stakeholders. The network approach will ensure each TEO delivers according to its particular strengths, will enhance collaboration and will work towards ensuring that government funding best meets the needs of tertiary education in New Zealand.

The investment system represents a significant culture change for the whole tertiary education

sector in New Zealand, including for the TEC itself. It is now based on promoting a high-trust, high-accountability environment with lower compliance costs.

The Investment Plan system requires TEOs to evaluate the needs of students, employers and businesses in their region and nationally (if appropriate) as well as their communities. TEOs have made some progress with engaging constructively with their stakeholders to identify education and training needs. The TEC has recognised this is an area that will require significant development over the next few years and Stakeholder Engagement Managers are supporting and facilitating this process.

The TEC's Investment Guidance 2008-2010 explains how the government's strategic direction will influence the TEC's investment decisions. It sets out what the TEC is looking for from different parts of the sector to support government strategy and the needs of stakeholders. The Investment Guidance details how the priorities in the Tertiary Education Strategy will apply to each part of the sector, how the TEC will work with TEOs to achieve the shifts and distinctive contributions set out in the Tertiary Education Strategy, and the KPIs to be used in measuring the achievement of those shifts.

Investment Plans link TEO provision and performance to the desired outcomes for government, students and external stakeholders. The Plans require a commitment to a mix of research, education and training. The Plans contain performance standards and quality outcomes, supported by appropriate capability development measures showing how TEOs will contribute to the network of tertiary education provision.

Investment Plan discussions (with providers) are an ongoing process that includes input from regional and national stakeholder groups. Plans are agreed between each TEO and the TEC. The

Investment Plan process takes a “no surprises” approach to ensure the TEC and TEOs know what to expect in the final Plan including what may, or may not, be approved.

The key components of the new investment system are shown in Figure 2 (page 14). The diagram illustrates how those individual components work together to support one another. The aim of the system is to achieve major and durable shifts in the overall quality and relevance of tertiary education.

The first set of Investments Plans implementing the new system came into effect in January 2008.

There are two main components of tertiary funding:

- the Student Achievement Component covering the government contribution to the costs directly linked to the number of students enrolled with a TEO
- the TEO Component covering the government’s contribution to costs associated with the organisation carrying out its distinctive role.

The funding system provides for:

- the management of tertiary education expenditure
- longer-term investment in the tertiary sector
- the costs of teaching and learning
- the differentiation of roles, innovation and capability shifts
- links between funding and performance.

The Investment Plan determines the funding required for TEOs to deliver a high-quality mix of research, education and training while remaining financially viable.

There are several areas to refine in the funding system over the coming year. The focus is on working towards ensuring effective investment

decisions that achieve quality outcomes for students and includes further development of the work on funds rationalisation and the Public Provider Base Grants. Other work will focus on developing a co-ordinated approach to capital investment and capital asset management. Supporting this will be additional work to enhance capability, and improve leadership, governance and sustainability in TEIs.

Quality assurance and monitoring

The investment system requires the TEC - as the investing body - to capture a range of information including an assurance of quality in relation to TEOs and their provision. This includes collecting meaningful performance information to support engagement as a precursor to investment. This information can also be used to inform any conditions that should be attached to the investment. This requires integrated approaches to quality assurance and monitoring to inform TEO planning and improvement and the TEC’s investment decisions. The TEC commissions NZQA and New Zealand Vice-Chancellors Committee (NZVCC) to provide quality assurance.

It is intended that the new system will be strongly evidence-based. This evidence base will need to be developed and refined over time.

Approaches to TEO performance and quality self-assessment are being developed together with an external validation process. Performance monitoring will be based on commonly defined performance indicators and criteria. In this way TEOs will be able to monitor how well they are performing against their required outcomes.

The TEC is gathering and analysing evidence to support the tertiary education system. Work to develop the system is progressive and developmental and will continue to move forward at a pace achievable by organisations within the tertiary education sector and other agencies.

A comprehensive evidence base and quality assurance system will provide vital feedback on achievement of outcomes. This feedback will in turn influence the development of new investment guidance to be reflected in Investment Plans in the future.

The TEC's Tertiary Advisory Monitoring Unit monitors TEIs' finances, governance and management, advises the Minister on appointments to TEI councils, builds TEIs' governance and management capability, as well as taking the lead on TEI risk assessments, providing intervention advice to the Minister and then implementing any decisions made.

Tertiary education organisations in the investment system

Universities

Universities are expected to provide a wide range of research-led degree and postgraduate education along with research that is of international quality. They engage with communities, industry, iwi and the research community in the dissemination and application of knowledge and in promoting learning.

The TEC will continue working with universities - individually and collectively - on the future shape of the New Zealand university sector, the roles of individual universities, and how a more differentiated university system can be supported by funding.

High quality research and research graduates are crucial to increasing New Zealand's knowledge-base and innovation systems. The sustainability of the country's research and innovation sector depends on a strong and improved research culture - tertiary education plays a vital role in achieving this. The TEC will look to TEOs to achieve greater alignment of research funding to improve and extend links between tertiary providers, business and other research providers.

Institutes of technology and polytechnics

ITPs are expected to focus on provision of applied professional and vocational education, provide skills for employment and productivity, support progression from foundation to higher levels of learning, and act as a regional facilitator of tertiary education.

The TEC will work with ITPs to develop a sustainable and effective network of provision that is best placed to deliver the distinctive contribution sought from it. A focus for the coming year is to encourage ITPs to work collaboratively to make best use of limited resources and avoid duplication. For instance, there is the potential for smaller ITPs to share academic services, and develop new programmes collaboratively.

At an individual ITP level, institutions will be striving to meet their Investment Plan commitments around the mix of provision and KPIs. The security of a three-year investment will allow ITPs to make adjustments to their business models that better focus on educational outcomes and the quality and relevance of the service provided to students and other stakeholders. This especially applies to the priority ITPs will place on delivering within their own local region.

Wānanga

Wānanga are expected to: provide quality education in accordance with kaupapa Māori philosophies, principles and approaches; maintain and develop teaching, learning and research environments based on āhuetanga Māori in accordance with tikanga Māori; have a continuing role in re-engaging people into education; and continue to develop quality learning opportunities (programmes and research) informed and embodied by mātauranga Māori. Each wānanga has identified its distinctive contribution within the wānanga sector and the wider tertiary

network. There has been some early engagement with other TEOs on potential collaborative arrangements. This will be further developed in 2008 for inclusion in Investment Plans for 2009-2010.

Industry training organisations

Distinctive contributions for ITOs are based on their statutory responsibility to provide industry leadership on matters relating to skill and training need, designing national qualifications, setting and quality assuring national standards, and arranging for the delivery of industry training. ITOs will play a significant role in the government's Skills Strategy and in improving skills within the workforce over the next few years.

Private training establishments

The distinctive contributions of PTEs acknowledge their diversity, flexibility and responsiveness. Individual PTEs make contributions to the network of provision in line with their particular capabilities. While individual responses can be made to specific needs that arise across the system, the TEC will be working with PTEs on the areas of employment and educational progression, foundation learning where this fits with available funding mechanisms, and Māori and Pacific learning environments (including marae- and iwi-based provision).

