



**Tertiary Education
Commission**
Te Amorangi Mātauranga Matua

Statement of Performance Expectations

Tauākī Whāinga Mahi

2025/26

Our purpose

Tō mātou pūtake

To shape a dynamic system that delivers lifelong learning and equips learners, communities and employers for success

Our vision

Tō mātou wawata

A resilient, prosperous New Zealand – where every person has the skills, knowledge and confidence to create a fulfilling life

Contents

Statement of Responsibility	4
Our operating context	5
We support the tertiary education and careers system	15
We invest in tertiary education	22
Forecast Financial Statements	32

Ngā Ihirangi

Tauākī Whakamaunga Atu	4
Tō mātou horopaki mahi whakaha	5
Ka tautoko tātou i ngā pūnaha mātauranga matua me ngā pūnaha aramahi	15
Ka tuku haumi tātou ki te mātauranga matua	22
Ngā Tauākī Matapae Tahua	32

Statement of Responsibility

Tauākī Whakamaunga Atu

This Statement of Performance Expectations 2025/26 is produced in accordance with the requirements of sections 149B to 149M of the Crown Entities Act 2004.

We take responsibility for the statement's content, including the assumptions used in preparing the forecast financial statements and the other required disclosures. We will not update these prospective financial statements following their publication.

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

We certify that the information contained in this Statement of Performance Expectations 2025/26 is consistent with the appropriations contained in the Estimates of Appropriations for the year ending 30 June 2026. These were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

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



Alan Bollard
Board Chair

Tertiary Education Commission

11 June 2025



Dr Alastair MacCormick
Chair

Whatitata Whakau –
Risk and Assurance Committee
Tertiary Education Commission

11 June 2025

Our operating context

Tō mātou horopaki mahi whakaha

This Statement of Performance Expectations sets out our performance expectations for 2025/26

It provides:

- › a base against which performance can be assessed
- › an explanation of how performance will be assessed, and
- › forecast financial statements for the 2025/26 financial year.

Our strategic intentions are described in our interim Statement of Intent 2025/26 [tec.govt.nz/corporate-publications].

The tertiary education and careers system is vital for New Zealand's economic growth

The tertiary education and careers system is a significant contributor to a strong society and thriving economy. It drives better economic, social and cultural outcomes for industry, people, and communities, creates new knowledge and improves economic growth.

High quality, accessible careers information supports New Zealanders to successfully prepare for the future by making good career decisions, and the skills and knowledge people gain through tertiary education improves their chances of employment and increases their earnings.

The TEC is the Government's key agency for investment in tertiary education and careers services

The Tertiary Education Commission (TEC) is a Crown agency established under the Crown Entities Act 2004, and we are governed by a Board of Commissioners appointed by the Minister for Vocational Education. As a Crown entity, we give effect to government policy. We work closely with ministers whose responsibilities cover the tertiary sector:

- › Hon Penny Simmonds is Minister for Vocational Education. Her responsibilities include vocational education and Te Pūkenga, Workforce Development Councils (and their successor entities), foundation and community education, careers and tertiary education funding. Minister Simmonds is the minister responsible for the TEC.
- › Hon Shane Reti is Minister for Universities. In addition to being responsible for universities, Minister Reti has responsibility for the Code of Pastoral Care, student support, Fees Free, fee regulation and wānanga.

We lead the Government's relationship with the tertiary education sector in New Zealand and have statutory responsibility for funding and monitoring all TEC-funded tertiary education organisations. We are New Zealand's lead careers agency and provide occupational and educational information to build links between schools, tertiary providers, employers and communities, to ensure learners are ready for work and further study.

Our statutory functions are set out in the Education and Training Act 2020

Kua whakatakotoria ā tātou āheinga ā-ture
i roto i te Education and Training Act 2020

We are required to:



Section 4 of the Education and Training Act 2020 states that the Act's purpose is to establish and regulate an education system that honours Te Tiriti o Waitangi and supports Māori–Crown relations. The Act sets a clearer and higher standard for giving effect to Te Tiriti o Waitangi than previous social policy legislation. It emphasises the role of education agencies and the education sector as a whole in giving effect to Te Tiriti o Waitangi.

Through our stewardship and monitoring role for the tertiary education and careers system, we work to ensure that all tertiary education organisations are giving effect to Te Tiriti o Waitangi as a condition of their funding and delegated roles and powers from the Crown.

Our current strategic intentions

Our strategic intentions are described in our interim Statement of Intent 2025/26 [tec.govt.nz/corporate-publications].

The Tertiary Education Strategy (TES) sets out the long-term strategic direction for tertiary education, including economic, social and environmental goals, and the development aspirations of all population groups. Once the new TES is published, the TEC will produce a new SOI that will set out alignment to and delivery of the TES.

The Minister for Vocational Education has provided us with direction in the Letter of Expectation 2025, that delivering on the Government's priorities while ensuring the effective and efficient delivery of core functions must be TEC's highest priorities.

Our Purpose

Our purpose is to shape a dynamic system that delivers lifelong learning and equips learners, employers and communities for success.

Our Vision

Our vision is a resilient, prosperous New Zealand – where every person has the skills, knowledge and confidence to create a fulfilling life.

Our Goals



An adaptable system

We have an adaptable tertiary education system that serves the needs of New Zealand now and in the future



Build the right skills to succeed

The careers system supports everyone to gain the skills, knowledge and pathways to succeed, so people, employers and communities can thrive



Improving educational outcomes

Education, training and career pathways support improving educational outcomes



Equip TEC for the future

Our Priorities for 2025/26

To deliver on our strategic intentions we have established our work programme priorities for 2025/26:

Delivering on the Government's priorities:

- › Redesign of the vocational education and training (VET) system
- › Final year Fees Free
- › Ministers' decisions on University Advisory Group
- › Integration and collaboration of universities with business and the broader science and research system.
- › Levers to drive access, participation and completion.

Delivering on our core business activities which reflect our statutory functions as set out in the Education and Training Act 2020:

- › Investment
- › TEO monitoring and risk management
- › Careers.

Our Values and Behaviours

Our values and behaviours reflect the essence of who we are, guide the way we work together and are pivotal to achieving our strategic intentions.

Work together
for success

Connect with people

Service matters

Do the right thing

The tertiary education funding system

The TEC's investment in the tertiary education system is driven by the TES.

Our investment in the tertiary education system supports more than 700 tertiary education organisations across New Zealand to provide all forms of post-secondary-school education, including foundation education, vocational education and training, and higher education (including research). We also fund programmes that link schools with tertiary education, for example by providing opportunities for workplace learning while still at secondary school.

Our investment helps to ensure a network of provision that meets the needs of different learners and communities.

We work closely with other entities in the New Zealand education system, including the Ministry of Education and the New Zealand Qualifications Authority.

Our monitoring role

To ensure TEC is investing responsibly, and to protect learners' interests, we monitor all funded tertiary education providers. Our monitoring includes checking that providers are complying with funding rules, assessing providers' financial viability and monitoring New Zealand's overall network of provision.