Adult and Community Education providers

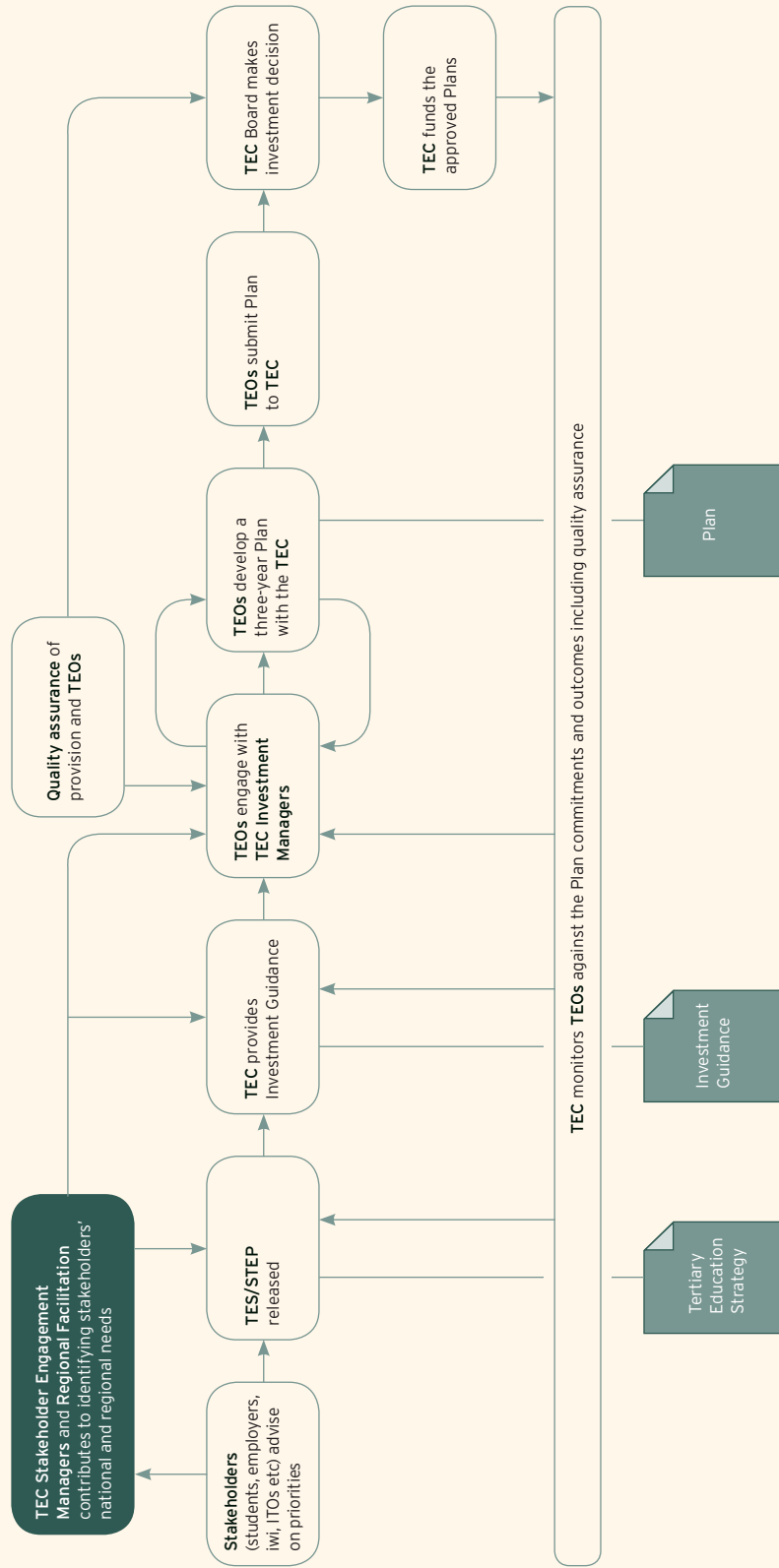
Adult and Community Education is provided by a large number of diverse providers including schools, community and marae-based groups and organisations, education institutions and other tertiary education providers. ACE provides a range of opportunities for people whose previous educational experience has been negative - providing scope for many to move into more formalised skill development. There are a number of operational issues relating to ACE that the TEC will be working to address in the coming year.

Non-Plan funding

Over time, as many existing TEC funds as possible will be incorporated into the new investment system.

Initially, funding for the Student Achievement Component (SAC) will come from the Student Component fund. Other funds (for example, ACE and Youth Training) focused on teaching and learning will also be incorporated. Funding for the TEO Component will be sourced from existing capability funds (for example Quality Reinvestment Fund and Innovation and Development).

Figure 2: Tertiary education investment system



Other areas of work

Skills Strategy

Ongoing skills shortages and a tight labour market have created a situation where there are not enough people to meet labour and skills demands creating a barrier to improved productivity. To overcome this barrier, better use must be made of the existing workforce including building firm and worker capability. Building this capability will allow both employers and employees to maximise workforce and workplace opportunities and will be a key driver of economic transformation.

The TEC, the Department of Labour, the Ministry of Education, the Ministry of Social Development and the Ministry of Economic Development are contributing to the development and implementation of a unified skills strategy. The strategy is being developed under the leadership of the Skill New Zealand Forum - a partnership between government, the New Zealand Council for Trade Unions and Business New Zealand, and other key stakeholders such as the Industry Training Federation. The aim is to agree a set of priorities that drive skills development and utilisation in New Zealand. One aspect of this is to better co-ordinate and communicate the work of government and other partners in skills development. The Skills Strategy will contribute to the delivery of the Tertiary Education Strategy by enhancing the links between demand for, and supply of, skills. The government's work programme around enhancing the literacy, language and numeracy skills of the workforce is a major stream of work within the Skills Strategy.

Increasing the literacy, language and numeracy skills of the workforce

Raising literacy and numeracy skills in New Zealand is a priority in the Tertiary Education Strategy. The government's literacy, language

and numeracy strategy (released in May 2008), will also drive improvement of these skills. The strategy includes significant new investment to build sector capability ensuring quality provision.

The implementation of this strategy is focused on progressively building (over five years) the demand for, and supply of, literacy, language and numeracy learning opportunities as well as the capability of providers. The aim of the strategy is to build a system that is responsive to changing demands in the workplace and wider community. This will be achieved by promoting a range of approaches to delivery that ensure both value for money and quality of provision, while growing firms' and individuals' understanding of the impacts of these skills and of their learning options.

The capability investment under this strategy includes building an infrastructure for supporting high-quality literacy provision in all contexts. This includes the Learning for Living professional development initiative which was transferred from the Ministry of Education to the TEC from 1 July 2007. This initiative is focused on building educators' ability to deliver literacy, language and numeracy learning in certificate level provision. Other initiatives under development focus on building capability in the industry training and workplace sectors.

Schools Plus

The Ministry of Education is leading a cross-government work programme with the goal of ensuring all young people are actively engaged in education, skills or other formal learning to (at least) the age of 18.

The TEC is contributing to this work by focusing on the interface between the secondary and tertiary education systems. In particular, work is under way to explore options that enhance the pathways between secondary and tertiary education while minimising the barriers to

successful transitions for young people into further education, training and work. There is also a strong link between the work on Schools Plus and the unified Skills Strategy with scope to build on existing examples of good practice.

Ka Hikitia – Managing for Success

Ka Hikitia – Managing for Success: The Māori Education Strategy 2008–2012 provides a way for wider education strategies to be personalised to meet the needs, aspirations and expectations of Māori.

Ka Hikitia – Managing for Success sets targets for improving Māori achievement in the tertiary education sector including:

- increasing the proportion of Māori school leavers entering tertiary education at level 4 or above within two years of leaving school
- increasing the first year degree programme retention rate for 18–19 year old Māori students
- increasing the first year diploma level retention rate for 18–19 year old Māori students.

The TEC will look for evidence in TEOs' Plans that they are working with Māori to ensure tertiary research creates knowledge and develops mātauranga Māori that meets and supports the achievement of Māori development aspirations, and the appropriate use of Māori resource bases to benefit Māori and New Zealand.

International education

The TEC will play a more significant role in international education in the coming years. The TEC and the Ministry of Education will work collaboratively to effect the government's agenda for international education in TEOs and to scope options and resourcing implications for implementing this agenda. The government has agreed to four high-level goals for the international education agenda. The goals are to see:

- New Zealand students equipped to thrive in an interconnected world
- international students enriched by their education and living experiences in New Zealand
- domestic education providers strengthened academically and financially through international linkages
- wider economic and social benefits to New Zealand.

International education contributes to building a sustainable economy based on innovation and quality and helps sustain our national identity in a world of globalised media and culture.

Sustainable development

The TEC is a member of a sustainability forum – drawn from the six education agencies (Career Services Rapuara, Education Review Office, Ministry of Education, NZQA and the New Zealand Teachers Council) – that will develop a joint policy and action framework for sector-wide consistency and progress in the area of sustainable development. In early February 2008, the TEC officially joined the Govt³ initiative and, while a number of initiatives have already been put in place, improvement is planned for the next 12 months in the key areas of:

- recycling/waste minimisation
- transport and travel
- office consumables and equipment.

Internally, the TEC has implemented an agency-wide recycling programme, and a group has been set up to provide advice and scope the issues of further sustainability actions with the intention to align with the Govt³ initiative. There are also two major cross-cutting themes: sustainable procurement (also known as sustainable purchasing) and energy efficiency.

The education sector also has a significant role to play in advancing understanding about sustainability through education and research.

The education agencies will be initially working with the education sector to gather and report information about the extent of investment in sustainability-related education and research, and to promote initiatives that impact on the operation of the institutions themselves.

Supporting innovation

The government wants greater co-ordination of agencies within the New Zealand innovation system. The government aims to:

- focus investment in areas that reflect and extend New Zealand's strengths
- tackle fragmentation
- better align government expenditure across education and training, research, science and technology, and business and market development in six areas of focus:
 - pastoral systems
 - environmental solutions
 - health solutions
 - advanced foods and derivatives
 - smart materials
 - digital content and tools.

This initiative is part of the government's economic transformation agenda and is known as the Alignment Project.

The TEC, New Zealand Trade and Enterprise and the Foundation for Research, Science and Technology operate a trilateral agreement to co-ordinate investment. This trilateral agreement is already supporting cross-government integration of the innovation system.

For 2008/09 the following priorities will be addressed:

- developing closer relationships between, and integrated action from, all innovation agencies
- integrating strategic planning between delivery and policy agencies
- articulating shared objectives in statements of intent and application of common performance measures for relevant outputs and outcomes, with regular integrated reporting to ministers.

Strategic objectives

The TEC has identified three strategic objectives aimed at achieving our intermediate outcomes and improving the effectiveness and efficiency of our outputs. These objectives describe what we need to do to achieve our outcomes and to develop an effective organisation.

1. Ensure effective investment decisions achieve quality outcomes for students and value for money.
2. Stakeholder voice informs the investment guidance and TEC investment decisions.
3. Enhance the investment system through leadership in the sector and continuous improvement of investment processes.

Strategic objective 1

Ensure effective investment decisions achieve quality outcomes for students and value for money

Why is this important?

The TEC manages the taxpayer's significant investment in tertiary education (\$3.1 billion for 2008). It provides the government with evidence about where its money is being spent and what outcomes result from that investment. Where a need for new education and training is identified, the planning, funding and monitoring system is able to respond.

What are we seeking to achieve?

Our medium-term priorities are to ensure:

- provision is aligned to recognised need
- achievement of the specific goals and priorities for Māori tertiary education and training set out in the Tertiary Education Strategy
- achievement of the specific goals and priorities for Pacific peoples' tertiary education and training set out in the Tertiary Education Strategy

- investment decisions promote continuous improvement in educational outcomes for students
- performance monitoring supports TEOs' achievements against Investment Plans
- the sector has capability to support literacy, language and numeracy initiatives
- TEIs demonstrate sound strategic business planning and decision-making, and value for money
- the evidence base supplies robust information about existing provision and areas for change to support future investment decisions
- the TEC encourages TEIs to aspire to a high-trust and high-accountability relationship.

Strategic objective 2

Stakeholder voice informs the investment guidance and TEC investment decisions

Why is this important?

The TEC needs to gain a better understanding of what stakeholders require from the tertiary education sector. This will help the sector and the TEC bring about better outcomes for students and other stakeholders. Students can be more confident that when they invest time and money in their tertiary education, they are part of a system that is more responsive to the labour market, the economy, and society's needs because strong links are being forged between TEOs, businesses, industry and communities. This is the first time this has been a formal part of investing in tertiary education. Stakeholder groups like students, employers, iwi and communities now have more of an opportunity to have their voices heard.

What are we seeking to achieve?

Our medium-term priorities are to:

- develop shared understanding of the tertiary education needs of students, communities and industries
- provide investment guidance that informs and guides TEO planning and TEC investment decision-making.

Strategic objective 3

Enhance the investment system through leadership of the sector and continuous improvement of investment processes

Why is this important?

The new investment system represents a significant culture change for the whole tertiary education sector in New Zealand including the TEC itself.

What are we seeking to achieve?

Our medium-term priorities are to ensure:

- all TEOs are on Investment Plans, unless exempt
- the investment system is streamlined so that more funds are managed through the Investment Plan process
- shared KPIs are agreed for each sub-sector
- an aligned financial, governance and regulatory monitoring framework monitors TEIs' performance

- the TEC continues to develop its understanding of the network of provision and providers, to better inform future investment
- the TEC contributes to the inter-agency alignment project to support innovation investment
- the TEC's organisational change is embedded and its workforce is equipped and engaged for effective performance.

Strategic objectives	Medium-term priorities	2008/09 priorities	2008/09 main performance measures	Output classes
Ensure effective investment decisions achieve quality outcomes for students and value for money.	Provision is aligned to recognised need.	Investment system promotes TEOs working together to share best practice and to meet stakeholder need.	Regional facilitation process strengthens TEOs' understanding of tertiary education need.	Managing the government investment in the tertiary education sector.
	Achievement of the specific goals and priorities for Māori tertiary education and training set out in the Tertiary Education Strategy.	Investment Plans reflect priorities outlined in the Tertiary Education Strategy and Investment Guidance for Māori.	Investment Plans finalised in 2008/09 reflect the contribution TEOs make to Investment Guidance goals and priorities for Māori.	Managing the government investment in the tertiary education sector.
	Achievement of the specific goals and priorities for Pacific peoples' tertiary education and training set out in the Tertiary Education Strategy.	Investment Plans reflect priorities outlined in the Tertiary Education Strategy and Investment Guidance for Pacific peoples.	Investment Plans finalised in 2008/09 reflect the contribution TEOs make to Investment Guidance goals and priorities for Pacific peoples.	Managing the government investment in the tertiary education sector.
	Investment decisions promote continuous improvement in educational outcomes for students.	Monitor outputs of commissioning relationship with NZQA.	Close working relationship with NZQA and alignment of development with investment system.	Managing the government investment in the tertiary education sector.
	Performance monitoring supports TEOs' achievements against Investment Plans.	Obtaining evidence of TEO achievements from the performance management system.	Performance of TEOs against their Investment Plans is monitored and action taken as required.	Managing the government investment in the tertiary education sector.
	Tertiary education institutions demonstrate sound strategic business planning and decision-making, and value for money.	Developing a capital strategy to support the investment system.	Development of capital asset management and capital investment strategy.	Ownership monitoring of TEIs.
	Stakeholder voice informs the investment guidance and TEC investment decisions.	The evidence base supplies robust information about existing provision and areas for change to support future investment decisions.	Developing the evidence base using existing and new tools and information sources.	Improvements in data collection and interpretation about provision and stakeholder need.

Strategic objectives	Medium-term priorities	2008/09 priorities	2008/09 main performance measures	Output classes
	Investment guidance that informs and guides TEO planning and TEC investment decision-making.	Improving the richness of investment guidance as more information is available through research and analysis.	Investment guidance developed and updated for TEOs going on to Plans in 2009.	Managing the government investment in the tertiary education sector.
Enhance the investment system through leadership of the sector and continuous improvement of investment processes.	All TEOs are on Investment Plans, unless exempt.	New Plans in place for TEOs on one-year Plans. PTEs moved on to Investment Plans.	Investment Plans are in place for all TEOs receiving SAC or TEO Component funding, unless exempt.	Managing the government investment in the tertiary education sector.
	Investment system is streamlined so that more funds are managed through Investment Plan process.	Further funds identified for rationalisation are allocated through the Investment Plan process.	Number of funds rationalised or allocated through the Investment Plan process is increased.	Managing the government investment in the tertiary education sector.
	Shared KPIs are agreed for each sub-sector.	Continued work to develop data quality and reach common agreed definitions of KPIs.	Progress is made in each sub-sector and on critical performance indicators.	Managing the government investment in the tertiary education sector.
	An aligned financial, governance and regulatory monitoring framework to monitor TEIs' performance.	Further refine the TEI risk-profiling methodology, capability and capacity building of TEIs, and reporting structures.	A robust framework agreed by the TEC Board is developed and implemented.	Ownership monitoring of TEIs.
	Contribute to inter-agency alignment project to support innovation investment.	Progressing joint agency work to inform investment decisions.	Identifying common work plan across agencies.	Managing the government investment in the tertiary education sector.
	The TEC's organisational change is embedded and its workforce is equipped and engaged for effective performance.	Implementing the TEC's organisational development programme and focusing on organisational performance indicators.	Organisational development programme is progressed, including: <ul style="list-style-type: none"> • training and development plan to support new business processes • progress on employer of choice initiatives • action planning from engagement survey is completed and progress monitored. 	All.

Government working together

Development goals for the state services

The TEC is working to achieve the development goals for the state services, in particular the goals relating to:

- co-ordinated state agencies - ensure the total contribution of government agencies is greater than the sum of its parts
- networked state services - use technology to transform the provision of services for New Zealanders
- accessible state services - enhance access, responsiveness and effectiveness and improve New Zealanders' experience of state services.

Co-ordinated strategic planning for the education sector

The chief executives of the six education sector agencies have agreed shared outcomes for the sector. The agencies will continue to work together to co-ordinate their planning in order to deliver on those outcomes.

Achieving the TEC's overall aims requires contributions from all six government education agencies. The TEC has the lead role for policy advice on tertiary education issues as set out in the Tertiary Education Strategy. The Ministry of Education has a system perspective and a lead role in relation to system-wide issues, while the NZQA's core roles are in the areas of standard setting for qualifications, guardianship of the National Qualifications Framework, and quality assurance of providers and courses.

A leadership group has been established that comprises the chief executives of the six education agencies: Career Services Rapuara, Education Review Office, Ministry of Education, NZQA, New Zealand Teachers Council, and the

TEC. This group provides collective strategic leadership in areas that contribute to the improved performance and transformation of the overall tertiary education system. Elements of this leadership include:

- aligning understanding around the relationship between education priorities and wider government themes
- setting the direction and outcomes for the education system within a shared framework
- overall education system performance monitoring
- education sector risk identification and management
- co-ordination of the infrastructure supporting the six agencies including information and communication technologies (ICT), human resource capability dimensions, budget processes and communication.

These activities ensure that key sector priorities and risks are identified, that statements of intent are aligned, that each agency is clear about the expectations of its own performance and how it will be measured, and that risks are identified and well managed.