The TEC is responsible for monitoring the operation and long-term viability of New Zealand's public tertiary providers – universities, wānanga, and institutes of technology and polytechnics. These institutions are Crown entities and form the core of New Zealand's public tertiary education system. This means a risk to their operation or viability presents both a fiscal risk to the Crown and a risk to New Zealand's public network of tertiary education.

We undertake comprehensive monitoring of the financial performance and sustainability of these institutions. Due to the Crown's ownership interest, we also assess these institutions' requests to exercise powers such as borrowing commercially or disposing of assets, and we maintain a view of their capital plans and capital asset management capability. We also regularly assess governance capability across the sector and use these assessments to support the Minister in making future appointments to the councils of institutions.

Where institutions are at risk, the TEC can intervene or advise Ministers to intervene to ensure risks are addressed.

The TEC is New Zealand's lead careers agency

The TEC has a legislative role to provide occupational and educational information, and to build connections between schools, tertiary providers, employers and communities to ensure all New Zealanders are ready for employment and further study. We do this through providing a suite of information and tools to support career decisions, ensuring there are links with our investment function, and by partnering with agencies and communities to improve career outcomes.

The TEC is responsible for coordinating and leading the cross-agency implementation of the National Careers System Strategy (NCSS). We work collaboratively with careers professionals, the private and community sector, and government agencies, to implement the strategy and its action plan. The NCSS supports key government priorities and initiatives, enabling New Zealand to develop talent to drive economic growth.

Tahatū Career Navigator is our new interactive careers website, and a key initiative under the NCSS. It provides information to help people make choices about what career they might like and find pathways to achieve it.

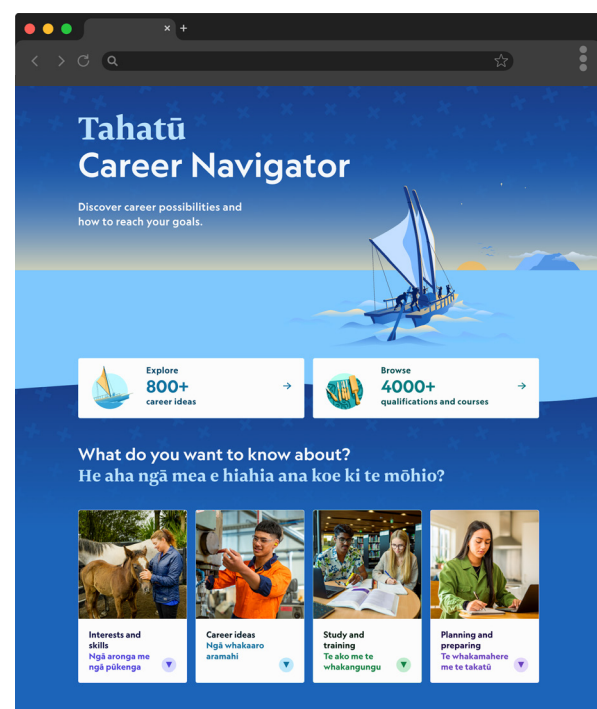
We started rolling out Tahatū Career Navigator to all secondary schools and kura, alternative education groups and teen parent units in March 2025. This follows last year's successful pilot with 62 schools and kura kaupapa Māori and subsequent feedback from schools and a range of wider industry stakeholders. We'll be launching Tahatū Career Navigator to all New Zealanders and decommissioning the [\[careers.govt.nz\]](https://careers.govt.nz) website later in 2025.

inspiring the future Aotearoa

Inspiring the Future continues to connect children from ages seven to 13 with volunteer role models from the world of work. During 2025, Inspiring the Future will be expanded into secondary schools as a complementary career offering to Tahatū Career Navigator, connecting students directly to the world of work as they explore and make career decisions.



Tahatū Career Navigator will contribute to improving economic outcomes for individual learners, industries and communities by providing high quality, accessible careers information. It will help people identify, and know how to acquire, the skills, knowledge and attributes required for jobs and careers in specific industries, including traditional trades and strategic priority areas such as healthcare, service industries, information technology and community care.



The TEC's education, training and career pathways support improved learner outcomes and a more productive economy

To ensure all learners receive the support they need to succeed in education, the TEC works with tertiary education organisations to create education environments that are learner centred and where more of our learners, especially those who are most in need, can succeed.

We use a suite of levers to support the changes needed across the sector to enable learner success. Our four key levers are:

- › Investment – to provide the right incentives to all parts of the system to focus on the needs of learners.
- › Monitoring – targeted and meaningful, so it provides rewards for strong performance and consequences for poor tertiary education organisation performance.
- › Careers information and tools – to redress the information imbalance in the system and allow learners and their whānau to make the best education choices.
- › The TEC's internal capability – which continues to shift to ensure we lead by example and ensure the Crown, learners and their communities are getting good value for money from their tertiary education.

Through these levers, the TEC is supporting tertiary education providers as they design and implement their learner-centric operating models. These approaches will not only support more learners to successfully achieve in tertiary education; they will also deliver significantly more qualified workers into the labour market, which helps to drive economic growth.

We are part of the wider education sector that is focused on shaping the system to achieve better educational outcomes

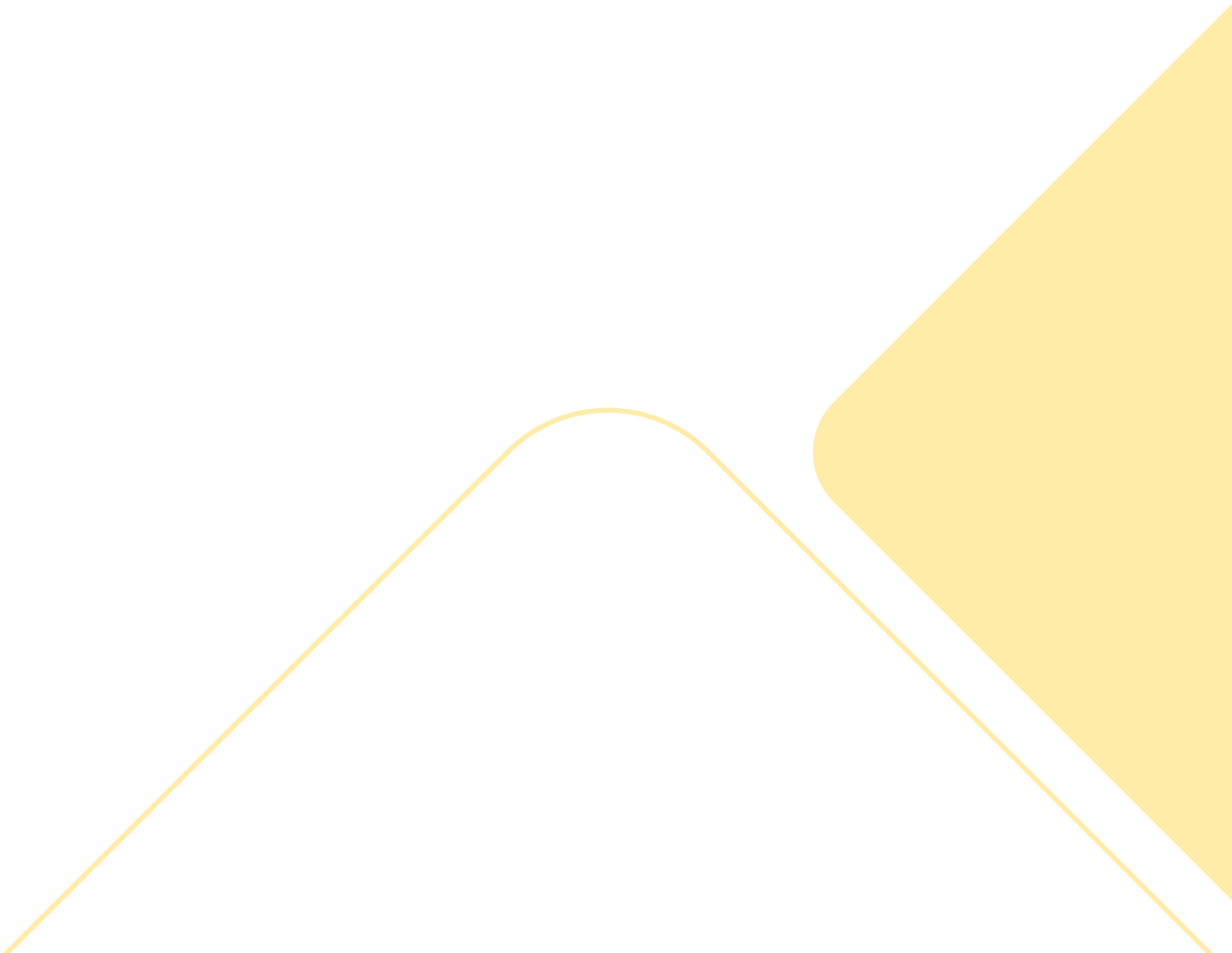
Together, we all contribute to a strong education system and improve the connections between learning and work.

The TEC works with all cross-government and private organisations that help us to deliver information and services to customers and providers. Key partners include the Ministry of Education, Ministry of Business, Innovation and Employment, Ministry of Social Development, Education New Zealand and the New Zealand Qualifications Authority.

We work with public and private entities across Aotearoa New Zealand to ensure the tertiary education and careers system is responsive to regional and national needs. This includes the Career Development Association of New Zealand, Careers and Transition Education Association NZ, Business New Zealand, chambers of commerce, economic development agencies, industry peak bodies and employers in regions across the country.

The Tertiary Education Commission and Te Tiriti o Waitangi

The Tertiary Education Commission (TEC) recognises and affirms our responsibility to give effect to Te Tiriti o Waitangi:

- › We will work in partnership with iwi, wānanga, Māori communities and Māori organisations.
 - › The needs and aspirations of Māori learners, their whānau and communities will be met through all we do.
 - › Mātauranga Māori will be strengthened in the tertiary education system, and te reo Māori will be supported to grow and thrive as a taonga in Aotearoa.
- 

We will spend over

\$3.7 billion

investing in tertiary education and supporting
the tertiary education and careers system

This document sets out the Vote Tertiary Education and Vote Education appropriations that we are responsible for reporting against. It shows the amount we are budgeted to spend through each appropriation in 2025/26 and the measures we will use to track progress towards achieving the intention of each appropriation.

An appropriation is a sum of money authorised by Parliament for a particular use. Appropriations enable us to invest in tertiary education and support the tertiary education and careers system.

These appropriations support the tertiary education and careers system

\$66.9 million

Administration of and Support
for the Tertiary Education and
Careers Systems

\$2.1 million

Tertiary Education Commission –
Final-year Fees Free

We use these appropriations to invest in tertiary education

\$3,228.6 million

Tertiary Tuition and Training

\$315.0 million

Tertiary Education Research and
Research-Based Teaching

\$49.8 million

Centres of Research Excellence

\$34.7 million

Secondary Education

\$25.0 million

Industry Standards-Setting Functions

\$24.0 million

Support for Wānanga

\$16.9 million

Tertiary Scholarships and Awards

\$15.0 million

Workforce Development Councils

\$8.9 million

Tertiary Sector /
Industry Collaboration Projects

We support the tertiary education and careers system

Ka tautoko tātou i ngā pūnaha mātauranga matua me ngā pūnaha aramahi

Our operational appropriations enable us to support the tertiary education and careers system

Our operational appropriation measures are linked to our statutory functions (see page 7) as set out in the Education and Training Act 2020 and reflect our role in implementing policy.

The TEC is responsible for the results of the measures associated with the following operational appropriations:

- › Administration of and Support for the Tertiary Education and Careers Systems
- › Tertiary Education Commission – Final-year Fees Free.

Financial-year forecasts, targets and results are shown as 2022/23, 2023/24, and 2024/25. Calendar-year forecasts, targets and results are shown as 2022, 2023 and 2024.

As an organisation we continually strive to increase our efficiency and effectiveness

How we do this is detailed in our interim Statement of Intent 2025/26 (SOI) [tec.govt.nz/corporate-publications] under our “Organisational health and capability” section.

This section includes our information and technology strategies (including cyber security), risk and financial management.

Vote Tertiary Education appropriations

Administration of and Support for the Tertiary Education and Careers Systems

This appropriation is limited to giving effect to the Tertiary Education Strategy by effectively investing in, monitoring, informing and influencing the tertiary education and careers systems, managing the Crown’s ownership interest in tertiary education institutions, and providing advice and support to Ministers.

This appropriation is intended to achieve effective and well-managed tertiary education and careers systems.

See page 40 for financial information.

How we will assess performance

The TEC uses both qualitative and quantitative measures to assess performance.

Measure	2025/26 Target	2024/25 Estimated Actual	2023/24 Actual	Desired trend
Percentage of payments the TEC makes to tertiary education organisations that are made within agreed timeframes	At least 99.5%	At least 99.5%	100%	↔
Inspiring the Future: Number of completed events online and in person (Notes 1 and 2)	570	410	272	▲
Percentage of careers system stakeholders who agree that our online information and tools are useful	At least 83% (Note 3)	At least 83%	83%	↔
The overall satisfaction rating given by the responsible Minister on the TEC (Note 4)	At least 7 out of 10	At least 6 out of 10	5 out of 10	↔
The satisfaction rating given by the responsible Minister on the TEC’s advice related to the careers system	At least 7 out of 10	At least 6 out of 10	6 out of 10	↔

Note 1 – Inspiring the Future is a programme to connect children aged 7–13 with volunteer role models from the world of work, in a fun and inspiring online or in-person event. It is designed to broaden career horizons by sharing relatable stories on career options and pathways.