In addition to the leadership group, satellite groups may be commissioned by the education sector chief executives, or through broader social or government directives, to focus on further specific work areas including:

- the newly formed sustainability forum that will develop a joint policy and action framework for sector-wide consistency and progress
- the education sector ICT Standing Committee, whose role it is to drive and oversee the collaborative development and use of ICT across the education sector by taking a whole-of-sector approach

- the inter-agency dynamic risk management framework
- work with the Ministry of Education to implement the pay and employment equity plan of action.

These initiatives support the government's development goal for the state services of co-ordinated state agencies.

Other inter-agency work

The TEC contributes to the work on economic transformation which is being led by the Ministry of Economic Development. This includes identifying industry areas of focus that could benefit from a co-ordinated approach to government investment, and developing mechanisms that could better co-ordinate government investment in these areas across relevant Votes.

The TEC is also part of a trilateral alignment project with New Zealand Trade and Enterprise and the Foundation for Research Science and Technology. This has been under way for the last two years to improve co-ordination between delivery agencies. The trilateral project is executed at Board Chair and Chief Executive level across the three agencies. It has enabled the agencies to have strategic discussions to better align investment as well as helping to avoid operational co-ordination issues.

Monitoring the TEC

The Ministry of Education undertakes the provision of strategic advice and performance feedback on the TEC. The Ministry of Education:

- provides strategic advice and performance feedback to the Minister on the TEC including whether key performance expectations in the Statement of Intent, Expectations Letter and Output Agreement have been met
- provides the Minister with advice on, and monitoring of, ownership and purchase risks associated with internal capability of the TEC and its interactions with the sector
- ensures the TEC's budget, forecast and financial management processes are effectively managed and that any consequences for Vote Education are clearly identified.

The TEC will continue to work with the Ministry of Education to ensure that both agencies are well informed. The TEC will continue to participate actively in accountability processes and to enter into meaningful, timely and constructive consultation with the Ministry of Education in the development, amendment or review of accountability documents.

Risk management

The TEC promotes a risk management culture that assists the Commissioners, management and staff to make informed decisions that contribute to the achievement of operational and strategic goals and objectives. The executive team is committed to effecting consistent risk management practices and procedures in all its operational, strategic, project and programme activities.

The TEC has adopted a systematic approach to identify, communicate, analyse, evaluate, treat and monitor the key risks to the TEC. Included in this approach is strategic risk management. This approach specifically focuses on managing the risks associated with our Strategic Objectives and Strategic Projects.

The risk matrix is a living document that is regularly reviewed and updated with respect to risk identification, the probability of risks occurring, the impact of any risks that occur, and (probable) mitigation strategies.

Governance

The Board of Commissioners

The TEC is governed by a nine-person Board of Commissioners (The Board). The Chair and Commissioners are part-time and all are appointed by the Minister for Tertiary Education. The Board also appoints a non-voting Learner Participant to work with it on an annual basis.

Current membership of the Board of Commissioners is:

David Shand, Chair

Kaye Turner, Deputy Chair

John Blakey

Jim Donovan

Graeme Fraser

Robin Hapi

Brian Rhoades

Bill Rosenberg

Edna Tait

Liz Hawes - Learner Participant (non-voting).

Effectively fulfilling the governance role

The Board is committed to ensuring it meets best practice in governance and regularly reflects on how it can improve its performance, making changes as required.

Governance manual

The Board has a governance manual to support Commissioners in the performance of their governance function. It covers the information that Commissioners need to know to fulfil their roles appropriately, and provides a clear governance policy framework within which the Chief Executive is expected to manage the organisation.

Code of conduct

The Board has adopted a code of conduct to guide members in their behaviour. This is published in the governance manual.

Committees

The Board has established the following Committees:

- Audit and Risk
- Remuneration
- Learners' Advisory Committee.

The terms of reference for each of these committees are reviewed annually.

Risk management

The Board addresses strategic risk as part of its planning process. It also monitors and ensures that there is an appropriate focus on the identification and mitigation of risk across all of the organisation's activities, while balancing this with the need for innovation to meet future requirements.

Commission evaluation

The Board conducts individual and Board evaluations on an annual basis. Development activities can result from these evaluations to improve either individual performance or that of the Board and these evaluations are incorporated into the Board's development plan. All Board members are members of the Institute of Directors and are supported to attend the Institute's course for Directors and any other relevant courses as they arise.

Capability and organisational development

Supporting our people

People are the TEC's most significant asset and unlocking the full potential of its people resources – becoming an employer of choice – will be central to achieving outcomes. The TEC has established an organisational development programme to ensure it meets its requirements as a high-performing organisation.

The priority for 2008/09 is to embed the previous year's structural changes and strengthen the capability of the organisation to do its job well. The TEC's short-term priorities are focused on:

- training and development to support the new business processes and ways of working
- improving staff engagement levels across the organisation
- continuing to build a cohesive leadership community.

The medium-term organisational development strategies are to:

- attract and keep great talent
- develop as an effective and adaptive organisation
- develop a leadership and outcomes ethos (external and internal).

These strategies are linked to the development goals for the state services.

The development of staff training programmes is well advanced, integrating three domains – orientation to the TEC as an organisation and the tertiary education sector (who), role-based or 'technical' training (what), and information technology (IT) tools (how). New enabling IT

tools that will support new ways of working for Investment Managers and Stakeholder Engagement Managers continue to be developed.

Longer-term organisational development work involves TEC leadership and management development approaches to enhancing staff engagement and developing and promoting the TEC as an employer of choice.

The TEC is reviewing its personnel policies to ensure they comply with the principle of being a good employer. This means provisions generally accepted as necessary for the fair and proper treatment of employees in all aspects of their employment.

The TEC is also planning to undertake a pay and employment equity review with the help of guidance from the Pay and Employment Unit of the Department of Labour. This is in line with the government's commitment to addressing pay equity in the public sector.

Information technology

The TEC uses IT as a key element in the realisation of its business strategy. Currently a great deal of focus is on the implementation of business processes and on simplifying stakeholder/TEC interactions as much as possible.

IT supports the TEC by identifying, designing and developing innovative solutions to assist the efficient implementation of business processes that support the investment system. It also contributes to the state services development goal of networked state services by using networks and internet technologies to transform the provision of the TEC's services and actively participates in management and implementation of the education sector shared services.

Some of the key technology elements being delivered are within an integrated toolset composed of the following systems on the new technology platform:

- the Tertiary Contact Management system (TCM), which manages a master list of all providers and contact details for the TEC
- collaborative, role-based workspaces, such as the Investment Management Workspace and the Stakeholder Engagement Workspace, which provide integrated management views for our key engagement staff
- an integrated data system to support the capture and tracking of KPIs discussed and agreed in developing Investment Plans
- financial management and contract management information systems, including new payment management systems, fully integrated with the investment management workspaces.

The development of collaborative, role-based workspaces, in combination with several interrelated technical infrastructure initiatives, will provide an integrated workspace for TEC Investment Managers to manage contacts, contracts and payments. But, at the same time, and at no significant additional cost, the same infrastructure will provide a means for external providers to interact easily and efficiently with the TEC.

The Investment Management and Stakeholder Engagement Teams will use the TCM to record details of discussions and other interactions relating to their engagement with key external parties as well as maintaining contact details stored in the TCM.

Prospective financial information

Statement of significant assumptions

The purpose for which these prospective financial statements have been prepared is to indicate the likely financial impact of the implementation of the TEC's vision and strategies. The information disclosed in these statements is indicative only and may not be appropriate for purposes other than that described.

The prospective financial information has been prepared on the basis of government policies and current appropriations, the TEC's Output Agreement with the Minister for Tertiary Education and the Memoranda of Understanding with the Ministry of Social Development and Immigration New Zealand, as well as on the basis of the Statement of Accounting Policies. These financial statements have been prepared on a going concern basis using the main assumptions listed below.

Changes to any of these factors may impact the actual financial results achieved for the period covered. It is likely that this will result in variances from the information presented, and these variations may be material.

Statement of Financial Performance.

- The TEC has no discontinued operations during this planning period.
- Total operating revenue of \$80.616 million, consisting of \$79.816 million operating revenue and \$0.8 million finance revenue, will be received through Vote Education, Vote Social Development, Vote Immigration, and interest. Any interest earned through holding funds on behalf of Immigration New Zealand (INZ) or any grant monies will be returned to the appropriate agency.
- Operating expenditure of \$80.616 million will be funded from operating revenue of \$79.816 million and interest income from operational activities of \$0.800 million resulting in a forecast breakeven operating result.
- Personnel costs include superannuation contributions, training and contractors.
- Depreciation costs are based on the assumption that the TEC will replace assets as required resulting in a net book value peaking in 2008/09 at \$11.356 million.
- Amortisation costs relating to intangible assets (software) are based on the assumption that the TEC will replace or develop software as required. This will result in net book value peaking at \$7.049 million in 2008/09 with the implementation of the business requirements associated with the Tertiary Reforms.
- All grants payments will be fiscally neutral over the course of the year in that payments made will be offset by grant funding received, with no allowance for transfers in principle.

Summary of key financial performance indicators

for year ending 30 June

	Budget 2008/09	Projected 2009/10	Projected 2010/11
Operating Performance			
Revenue (\$000)*	80,616	66,206	63,064
Expenses (\$000)**	80,616	66,206	63,064
Net Surplus/(Deficit) (\$000)	0	0	0
Personnel/Total Expenses (%)	48%	53%	52%
Financial Performance			
Closing Equity (\$000)	19,600	20,200	20,200
Working Capital Ratio	1.50	1.56	1.58

* Excluding interest earned on English for Migrants funding held.

** The decrease in projected expenditure from 2008/09 to 2009/10 of \$14.4 million primarily relates to the cessation of funding for ITP Distinctive Contribution. The decrease in projected expenditure from 2009/10 to 2010/11 primarily relates to the cessation of funding for Skills Strategy and other time-limited activities.

Tertiary Education Commission
Prospective Statement of Financial Performance (\$000)

	Year ended 30 June		
	2009	2010	2011
Revenue			
Operating Revenue:			
Operating Revenue – Ministry of Education (MoE)	71,656	57,246	54,104
Operating Revenue – Ministry of Social Development (MSD)	7,660	7,660	7,660
Operating Revenue – Immigration New Zealand (INZ)	500	500	500
Total Operating Revenue	79,816	65,406	62,264
Grants Revenue:			
Grants Revenue – MoE	2,984,065	3,038,736	3,136,460
Grants Revenue – MSD	88,300	88,300	88,300
Grants Revenue – INZ	6,500	6,500	6,500
Total Grants Revenue	3,078,865	3,133,536	3,231,260
Finance Revenue:			
Interest on Bank Deposits – Operating	800	800	800
Interest on Bank Deposits – INZ	700	700	700
Interest on Bank Deposits – Grants	2,000	2,000	2,000
Total Finance Revenue	3,500	3,500	3,500
Total Revenue	3,162,181	3,202,442	3,297,024
Expenses			
Operating Expenses:			
Personnel	38,602	34,782	32,672
Operating	36,490	25,779	25,078
Depreciation and Amortisation	5,524	5,645	5,314
Total Operating Expenses	80,616	66,206	63,064
Grants Expenses:			
Grants Disbursed and Accrued – MoE	2,984,065	3,038,736	3,136,460
Grants Disbursed and Accrued – MSD	88,300	88,300	88,300
Grants Disbursed and Accrued – INZ	6,500	6,500	6,500
Total Grants Expenses	3,078,865	3,133,536	3,231,260
Total Expenses	3,159,481	3,199,742	3,294,324
Operating Surplus/(Deficit)			
Operating Deficit	0	0	0
Finance Income INZ	700	700	700
Finance Income	2,000	2,000	2,000
Total Operating Surplus	2,700	2,700	2,700

Tertiary Education Commission
Prospective Statement of Changes in Equity (\$000)

	2009	Year ended 30 June 2010	2011
Equity at the Start of the Year	18,000	19,600	20,200
Provision for Repayment of Surplus to MoE	(2,000)	(2,000)	(2,000)
Provision for Repayment of Surplus to MSD	0	0	0
Provision for Repayment of Surplus to INZ	(700)	(700)	(700)
Income and Expenses Recognised Directly in Equity	(2,700)	(2,700)	(2,700)
Net Surplus	2,700	2,700	2,700
Total Recognised Revenues and Expenses for the Year	2,700	2,700	2,700
Capital Contribution*	1,600	600	0
Public Equity at the End of the Year	19,600	20,200	20,200

* Development and implementation of an assessment tool for adult literacy.

Tertiary Education Commission
Prospective Statement of Financial Position (\$000)

	2009	Year ended 30 June 2010	2011
Current Assets			
Cash and Cash Equivalents	43,993	46,233	45,212
Accounts Receivable	10,400	10,400	10,400
Total Current Assets	54,393	56,633	55,612
Property Plant and Equipment	4,307	4,115	4,017
Intangible Assets (Software)	7,049	6,896	6,680
Total Non-Current Assets	11,356	11,011	10,697
Total Assets	65,749	67,644	66,309
Equity			
General Funds	19,600	20,200	20,200
Total Equity	19,600	20,200	20,200
Current Liabilities			
Accounts Payable and Accrued Expenses	27,989	29,284	27,949
Redirects Payable	60	60	60
GST Payable	300	300	300
Accrued Salaries and Wages	600	600	600
Employee Benefits	1,000	1,000	1,000
English for Migrants – Revenue in Advance	2,500	2,500	2,500
Repayment Provisions	2,700	2,700	2,700
Total Current Liabilities	35,149	36,444	35,109
Non-Current Liabilities			
English for Migrants – Revenue in Advance	10,000	10,000	10,000
Employee Benefits	1,000	1,000	1,000
Total Non-Current Liabilities	11,000	11,000	11,000
Total Liabilities	46,149	47,444	46,109
Total Equity and Liabilities	65,749	67,644	66,309

Tertiary Education Commission Prospective Statement of Cash Flows (\$'000)

	2009	As at 30 June 2010	2011
Cash Flows from Operating Activities			
Cash was provided from:			
Funding – Operating MoE	71,656	57,246	54,104
– Operating MSD	7,660	7,660	7,660
– Operating INZ	500	500	500
– Grants MoE	2,984,065	3,038,736	3,136,460
– Grants MSD	88,300	88,300	88,300
– Grants INZ	6,500	6,500	6,500
	3,158,681	3,198,942	3,293,524
Cash was applied to:			
Grants Payments	3,078,865	3,133,536	3,231,260
Payments to Employees	28,963	29,000	29,000
Other Operating Expenses	45,236	28,416	28,534
Capital Charge	1,650	1,650	1,650
	3,154,714	3,192,602	3,290,444
Net Cash Inflows from Operating Activities	3,967	6,340	3,080
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of Property Plant and Equipment	100	100	100
Interest on Bank Deposits – Operating	800	800	800
Interest on Bank Deposits – INZ	700	700	700
Interest on Bank Deposits – Grants	2,000	2,000	2,000
Cash was applied to:			
Purchase of Property Plant and Equipment	7,600	5,600	5,000
Net Cash Outflows from Investing Activities	(4,000)	(2,000)	(1,400)
Cash Flows from Financing Activities			
Cash was provided from:			
Capital Contribution	1,600	600	0
Cash was applied to:			
Repayment of INZ Surplus	700	700	700
Repayment of Grants Surplus	2,000	2,000	2,000
Net Cash Outflows from Financing Activities	(1,100)	(2,100)	(2,700)
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,133)	2,240	(1,020)
Cash and Cash Equivalents at the Start of the Year	45,126	43,993	46,232
Cash and Cash Equivalents at the End of the Year	43,993	46,233	45,212

Tertiary Education Commission
Reconciliation to Net Surplus/(Deficit) from the
Prospective Statement of Financial Performance (\$000)

	2009	As at 30 June 2010	2011
Net Surplus from Operations	0	0	0
Add/(Subtract) Non-Cash Items:			
Depreciation of Property Plant and Equipment	1,437	1,492	1,398
Amortisation of Intangibles	4,087	4,153	3,916
(Gain)/Loss on Disposal of Property Plant and Equipment	100	100	100
	5,624	5,745	5,414
Add/(Subtract) Movements in Working Capital Items:			
Accounts Payable and Accrued Expenses	1,843	4,094	1,166
(Subtract) Finance Income	(3,500)	(3,500)	(3,500)
Net Cash Flows from Operating Activities	3,967	6,339	3,080

Tertiary Education Commission

Details of Prospective Operating Expenses (\$'000)

	2009	As at 30 June 2010	2011
Salaries	28,963	28,846	28,846
Contributions to Defined Contribution Plans	107	107	107
Training and Development	452	452	452
Other Personnel Expenses	9,080	5,377	3,267
Total Prospective Personnel Expenses	38,602	34,782	32,672
Property Rental	2,368	2,368	2,368
Building Maintenance and Operation	513	513	513
Furniture and Equipment Maintenance	82	79	79
Motor Vehicles	112	112	112
Computer Operations	3,283	3,283	3,283
Consultants and Professional Services	2,403	2,017	2,017
Audit Fees – External Audit	120	123	125
Travel	3,274	2,932	2,932
Supplies	810	810	1,010
Insurance	115	115	115
Legal Fees	360	350	350
Capital Charge	1,650	1,650	1,650
Managing Third Party Contracts	19,658	9,687	8,547
Bank Fees	111	111	111
Telephone, Tolls and Postage	576	574	574
Publicity and Information	168	168	168
Other Supplies and Services	543	543	780
Commissioners Fees	175	175	175
Panel Members Fees and Honoraria	169	169	169
Total Prospective Operating Expenses	36,490	25,779	25,078
Depreciation of Property Plant and Equipment	1,437	1,492	1,398
Amortisation of Intangible Assets	4,087	4,153	3,916
Total Prospective Depreciation and Amortisation	5,524	5,645	5,314
Total Prospective Operating Expenses	80,616	66,206	63,064