Note 2 – The figures in this table are cumulative (eg, the 410 estimated completed events in 2024/25 include the 272 events completed up to the end of 2023/24).

Note 3 – This target reflects that TEC is in the process of refreshing our online careers content. Tahatū Career Navigator will be launched in December 2025 to all New Zealanders.

Note 4 – The survey rating measures the responsible Minister’s satisfaction with the quality of advice on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

Disclosure: We have retained the key measures above and retired the measures described below, as they were not as relevant or effective as those above. We retired the measure relating to the number of school sign ups. We also retired two of our survey-based measures as they were subjective and not strong performance measures from an accountability perspective. These related to usefulness of engagement with the TEC, and webinar attendees gaining knowledge relevant to their work.

Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Recovered funding as a percentage of total funding invested (Note 1)	1–3%	0.40%	4.27%	▼

Note 1 – This measure relates to the TEC’s investment function and focuses on the right amount of funds being allocated to the right areas. It enables us to see what is happening across the tertiary system and informs funding allocation decisions to minimise the need for funding recovery.

Disclosure: The measure relating to funding allocation has been retired as it is not as relevant or effective as the recovered funding measure above.

Measure (trend information only)		2023/24 Actual	2022/23 Actual	2021/22 Actual	2020/21 Actual
Percentage of people seeking to make a learning or work decision that agree the information and tools provided by the TEC assisted that decision	Learning decision	71% (Note 1)	74%	77%	76%
	Work decision	68% (Note 1)	72%	66%	75%

Note 1 – TEC’s new careers website, Tahatū Career Navigator, will replace the careers.govt.nz website towards the end of 2025. This new website includes the latest careers information, in contrast to careers.govt.nz which may contain some out-of-date information and content. The above 2023/24 results support the 2025 launch plan for Tahatū Career Navigator, starting with the current rollout to all secondary schools in New Zealand.

Desired trend symbols are used to indicate what we want to see happen to the performance result in the future.

▲ Increase	▼ Decrease	↕ Maintain or increase	↔ Maintain
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The following three qualitative narrative measures are part of our assessment of performance.

Measure:

Annual assessments are undertaken to understand the financial viability risk for tertiary education organisations that receive over \$50,000 in TEC funding, and Workforce Development Councils (WDCs).

The TEC monitors the financial viability of the organisations it funds. The outputs of the TEC's financial monitoring inform our investment process as well as, where appropriate, engagement and interventions to understand, monitor and respond to risks at both an organisation and system level. This work helps to ensure a financially resilient tertiary education sector and protects learners' interests.

What we want to achieve:

All tertiary education organisations (receiving over \$50,000 in TEC funding) and Workforce Development Councils are assessed at least once a year against the relevant financial monitoring framework or requirement.

We will provide information about the assessment of organisations during the financial year, both as a narrative under this appropriation and in the monitoring section of TEC's annual report.

Prior year information:

To 30 June 2024, the TEC received and reviewed financial information from all tertiary education institutions and revised its financial monitoring framework. Of the 203 private training establishments (PTEs) with over \$50,000 of funding in 2024, the TEC received and reviewed financial information from 195 PTEs. Of the eight outstanding, three submissions had yet to be received and five assessments were completed within two weeks of year end.

The TEC also received and reviewed all WDCs' audited annual reports for the period ending 30 June 2024, in addition to reviewing management reporting and operating budgets for the financial year ending 30 June 2025.

Disclosure: The monitoring advice measure has been retired as it is not as effective as a public measure of the TEC's performance, given that it relies on advice to which the public does not always have timely or full access to, when compared to the annual assessments measure above which can be more clearly evidenced. The monitoring advice measure has been retired from our Statement of Performance Expectations but retained in the annual ministerial satisfaction survey as it is useful information for TEC internally.

Measure:

Evidence that the Tertiary Education Commission's investment decisions give effect to Workforce Development Council advice.

This measure is intended to demonstrate that Workforce Development Council (WDC) advice on investment priorities informs TEC's investment. TEC is also required to have regard for WDC advice when assessing Investment Plans and to give effect to WDC advice on the mix of vocational education and training.

What we want to achieve:

The narrative in the TEC's annual report will provide information to demonstrate that:

- (a) Plan Guidance reflects WDC national and regional advice*
- (b) targeted priorities committed to in Investment Plans reflect WDC national and regional priorities.*

Plan Guidance describes the information that tertiary education organisations (TEOs) are expected to provide in their Investment Plans and explains how this information will be assessed.

TEO Investment Plans inform funding decisions. They include a TEO's mission and role, strategic intentions, the activities and programmes it will carry out and how performance will be measured.

Prior year information:

For investment in 2025, the WDCs provided investment advice to the TEC. We received this advice in December 2023.

Advice covering specific areas of provision to change (increase/decrease) was published as targeted priorities in TEC's Plan Guidance for providers submitting Plans for funding from 1 January 2025 [tec.govt.nz/assets/Forms-templates-and-guides/Plan-guidance-and-toolkit-2024/2025/Plan-Guidance-2025.pdf].

These priorities formed part of the assessment criteria that TEC used to assess Investment Plans and additional funding requests for 2025 investment.

Measure:

Tertiary education institutions (TEIs) show progress against their Learner Success Plans (LSPs) and Disability Action Plans (DAPs).

Learner success is a key element to achieving greater education outcomes for learners.

This measure is intended to capture the progress being made on LSPs and DAPs using narrative/qualitative information.

LSPs and DAPs require TEIs that receive \$5 million or more in funding from the TEC to describe their actions and commitments to creating better outcomes for learners most in need. LSPs and DAPs help inform TEC's investment decisions.

What we want to achieve:

We want to see TEIs make progress against their LSPs and DAPs to improve education outcomes for learners. This includes what they have and have not achieved, lessons learnt, and subsequent changes they will make to their plans.

Prior year information:

Overall, there is good commitment from the sector on learner success and LSPs and DAPs are being implemented. All TEIs currently have approved LSPs and DAPs, along with regular check-ins on milestone completions where appropriate.

TEIs have provided update reports on LSP progress when required. Three TEIs were not making reasonable progress against their LSPs. These TEIs now have funding conditions with requirements for improvements, which we routinely monitor.

Disclosure: The measure relating to TEIs delivering on their milestones has been retired and replaced by the new narrative measure above. This will enable a fuller performance story to be told about the progress TEIs are making towards improving learner success, through the implementation of their LSPs.

Tertiary Education Commission – Final-year Fees Free

This appropriation is limited to development of systems to support the implementation of the final-year Fees Free scheme.

This appropriation is intended to enable the Tertiary Education Commission's role in implementing systems and processes to support the delivery of the final-year Fees Free scheme.

An exemption was granted as the appropriation is one from which resources will be provided to a person or entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity under s15D(2)(b) (ii) of the Public Finance Act 1989, as the amount of this appropriation for non-departmental capital expenditure is less than \$15 million.

See page 41
for financial
information.

Disclosure: From 1 January 2025, first-time tertiary learners will have access to a new Fees Free entitlement for their final year of provider-based study or final two years of work-based learning. Payments will be made after learners complete their first qualification or programme, with the first payments available in 2026 for studies completed in 2025. The Tertiary Education Commission and Inland Revenue will implement the policy, with Inland Revenue handling payments through streamlined data-sharing processes. For more information see: [feesfree.govt.nz/final-year].

We invest in tertiary education

Ka tuku haumi tātou ki te mātauranga matua

We invest in all forms of post-secondary school education and training, and fund programmes that link schools with tertiary education

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

The following sections show the amount we will spend through each appropriation in 2024/25 and the measures we will use to track progress towards achieving the intention of each appropriation.

Achievement of the desired trend shifts we are working towards is also influenced by the work of other government agencies and the state of the economy and labour market.

Financial-year forecasts, targets and results are shown as 2022/23, 2023/24 and 2024/25. Calendar-year forecasts, targets and results are shown as 2022, 2023 and 2024.

The TEC contributes to the results of the following measures through investment in the tertiary education sector.

Vote Tertiary Education appropriations


Centres of Research Excellence

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

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

See pages
42 and 43
for financial
information.

How we will assess performance

Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Total number of doctoral students aligned to the Centres of Research Excellence, completing qualifications during the current funding period (Note 1)	110 ±5%	110	130	

Note 1 – The current funding round for Centres of Research Excellence runs from 1 July 2021 to 31 December 2028.

Industry Standards-Setting Functions

This appropriation is limited to expenses incurred in setting up industry standards-setting organisations and performing their statutory functions.

This appropriation is intended to support the establishment of industry standard-setting organisations and the performance of their legislated functions.

See pages
42 and 43
for financial
information.

How we will assess performance

Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
New measure All Industry standards-setting organisations funded through this appropriation have approved and funded Operational Plans in place by 30 June each year (see Note 1)	Achieved	Note applicable	Note applicable	Achieve

Note 1 – Approved Operational Plans will set out how each industry standards-setting organisation plans to undertake standards-setting and quality assurance, strategic workforce analysis and planning, and advice and representation functions.

Disclosure: Industry Skills Boards (ISBs) will be established from 1 January 2026. ISBs will be statutory standards-setting bodies, with majority industry governance. They will be responsible for developing qualifications, endorsing programmes and moderating assessments over key industry sectors. They will also have a workforce analysis function for their sectors, and provide investment advice to the TEC.

Support for Wānanga

This appropriation is limited to supporting wānanga in the tertiary education system to undertake teaching and research that maintains, advances and disseminates knowledge regarding āhuatanga Māori according to tikanga Māori.

This appropriation is intended to support wānanga as a system of delivery, including supporting its critical role in protecting and revitalising te reo Māori and mātauranga Māori.

See pages 42 and 43 for financial information.

How we will assess performance

Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Wānanga annual reports are reviewed and appropriate action is taken (Note 1)	Achieved	Achieved	Achieved	Continue to achieve

Note 1 – Annual reports are reviewed against milestones and key performance indicators set in Investment Plans. Reviews look at progress on delivery towards policy objectives and long-term outcomes.

Tertiary Education Research and Research-Based Teaching

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

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

See pages 42 and 43 for financial information.

How we will assess performance

Performance-Based Research Fund

Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Postgraduate research degree completions (measured by Performance-Based Research Fund (PBRF)-eligible research degree completions (Note 1))	Previous year actual ±5%	Previous year actual ±5%	3,851	↕
Percentage increase in amount of external research income for PBRF-eligible providers (Note 2)	3–5%	3–5%	5.0%	↕

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

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

Tertiary Scholarships and Awards

This appropriation is limited to providing scholarships and other awards in the tertiary sector to students, researchers and teachers, within New Zealand and internationally.

This appropriation is intended to achieve access to wider educational opportunities for skilled New Zealanders to enhance their existing skills.

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

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

An exemption was granted as the appropriation is one from which resources will be provided to a person or entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity under s15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for payments of Tertiary Scholarships and Awards under the Education and Training Act 2020.

See pages
42 and 43
for financial
information.

Tertiary Sector/Industry Collaboration Projects


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

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

See pages
42 and 43
for financial
information.

How we will assess performance

Māori and Pacific Trades Training

Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Percentage of learners per calendar year progressing from Māori and Pacific Trades Training to New Zealand apprenticeships, other industry training at Level 3 and above or further study at New Zealand Qualifications and Credentials Framework Level 4 and above	At least 40.9%	40.9%	41.3%	

Workforce Development Councils

This appropriation is limited to expenses incurred on Workforce Development Councils setting up their organisations and performing their statutory functions.

This appropriation is intended to enable Workforce Development Councils to provide a clear industry and workplace voice into the vocational education and training system.

See pages 42 and 43 for financial information.

How we will assess performance

Measure	2025/26 Target	2024/25 Estimated Actual	2023/24 Actual	Desired trend
All Workforce Development Councils have approved and funded Operational Plans in place by 30 June each year (Note 1)	Achieved	Achieved	Achieved	Continue to achieve

Note 1 – Approved Operational Plans set out how each Workforce Development Council plans to undertake key functions, industry engagement and strategic planning.

Disclosure: Workforce Development Councils will be replaced by Industry Skills Boards from 1 January 2026.

Tertiary Tuition and Training

The single overarching purpose of this appropriation is to support and fund tertiary tuition and training that results in improvements in New Zealanders’ skill levels.

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

Tertiary Tuition and Training is a multi-category appropriation with three categories:

- › Access to and Success in Tertiary Education
- › Foundation and Community Education
- › Qualification Delivery.

See pages 42 and 43 for financial information.

How we will assess performance

Overall measure









Measure		2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Tertiary course completion rate	Course completion rate for provider-based learners	At least 83.8%	83.8%	83.0%	↕
	Credit achievement rate for work-based learners	At least 77.4%	77.4%	69.8%	↕

Access to and Success in Tertiary Education

This category is limited to improving access to and success in tertiary education and training for learners underserved by the tertiary system, particularly those identified in the Tertiary Education Strategy.

This category is intended to improve equity in access and success in tertiary education and training.

How we will assess performance

Measure	Mode of Delivery	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
New measure Percentage of learners with low prior achievement enrolled in Levels 3–7 of the following modes of delivery (Note 1)	Work-based	At least 44.1%	44.1%	43.8%	
	Provider-based	At least 36.9%	36.9%	35.3%	
New measure Percentage of Māori and Pacific learners enrolled in Levels 3–7 of the following modes of delivery (compared to percentage of non-Māori and non-Pacific learners enrolled) (Note 2):	Māori	Work-based	At least 19.9%	19.9%	
		Provider-Based	At least 28.5%	27.2%	
	Pacific	Work-based	At least 9.6%	9.7%	
		Provider-Based	At least 11.1%	10.4%	
	Non-Māori non-Pacific	Work-based	At least 70.5%	70.4%	
		Provider-Based	At least 60.4%	61.9%	

Note 1 – The intent of this new measure is to track the proportional movement in enrolments of learners with low prior achievement as an indicator of access to vocational education and training.