Tertiary Education Commission
Details of Prospective Property Plant and Equipment
(\$000 as at 30 June)

	Opening NBV	Depreciation Charges	Purchases	Closing NBV
2008/2009				
Computer Equipment	1,498	823	801	1,476
Motor Vehicles	294	89	80	285
Office Equipment	244	100	90	234
Furniture & Fittings	734	54	150	830
Leasehold Improvements	1,603	371	250	1,482
Total	4,373	1,437	1,371	4,307

2009/2010				
Computer Equipment	1,476	821	800	1,455
Motor Vehicles	285	81	0	204
Office Equipment	234	100	100	234
Furniture & Fittings	830	50	150	930
Leasehold Improvements	1,482	440	250	1,292
Total	4,307	1,492	1,300	4,115

2010/2011				
Computer Equipment	1,455	803	800	1,452
Motor Vehicles	204	16	0	188
Office Equipment	234	95	100	239
Furniture & Fittings	930	50	150	1,030
Leasehold Improvements	1,292	434	250	1,108
Total	4,115	1,398	1,300	4,017

Tertiary Education Commission
Details of Prospective Intangible Assets
(\$000 as at 30 June)

	Opening NBV	Depreciation Charges	Purchases	Closing NBV
2008/2009				
Software	5,136	4,087	6,000	7,049
2009/2010				
Software	7,049	4,153	4,000	6,896
2010/2011				
Software	6,896	3,916	3,700	6,680

Tertiary Education Commission

Prospective Statement of Commitments

Statement of Commitments

As at 30 June 2008 it is expected that the TEC will enter into contracts resulting in the following:

Non-Cancellable Operating Leases (Rental Agreements)	\$000
Not later than one year	2,114
Later than one year and not later than two years	1,650
Later than two years and not later than five years	2,402
Later than five years	632
Total	6,798

Capital Commitments	\$000
Capital expenditure contracted for at balance date but not provided for	100

Non-Cancellable Contracts	\$000
Not later than one year	2,555,936
Later than one year and not later than two years	2,371,198
Later than two years and not later than three years	1,195,193
Later than three years and not later than four years	53
Later than four years	-
Total	6,122,380

Tertiary Education Commission Overview of TEC Appropriations 2008/09

	\$m (GST Inclusive)	\$m (GST Exclusive)
Outputs Purchased from Third Parties		
Training for Designated Groups		
Output 4.1 Industry Training	186.620	165.884
Output 4.2 Modern Apprenticeships	54.599	48.532
Output 4.3 Youth Training	63.247	56.220
Output 4.4 Skill Enhancement	4.846	4.308
Output 4.5 Gateway	21.390	19.013
Output 4.6 Ngā Kaiarataki Pathfinders	1.362	1.211
Total Training for Designated Groups	332.064	295.168
Centres of Research Excellence	38.207	33.962
Building Research Capabilities in Social Sciences	1.500	1.333
Total Outputs Purchased from Third Parties	371.771	330.463
Benefits and Other Unrequited Expenses		
Tertiary Scholarships		
Educator Study Grants	1.500	1.500
Enterprise Scholarships	2.200	2.200
Top Achiever Doctoral Scholarships	10.000	10.000
Trainee Medical Intern Grant	10.067	10.067
Learning for Living	1.520	1.520
Teaching Excellence Awards	0.200	0.200
Total Tertiary Scholarships	25.487	25.487
Targeted Education and Training Grants		
16-17 Year Old Targeted Living Support	0.080	0.080
Total Benefits and Other Unrequited Expenses	25.567	25.567

	\$m (GST Inclusive)	\$m (GST Exclusive)
Non-Departmental Other Expenses		
Grants/Other Funding		
	11.135	9.898
Student Achievement Component	1,724.470	1,532.862
Tertiary Education Organisation Component – Performance Based Research Fund	265.628	236.114
Adult and Community Education Funding Pool	86.145	76.573
Partnerships for Excellence – University of Auckland: Starpath	4.388	3.900
Capability Development		
Building Research Capability in Strategically Relevant Areas	2.632	2.340
National Centre for Tertiary Teaching Excellence	4.283	3.807
Total Capability Development	6.915	6.147
Tertiary Education Organisation Component – Capability Development		
Public Provider Base Grants	320.998	285.332
Supporting Change	43.307	38.495
Priorities for Focus	35.413	31.478
Encouraging and Supporting Innovation	18.800	16.711
Sector Leadership	6.328	5.625
Total Tertiary Education Organisation Component – Capability Development	424.846	377.641
Total Non-Departmental Other Expenses	2,523.527	2,243.135
Capital Expenditure (GST not applicable)		
National Centre of Excellence in Wood Processing	1.000	1.000
Distinctive Contributions for Institutes of Technology and Polytechnics	40.000	40.000
Quality Reinvestment Fund	17.500	17.500
Partnership for Excellence	4.700	4.700
Total Capital Expenditure	63.200	63.200
Services Delivered on Behalf of Other Agencies		
Training Opportunities (Vote Social Development)	88.300	78.489
English for Migrants (Vote Immigration)	6.500	5.778
Total Services Delivered on Behalf of Other Agencies	94.800	84.267
Total Grants	3,078.865	2,746.632

Notes to the 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 responsible for funding the government's contribution to the tertiary sector and working with the sector to implement the government's Tertiary Education Strategy.

The prime objective of the TEC is to provide funding to the tertiary education sector rather than making a financial return. Accordingly, 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 presentation

(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, Public Finance Act 1989, and in compliance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. Compliance with NZIFRS ensures that the financial statements also comply with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The measurement base adopted is historic cost.

(c) Functional and presentation currency

The 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.

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 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.

The TEC derives revenue through the provision of outputs to the Crown and income from its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

(c) Goods and Services Tax (GST)

The financial statements are stated exclusive of GST with the exception of accounts receivable and accounts payable which are stated with GST included. Net GST receivable or payable at the end of the financial year is shown in the Statement of Financial Position.

The TEC is not required to account for GST on its distribution revenue and expense.

Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

(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) Debtors and other receivables

Debtors and other receivables are initially measured at fair value. Accounts receivable are recorded at their expected realisable value after providing for doubtful and uncollectable debts.

(f) Superannuation scheme

Defined contribution schemes:

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

(g) Impairment

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 an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Financial Performance.

(h) 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, and 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.

(i) 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, accounts receivable and accounts payable. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

All financial instruments are shown at their carrying value which approximates their fair value.

Cash and cash equivalents comprise cash balances and call deposits.

Accounts receivable are recognised at fair value and subsequently at amortised cost.

(j) Property plant and equipment

(i) 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.

(ii) Depreciation

Property plant and equipment are depreciated at rates that will write off the cost, on a straight line basis, of the assets to a nil residual value.

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

(k) Intangible assets

Intangible assets are comprised of items of software. These have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

The useful life and associated amortisation rates were estimated as follows:

Software	4 years	25% straight line
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(l) Employee entitlements

Provision is made in respect of the TEC's liability for annual, long service, retirement and sick leave.

Annual leave is measured at nominal values on an actual entitlement basis at current rates of pay.

Long service, retirement and sick leave have been calculated on an actuarial basis on the present value of expected future entitlements.

(m) 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.

Operating lease expenses are recognised on a systematic basis over the period of the lease.

(n) Contingent liabilities

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

(o) Commitments

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

(p) 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.

(q) Cost of service statements

The cost of service statements, as reported in the Statement of Objectives and Service Performance, report the net cost of services for the outputs of the TEC and are represented by the costs of providing the output less all the revenue that can be allocated to these activities.

(r) Cost allocation

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

(s) Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are allocated to significant activities based on direct 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 FTEs and direct labour hours.

(t) Changes in accounting policies

There has been one change in accounting policy. The cost of personnel time involved in building software assets has been included in the cost of those assets for the first time.

Forecast Statement of Service Performance for year ended 30 June 2009

Tertiary education Student Achievement Component

The TEC funds teaching and learning services for enrolled students in approved courses at TEOs to achieve recognised tertiary qualifications. The Student Achievement Component provides for the government's share of the cost of delivering courses to students. The amount that a provider receives through this component is calculated on the basis of the nature of the programme and the volume of teaching and learning.

Performance Measures	(half year) 2007/08	2008/09
Quantity:		
Number of Domestic Equivalent Full-Time Students (EFTS) by significant sub-sector:		
• universities	50,000–62,000	102,000–126,000
• Institutes of technology and polytechnics	29,000–37,000	60,000–75,000
• wānanga	10,000–14,000	22,000–28,000
• private training establishments	8,500–11,000	17,500–22,000
• other tertiary education providers.	1,400–1,800	2,500–3,500
Total EFTS	98,900–125,800	204,000–254,500
Quality:		
Funded courses with quality assurance from New Zealand Qualifications Authority or New Zealand Vice-Chancellors' Committee, as appropriate.	100%	100%

The government contribution to the costs of teaching is the core funding mechanism for the delivery of tertiary education. Investment Plans set out student numbers and the target levels of qualification to be achieved for each TEO. Progress against the Investment Plans is monitored to confirm that the shifts in provision required to support the Tertiary Education Strategy are being achieved.

Managing the government's investment in the tertiary sector

The TEC is responsible for 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.

Performance Measures	2007/08	2008/09
Investment Plans in place for all TEOs receiving Student Achievement Component or TEO Component funding in excess of agreed threshold.	New measure	100%
Investment Plans reflect the national and regional needs, priorities and/or aspirations of stakeholders and government, as reflected in investment guidance.	New measure	Measure achieved*
Performance of TEOs against their Investment Plans is monitored and action taken as required.	New measure	Measure achieved
Evidence base to support tertiary sector Investment Planning and assessment of progress against the Tertiary Education Strategy/ Statement of Tertiary Education Priorities is improved.	New measure	Measure achieved
Payments to TEOs will be determined, calculated and delivered accurately in respect of: <ul style="list-style-type: none"> • the amounts of the payments • timeliness. 	New measure	99%
Contracts with TEOs for non-Investment Plan funds are monitored and action taken as required.	New measure	Measure achieved

This output class covers the TEC's operation of the investment system. Operating a system that combines planning, funding and monitoring provides a mechanism to feed results from Investment Plans back into revised investment guidance and the next iteration of Investment Plans.

	2008/09 \$000
Managing the government's investment in the tertiary sector	
Operating Revenue	58,660
Interest Revenue	655
Total Revenue	59,315
Total Expenses	59,315
Surplus/Deficit	0

* 'Measure achieved' indicates achievement of the tasks or actions specified in the performance measure.

Ownership monitoring of tertiary education institutions

The TEC provides monitoring and advisory services - including interventions - on the government's ownership interest in TEIs.

Performance Measures	2007/08	2008/09
Governance performance of the TEIs is monitored and appropriate action taken.	New measure	Measure achieved
Advice to ministers on TEIs' governance and ownership is appropriate, accurate and timely.	New measure	Measure achieved
Monitoring reports on TEIs are completed within required timeframes and to required standards.	New measure	Measure achieved

	2008/09 \$000
Ownership monitoring of tertiary education institutions	
Operating Revenue	4,975
Interest Revenue	56
Total Revenue	5,031
Total Expenses	5,031
Surplus/Deficit	0

Tertiary education policy advice

This appropriation is limited to providing advice and support to ministers on the tertiary sector and tertiary education and training issues to meet the needs of New Zealand's economic, social and cultural development.

Performance Measures	2007/08	2008/09
Policy advice delivered in accordance with work programme.	New measure	Measure achieved
Ministerial satisfaction with the appropriateness and effectiveness of the information or advice.	New measure	Measure achieved
Draft responses for ministerial correspondence, Parliamentary Questions and Official Information Act requests acceptable to the Minister in terms of content and technical accuracy.	New measure	Measure achieved
Percentage of ministerial, Select Committee and inter-agency correspondence prepared within required timeframes.	New measure	Measure achieved

	2008/09 \$000
Tertiary education policy advice	
Operating Revenue	8,021
Interest Revenue	89
Total Revenue	8,110
Total Expenses	8,110
Surplus/Deficit	0

Training for designated groups

The TEC purchases training linked to the National Qualifications Framework (NQF) and both on-job and off-job training places including delivery of fully or partially funded training places.

Performance Measures	2007/08	2008/09
Quantity		
Industry Training		
Number of industry trainees.	140,000–145,000	149,000
Number of standard training measures.	52,000–54,000	56,000
Number of ITOs receiving funding through the Industry Training Fund.	38	38
Number of trainees by ITO and NQF level.	As reported*	As reported
Number of industry trainees by ethnicity, gender and age.	As reported	As reported
Adult Literacy		
Number of projects receiving literacy assistance through the fund, broken down by areas:	As reported	As reported
• workplace literacy		
• intergenerational programmes		
• number of foundation learners		
• other.		
Quality		
Industry Training		
Average number of NQF credits achieved per trainee.	20	20
Number of qualifications achieved in 2008.	As reported	As reported
Adult Literacy		
Modern Apprenticeships		
Modern Apprenticeships by NQF level.	As reported	As reported
Average credits achieved by gender and ethnicity.	As reported	As reported
Number of Modern Apprenticeships completions.	As reported	As reported
Youth Training		
Percentage of programmes delivered by NZQA registered training provider.	95%	95%
Average number of NQF credits achieved by trainees.	20	20
Percentage of trainees moving on to further education or employment within two months of leaving Youth Training.	60%	60%
Average cost of training per trainee.	\$265 per week	\$265 per week

* 'As reported' shows that specific performance targets are not set, but the performance information is collected and reported.

Performance Measures	2007/08	2008/09
Modern Apprenticeships		
Number of Modern Apprenticeships	14,000 by December 2008	14,000 by December 2008
Number of Modern Apprenticeships co-ordinators	49	51
Number of trainees in training by ethnicity, gender and age.	As reported	As reported
Youth Training		
Number of trainees in place throughout the year	4,900	4,900
Number of trainees in training by ethnicity, gender and age.	As reported	As reported

These specified training programmes support the achievement of the tertiary education priorities by progressively increasing the number and level of qualifications achieved.

Centres of Research Excellence

The TEC purchases co-operative and collaborative tertiary research through the contestable Centres of Research Excellence (CoRE) Fund.

Performance Measures	2007/08	2008/09
Quantity		
Each CoRE will advance its research programme in accordance with the agreed timeframe in the contract (or in any variations to the contract) between the CoRE and the TEC (or its agent).	Measure achieved	Measure achieved
Quality		
Each CoRE will achieve an ongoing research capability that is recognised as excellent by international standards.	Measure achieved	Measure achieved
Each CoRE will undertake research activity of excellent quality that contributes to New Zealand's social and economic development and to knowledge transfer.	Measure achieved	Measure achieved

Tertiary scholarships

The TEC provides a range of scholarships payable to tertiary students, including Enterprise, Top Achiever Doctoral, Learning for Living and Trainee Medical Intern grants.

Performance Measures	2007/08	2008/09
Quality		
Each programme is operated in accordance with the appropriate ministerial determination.	Measure achieved	Measure achieved
Timely completion of intended study programmes by funded scholars.	Measure achieved	Measure achieved
Timeliness		
Grants are paid on a timely basis.	Measure achieved	Measure achieved

Targeted education and training grants

The TEC provides living support for students at risk who need to move away from home to pursue alternative education options.

Performance Measures	2007/08	2008/09
Quality		
Each programme is operated in accordance with the appropriate ministerial determination.	Measure achieved	Measure achieved
Timely completion of intended study programmes by funded students.	Measure achieved	Measure achieved
Timeliness		
Grants are paid on a timely basis.	Measure achieved	Measure achieved

Adult and Community Education

The TEC provides funding for delivery of Adult and Community Education (ACE) courses including literacy and English for speakers of other languages training through tertiary education institutions, schools and other agencies.

Performance Measures	2007/08	2008/09
Number of organisations delivering ACE.	200–250	200–250
Payments to organisations will be determined, calculated and delivered accurately in respect of:	New measure	99%
<ul style="list-style-type: none"> • the amounts of the payments • timeliness. 		
Contracts with organisations are monitored and action taken as required.	New measure	Measure achieved

Tertiary education grants and other funding

The TEC provides contributions for capability development initiatives for TEOs (where this is outside the formal Investment Plan process); support for international education providers through the Export Education Development Grants; and other miscellaneous tertiary education grants and programmes. Also included is funding for depreciation on Crown-owned tertiary assets.

Performance Measures	2007/08	2008/09
Agreements consistent with need and purpose of fund.	New measure	Measure achieved
Agreements are monitored and action taken as required.	New measure	Measure achieved

TEO Component - Capability fund

The TEC provides financial contributions to the cost of TEOs maintaining and enhancing their capability to deliver quality and relevance, and to develop their specific and distinctive roles in the network of tertiary education provision.

Performance Measures	2007/08	2008/09
Funding is allocated consistent with the criteria and purpose of each element.	100%	100%
Clear objectives and measures for the use of funding are agreed in Plans for TEOs.	100%	100%

TEO Component - Performance-Based Research Fund (PBRF)

The TEC provides financial contributions for the cost of research and research-based teaching and learning in TEOs, to raise the quality and focus of research, and provide incentives for improved investment in basic research in the tertiary sector.

Performance Measures	2007/08	2008/09
Quantity		
Number of consultation papers published to support the review and any redesign of the 2012 PBRF Quality Evaluation.	New measure	Eight papers
Quality		
PBRF Sector Reference Group is satisfied with the support received from the TEC during the review of the design of the 2012 PBRF Quality Evaluation.	New measure	Measure achieved

Services delivered on behalf of other agencies - Training Opportunities

The Ministry of Social Development commissions the TEC to purchase and administer Training Opportunities programmes. Training Opportunities assists people with low qualifications or limited skills to gain recognised qualifications, and to move into sustainable employment and/or higher levels of tertiary education.