Note 2 – The intent of this new measure is to track the proportional movement in Māori and Pacific learner enrolments (compared to non-Māori and non-Pacific learners) as an indicator of access to vocational education and training.





Disclosure: The measure relating to Māori and Pacific learners enrolled in work-based delivery has been retired and replaced with the two new measures above. The measure relating to accelerating learner success initiatives has been retired as no new funding has been allocated to that fund in 2025/26 or future years.

Foundation and Community Education

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

This category is intended to achieve improvement in foundational skills for learners by funding education and training programmes.

How we will assess performance

Type	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Literacy and numeracy				
New measure				
Number of learners participating in literacy and numeracy programmes (Note 1)	At least 13,520	13,520	13,828	
Adult and Community Education in communities				
Number of Adult and Community Education learner hours	At least 1,066,895	1,066,895	1,056,148	
Youth Guarantee				
Percentage of Youth Guarantee learners completing qualifications at Levels 2 or 3	At least 64.7%	64.7%	63.8%	
Gateway				
Total participants and number of schools	At least 15,649 in 380 schools	15,649 in 380 schools	15,473 in 383 schools	

Note 1 – This new, high-level measure reflects the overall number of learners receiving any form of literacy or numeracy training. It will track the overall number of learners participating in the following three literacy and numeracy programmes: Intensive Literacy and Numeracy; Workplace Literacy and Numeracy – Tertiary Education Organisation Led; and English for Speakers of other Languages.

Disclosure: The new literacy and numeracy measure above replaces the three literacy and numeracy measures relating to hours of learning accessed in each individual literacy and numeracy programme. It provides one overall, more relevant literacy and numeracy measure relating to learner participation.

Qualification Delivery

This category is limited to funding for teaching, training and learning services that support enrolled students at tertiary education organisations to achieve recognised tertiary qualifications and credentials.

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

How we will assess performance

Provider-based learning

Measure	Level	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Percentage of funded students completing qualifications (Note 1)					
All learners	Levels 4–7 non-degree	At least 55.3%	55.3%	58.3%	↕
	Level 7 degree and above	At least 63.1%	63.1%	62.3%	↕
Equity gap					
Measure	Level	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Māori learners (relative to non-Māori and non-Pacific learners) (Note 2)	Levels 4–7 non-degree	No more than -2.4 percentage points	-2.4 percentage points	-2.8 percentage points	▼
	Level 7 degree and above	No more than -14.1 percentage points	-14.1 percentage points	-14.5 percentage points	▼
Pacific learners (relative to non-Māori and non-Pacific learners) (Note 3)	Levels 4–7 non-degree	No more than -7.2 percentage points	-7.2 percentage points	-2.4 percentage points	▼
	Level 7 degree and above	No more than -17.9 percentage points	-17.9 percentage points	-18.5 percentage points	▼

Note 1 – Qualification completion rate is the proportion of students in a starting cohort who go on to complete qualifications at the same level and at the same tertiary education organisation.

Note 2 – The equity gap measures the percentage point difference between the percentage achieved by Māori learners compared to the percentage achieved by non-Māori and non-Pacific learners.

Note 3 – The equity gap measures the percentage point difference between the percentage achieved by Pacific learners compared to the percentage achieved by non-Māori and non-Pacific learners.

Disclosure: The course completion, progression and retention measures have been retired as they are not key to telling the performance story for this qualification delivery category. The qualification measure above is retained as our key performance measure for qualification delivery. The measure relating to te reo Māori proficiency has been retired as no new funding has been allocated to that fund in 2025/26 or future years.

How we will assess performance

Work-based learning

Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Percentage of learners completing programmes				
All learners	At least 56.9%	56.9%	59.5%	▲
Industry Trainees	At least 61.6%	61.6%	63.6%	▲
Apprentices	At least 43.9%	43.9%	49.0%	▲
Equity gap				
Measure	2025 Target	2024 Estimated Actual	2023 Actual	Desired trend
Māori learners (relative to non-Māori and non-Pacific learners) (Note 1)	No more than -6.9 percentage points	-6.9 percentage points	-9.1 percentage points	▼
Pacific learners (relative to non-Māori and non-Pacific learners) (Note 2)	No more than -4.0 percentage points	-4.0 percentage points	-7.0 percentage points	▼

Note 1 – The equity gap measures the percentage point difference between the percentage achieved by Māori learners compared to the percentage achieved by non-Māori and non-Pacific learners.

Note 2 – The equity gap measures the percentage point difference between the percentage achieved by Pacific i learners compared to the percentage achieved by non-Māori and non-Pacific learners.

Disclosure: Vote Tertiary Education appropriations disestablished and associated measures retired

Funding for the **Vocational Education Data System** appropriation has ended, and the associated measure was retired, as the appropriation funding ceased at the end of June 2025.

Funding for the **Strategic Support for National and Regional Priorities** ended on 31 December 2025, and the associated measures relating to strategic-component-funded organisations and regional and national priorities were retired.

Vote Education appropriation

Primary and Secondary Education multi-category appropriation

Secondary Education

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

See pages
42 and 43
for financial
information.

Forecast Financial Statements

Ngā Tauākī Matapae Tahua

Statement of Significant Assumptions underlying the Forecast Financial Statements

Overview

We have made assumptions when preparing these forecast financial statements. This includes that the range and levels of service we currently provide will not change in 2025/26. These assumptions may differ from what happens. Changes to government policy, the economy, learner demographics, immigration trends and the make-up of the number and type of learning institutions within New Zealand will all affect us and our forecast results.

Revenue

Revenue from the Crown is based on information contained in the 2025/26 Estimates of Appropriation, Vote Tertiary Education and Vote Education. In 2025/26 we plan to fully draw down our Crown revenue.

Contract – Pre-purchased English Language Tuition revenue of \$0.3 million is in line with the prior year but assumes immigration levels will slightly reduce during 2025/26.

Other revenue includes \$1.2 million of contributions from tertiary education institutions towards the New Zealand Benchmarking Tool.

Interest income is based on the expected cash on hand and is budgeted to decrease as interest rates decreases.

Grants expenses

We forecast overall grants expenditure in 2024/25 to be \$0.9m greater than baseline. This includes an overspend of \$17.8m in the Tertiary Tuition and Training Multi-Category Appropriation (our MCA). Any overspends in our MCA would be funded from the Balance Sheet Mechanism Facility (BMF).

We are forecasting 2025/26 grants expenditure to be in line with baseline.

As of March 2025, we had a grants Balance Sheet Mechanism Facility (BMF) of \$112.0m. We are forecasting to return \$62.0m of this to the Crown to be utilised in Budget 2025 initiatives, and to use a further \$17.8m to cover the 2024/25 forecast MCA overspend.