Performance Measures	2007/08	2008/09
Average number of trainees in place for Training Opportunities.	7,666	7,666
Percentage of programmes delivered by NZQA registered and accredited training providers.	100%	100%
Percentage of trainees who receive work-based training.	12%	12%
Post-training/in-work support delivered regionally.	In at least six regions	In at least six regions

Services delivered on behalf of other agencies - Training Opportunities	2008/09 \$000
Operating Revenue	7,660
Interest Revenue	0
Total Revenue	7,660
Total Expenses	7,660
Surplus/Deficit	0

Services delivered on behalf of other agencies - English for Migrants

Immigration New Zealand (INZ) commissions the TEC to administer the English for Migrants programme. This programme is aimed at ensuring migrants have sufficient English language skills to assist their integration into New Zealand society and the labour market.

Performance Measures	2007/08	2008/09
Effective management of contracts with training providers to deliver ESOL training for migrants who have pre-purchased their tuition through INZ.	Measure achieved	Measure achieved

Services delivered on behalf of other agencies - English for Migrants	2008/09 \$000
Operating Revenue	500
Interest Revenue	0
Total Revenue	500
Total Expenses	500
Surplus/Deficit	0

Other matters

General operating and legislative compliance

The TEC will operate to complement the skills and capabilities available in other departments and agencies where this is consistent with its role and functions.

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 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 processes.

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 implement 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 planning 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 planning 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 policies, 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 impact² 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.

² In assessing materiality, the TEC will assess the change in circumstances likely to occur and any likely change in the risk profile of the TEC.

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.

Quarterly report

The TEC's performance for both operating and programme expenditure will be reported quarterly to the Minister as part of the reporting requirements set out in the 2008/09 Output Agreement between the TEC and the Minister.

These reports will focus on performance (both financial and non-financial) for the quarter and year to date against budgets and provide year-end forecasts with appropriate commentary on performance for the period. The quarterly report will also focus on major achievements for the period (both strategic and operational) and performance against targets as described in this Statement of Intent and the Output Agreement.

Progress against the Strategic Objectives identified in the Statement of Intent will be reported to the Minister on a quarterly basis.

Other reporting

The TEC will keep the government advised of issues likely to impinge on the government's responsibilities or that may expose the Crown to significant risk. This requires the TEC to be aware of any possible implications that its 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 relating 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.

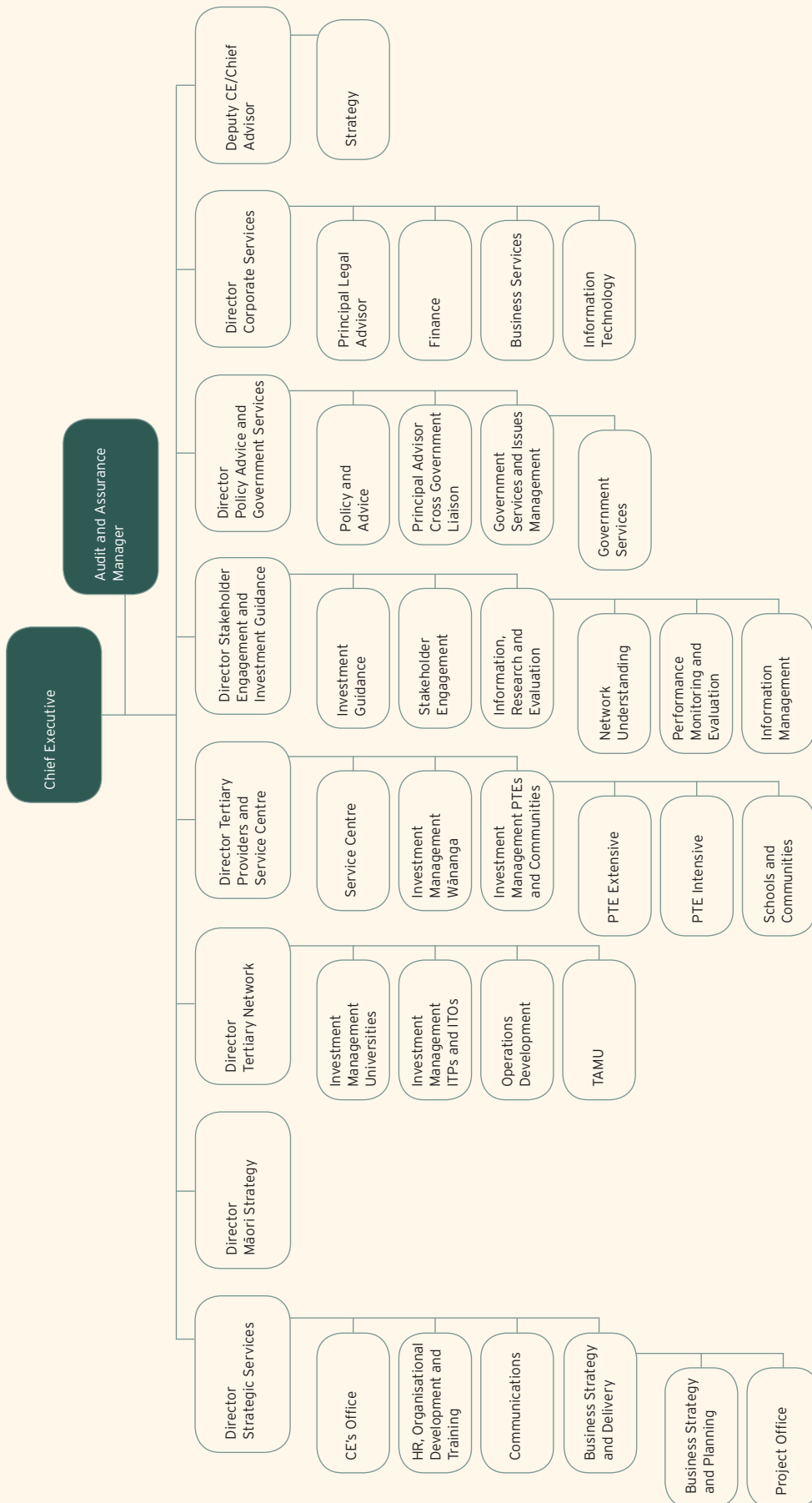
Statement in terms of section 11(d) of the Industry Training Act 1992

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

Appendices



Appendix 1: TEC organisational structure



Appendix 2: Office locations

National Office

44 The Terrace
PO Box 27048
WELLINGTON

TEC Service Centre

1 Ash Road
Wiri
AUCKLAND

TEC Regional Centre Auckland

Level 4, Shell House
9 Hargreaves Street
College Hill
AUCKLAND

TEC Regional Centre Rotorua

Level 1
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ROTORUA

TEC Regional Centre Christchurch


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Appendix 3: Glossary of terms

Commission	The Tertiary Education Commission members appointed by the government acting collectively as the governance Board of the TEC.
Crown	All ministers of the Crown and all departments, but excludes Crown entities, Offices of Parliament and State-Owned Enterprises.
Distinctive contributions	The differentiated and complementary roles that each type of TEO plays within the tertiary education system.
Investing in a Plan	An Investment Plan is to be agreed upon between the TEC and TEOs, replacing the system of Charters and Profiles. In these Plans, TEOs will set out the mix of education and training, performance standards and outcomes they will undertake to provide.
Minister	The Minister for Tertiary Education.
Network of provision	A comprehensive national system of tertiary education that is the outcome of tertiary institutions focusing on their distinctive contributions in response to the needs of employers, industry, communities and iwi.
Operating	Used when describing financial resources and/or reports regarding the TEC's own operations and excluding funds or resources that are held in trust by the TEC for disbursement to third parties on behalf of the Crown.
Pacific peoples	Does not refer to a single ethnicity, nationality, gender or culture. The term is one of convenience used to encompass a diverse range of peoples from the Pacific region or people within New Zealand who have strong family and cultural connections to Pacific Island countries.

Appendix 4: Glossary of abbreviations

ACE	Adult and Community Education
CoRE	Centre for Research Excellence
EFTS	Equivalent Full-Time Student
INZ	Immigration New Zealand
ITO	Industry Training Organisation - a body corporate recognised under section 5 or section 8(1) of the Industry Training Act 1992
ITPs	Institutes of technology and polytechnics
KPI	Key performance indicator
MoE	Ministry of Education
MSD	Ministry of Social Development
PTE	Private training establishment
NZQA	New Zealand Qualifications Authority
OTEP	Other tertiary education provider
PBRF	Performance-Based Research Fund
PTE	Private training establishment
SAC	Student Achievement Component
SSC	State Services Commission
STEP	Statement of Tertiary Education Priorities
TAMU	Tertiary Advisory Monitoring Unit
TEI	Tertiary education institutions (universities, polytechnics and wānanga)
TEO	Tertiary education organisation (a TEI, ITO, PTE or OTEP)
TEO Component	Tertiary Education Organisation Component
TES	Tertiary Education Strategy 2007–12



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