The BMF can be used to manage cost pressures within and across financial years, including delivery of up to 102 percent of tertiary education organisation funding allocations, for any fund, after advising both the Minister and Ministry of Education. The facility is not limited to delivery but can also be used to fund one-off initiatives with the consent of the Minister.

Operating expenses

Personnel costs are based on:

- › established full-time equivalent (FTE) roles
- › project staff and contractors
- › other specialist contractors to cover capability or capacity requirements.

Personnel costs include an allowance for salary increases of 3 percent. We also make a 5 percent allowance for staff vacancies.

Depreciation and amortisation costs are calculated based on our current fixed assets and our proposed 2025/26 capital plan adjusted for expected software write-offs.

Other expenses are calculated using a bottom-up approach and include \$2.5 million for ongoing or scheduled operating projects and initiatives (our “Centrally Held Funds”) in 2025/26.

Forecast Statement of Comprehensive Revenue and Expense

For the year ended 30 June

	2025 Forecast \$000	2026 Budget \$000
REVENUE		
Grants revenue:		
Vote Education/Tertiary Education – Ministry of Education (MoE)	3,821,108	3,715,515
Prior year recoveries – net	180	120
Total grants revenue	3,821,288	3,715,635
Operating revenue:		
Vote Tertiary Education – (MoE)	69,411	66,806
Contract – Pre-purchased English Language Tuition	327	279
Other revenue	2,965	1,481
Total operating revenue	72,703	68,566
Finance revenue:		
Interest – grants	2,427	1,863
Interest – operating	2,522	2,352
Total finance revenue	4,949	4,215
Total revenue	3,898,940	3,788,416
EXPENSE		
Grants expense:		
Grants expense	3,838,413	3,715,015
Bad and doubtful debts	500	500
Total grants expense	3,838,913	3,715,515
Operating expense:		
Personnel costs	44,891	45,581
Amortisation	5,590	6,391
Depreciation	1,176	1,168
Other expenses	22,730	23,446
Total operating expense	74,387	76,586
Total expense	3,913,300	3,792,101
SURPLUS/(DEFICIT)		
Grants surplus/(deficit)	(15,198)	1,983
Operating surplus/(deficit)	838	(5,668)
Total comprehensive revenue and expense	(14,360)	(3,685)

Forecast Statement of Financial Position

As at 30 June

	2025 Forecast \$000	2026 Budget \$000
CURRENT ASSETS		
Receivables	663,288	653,480
Cash and cash equivalents	91,810	89,781
Prepayments	1,000	1,020
Total current assets	756,098	744,281
NON-CURRENT ASSETS		
Intangible assets	34,288	29,720
Property, plant and equipment	1,972	1,304
Total non-current assets	36,260	31,024
Total assets	792,358	775,305
CURRENT LIABILITIES		
Payables	665,761	661,427
Pre-purchased English Language Tuition – fees in advance	14,078	14,000
Repayment of grants funding – MoE	10,878	1,863
Employee entitlements	2,668	2,883
GST payable	3,077	3,296
Provision for lease	613	611
Total current liabilities	697,075	684,080
NON-CURRENT LIABILITIES		
Provision for lease	768	157
Employee entitlements	700	714
Total non-current liabilities	1,468	871
Total liabilities	698,543	684,951
Net assets	93,815	90,354
EQUITY		
General funds	93,815	90,354
Total equity	93,815	90,354

Forecast Statement of Changes in Equity

For the year ended 30 June

	2025 Forecast \$000	2026 Budget \$000
EQUITY		
Balance at 1 July	164,391	93,815
Capital contribution	8,257	2,087
Total comprehensive revenue and expense for the year	(14,360)	(3,685)
Repayment of grants interest – MoE	(2,427)	(1,863)
Capital withdrawal (Balance Sheet Mechanism)	(62,046)	-
Balance at 30 June	93,815	90,354

Forecast Statement of Cash Flows

For the year ended 30 June

	2025 Forecast \$000	2026 Budget \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Grants – MoE	3,687,763	3,719,323
Grants – prior year recoveries	180	120
Grants – Pre-purchased English Language Tuition	6,212	3,930
Operating – MoE	69,411	66,806
Operating – Pre-purchased English Language Tuition	549	272
Operating – other	3,098	476
	3,767,213	3,790,927
<i>Cash was applied to:</i>		
Grants payments	(3,687,030)	(3,716,923)
Payments to employees	(45,978)	(45,358)
Other operating payments	(20,491)	(23,995)
GST – net	(2,244)	219
	(3,755,743)	(3,786,057)
Net cash flows from operating activities	11,470	4,870
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Interest – grants	2,427	1,863
Interest – operating	2,706	2,352
	5,133	4,215
<i>Cash was applied to:</i>		
Purchase of intangible assets	(10,392)	(1,823)
Purchase of property, plant and equipment	(148)	(500)
	(10,540)	(2,323)
Net cash flows from investing activities	(5,407)	1,892

Forecast Statement of Cash Flows (continued)

For the year ended 30 June

	2025 Forecast \$000	2026 Budget \$000
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Capital contribution – MoE	8,257	2,087
<i>Cash was applied to:</i>		
Repayment of grants funding – MoE	2,940	(10,878)
Net cash flows from financing activities	11,197	(8,791)
Net increase/(decrease) in cash and cash equivalents	17,260	(2,029)
Cash and cash equivalents at 1 July	74,550	91,810
Cash and cash equivalents at 30 June	91,810	89,781
Total comprehensive revenue and expense	(14,360)	(3,685)
Add non-cash items – depreciation and amortisation	6,766	7,559
Add non-cash items - loss on disposal of property, plant and equipment	18	-
Add net movements in working capital	24,179	5,211
Deduct interest income classified as investing activities	(5,133)	(4,215)
Net cash flows from operating activities	11,470	4,870

Forecast Movement of Intangible Assets

For the year ended 30 June

2025

	Acquired software \$000	Internally generated software \$000	Work in progress (acquired) \$000	Work in progress (internal) \$000	Total \$000
Carrying amount at 1 July	-	19,121	-	10,365	29,486
Capitalisations	-	12,208	-	(12,208)	-
Amortisation and impairments	-	(5,590)	-	-	(5,590)
Additions	-	-	-	10,392	10,392
Carrying amount at 30 June	-	25,739	-	8,549	34,288
Cost	1,887	59,088	-	8,549	69,524
Accumulated amortisation	(1,887)	(33,349)	-	-	(35,236)
Carrying amount at 30 June	-	25,739	-	8,549	34,288

2026

	Acquired software \$000	Internally generated software \$000	Work in progress (acquired) \$000	Work in progress (internal) \$000	Total \$000
Carrying amount at 1 July	-	25,739	-	8,549	34,288
Capitalisations	-	10,372	-	(10,372)	-
Amortisation and impairments	-	(6,391)	-	-	(6,391)
Additions	-	-	-	1,823	1,823
Carrying amount at 30 June	-	29,720	-	-	29,720
Cost	1,887	69,460	-	-	71,347
Accumulated amortisation	(1,887)	(39,740)	-	-	(41,627)
Carrying amount at 30 June	-	29,720	-	-	29,720

Forecast Movement of Property, Plant and Equipment

For the year ended 30 June

2025

	Leasehold improvements \$000	Computer equipment \$000	Office equipment \$000	Furniture and fittings \$000	Total \$000
Carrying amount at 1 July	1,182	1,349	-	487	3,018
Depreciation and impairments	(407)	(678)	-	(91)	(1,176)
Additions	-	148	-	-	148
Disposals	-	(14)	-	(4)	(18)
Carrying amount at 30 June	775	805	-	392	1,972
Cost	4,328	2,783	18	913	8,042
Accumulated depreciation	(3,553)	(1,978)	(18)	(521)	(6,070)
Carrying amount at 30 June	775	805	-	392	1,972

2026

	Leasehold improvements \$000	Computer equipment \$000	Office equipment \$000	Furniture and fittings \$000	Total \$000
Carrying amount at 1 July	775	805	-	392	1,972
Depreciation and impairments	(392)	(684)	-	(92)	(1,168)
Additions	-	500	-	-	500
Carrying amount at 30 June	383	621	-	300	1,304
Cost	4,328	3,283	18	913	8,542
Accumulated depreciation	(3,945)	(2,662)	(18)	(613)	(7,238)
Carrying amount at 30 June	383	621	-	300	1,304

Forecast Operational Revenue from the Crown and Planned Expense

For the year ended

	2025 Forecast \$000	2026 Budget \$000	Related measure page number
REVENUE			
Vote Tertiary Education:			
Non-Departmental Output Expenses			
Administration of and Support for the Tertiary Education and Careers Systems			16
Tertiary Education Commission	69,411	66,806	
Māori Education Trust (Ministry of Education administered)	109	109	
Additional revenue – Tertiary Education Commission			
Contract – Pre-purchased English Language Tuition	327	279	
Interest	2,522	2,352	
Other revenue	2,965	1,481	
Total revenue	75,334	71,027	
EXPENSE			
Administration of and Support for the Tertiary Education and Careers Systems			16
Tertiary Education Commission	74,387	76,586	
Māori Education Trust (Ministry of Education administered)	109	109	
Total expense	74,496	76,695	
Operating surplus/(deficit)	838	(5,668)	

Forecast Operating Crown Capital Contributions and Planned Expense

For the year ended

	2025 Forecast \$000	2026 Budget \$000	Related measure page number
CAPITAL CONTRIBUTION			
Vote Tertiary Education:			
Non-Departmental Capital Expenditure			
Vocational Educational Data System	5,000	-	
Tertiary Education Commission – Final-year Fees Free	3,257	2,087	21
Total capital contribution	8,257	2,087	
EXPENSE			
Vocational Educational Data System	5,965	-	
Tertiary Education Commission – Final-year Fees Free	3,666	1,525	21
Total expense	9,631	1,525	
Under/(over) spend	(1,374)	562	

Forecast Grants Revenue from the Crown and Grants Planned Expense

For the year ended 30 June

	2025 Forecast \$000	2026 Budget \$000	Related measure page number
REVENUE			
Vote Tertiary Education:			
Non-Departmental Output Expenses			
Centres of Research Excellence	49,800	49,800	23
Industry Standards-Setting Functions	-	25,000	23
Strategic Support for National and Regional Priorities	38,691	-	
Support for Wānanga	24,000	24,000	24
Tertiary Education Research and Research-Based Teaching	315,000	315,000	24
Tertiary Sector / Industry Collaboration Projects	8,789	8,937	25
Workforce Development Councils	65,000	15,000	
Benefits and Other Unrequited Expenses			
Tertiary Scholarships and Awards (TEC administered)	15,021	14,804	25
Tertiary Scholarships and Awards (MoE administered)	5,827	2,138	
Non-Departmental Other Expenses			
Fees-free Payments	148,078	-	
Multi-Category Expenses and Capital Expenditure			
Tertiary Tuition and Training multi-category appropriation (MCA)			26
Access to and Success in Tertiary Education	99,352	97,398	27
Foundation and Community Education	312,043	321,996	28
Qualification Delivery (TEC administered)	2,711,211	2,808,930	29
Qualification Delivery (MoE administered)	215	300	
Vote Education:			
Multi-Category Expenses and Capital Expenditure			
Primary and Secondary Education MCA			
Secondary Education	34,123	34,650	31
Total revenue	3,827,150	3,717,953	

Forecast Grants Revenue from the Crown and Grants Planned Expense (continued)

For the year ended 30 June

	2025 Forecast \$000	2026 Budget \$000	Related measure page number
EXPENSE			
Vote Tertiary Education:			
Non-Departmental Output Expenses			
Centres of Research Excellence	49,800	49,800	23
Industry Standards-Setting Functions	-	25,000	23
Strategic Support for National and Regional Priorities	38,691	-	
Support for Wānanga	24,000	24,000	24
Tertiary Education Research and Research-Based Teaching	315,000	315,000	24
Tertiary Sector / Industry Collaboration Projects	8,789	8,937	25
Workforce Development Councils	65,000	15,000	
Benefits and Other Unrequited Expenses			
Tertiary Scholarships and Awards (TEC administered)	15,021	14,804	25
Tertiary Scholarships and Awards (MoE administered)	5,827	2,138	
Non-Departmental Other Expenses			
Fees-free Payments	148,078	-	
Multi-Category Expenses and Capital Expenditure			
Tertiary Tuition and Training multi-category appropriation (MCA)			26
Access to and Success in Tertiary Education	97,202	97,398	27
Foundation and Community Education	320,995	321,996	28
Qualification Delivery (TEC administered)	2,722,214	2,808,930	29
Qualification Delivery (MoE administered)	215	300	
Vote Education:			
Multi-Category Expenses and Capital Expenditure			
Primary and Secondary Education MCA			
Secondary Education	34,123	34,650	31
Total expense	3,844,955	3,717,953	
Grants appropriations surplus/(deficit)	(17,805)	-	
TEC administered appropriation revenue	3,821,108	3,715,515	
Interest	2,427	1,863	
Prior year items	180	120	
Total TEC grants revenue	3,823,715	3,717,498	
Total TEC administered grants expense	3,838,913	3,715,515	
TEC grants surplus/(deficit)	(15,198)	1,983	

Statement of accounting policies

Reporting entity

We are a Crown entity as defined by the Crown Entities Act 2004, established on 1 January 2003 pursuant to section 159C of the Education Act 1989 (now section 401 of the Education and Training Act 2020). We are based in New Zealand and our ultimate parent is the New Zealand Crown.

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

Basis of preparation

Statement of compliance

The forecast financial statements have been prepared in accordance with the Education and Training Act 2020 and Crown Entities Act 2004, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The forecast financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with Tier 1 PBE standards. Specifically, they comply with PBE Financial Reporting Standard (FRS) 42 Prospective Financial Statements.

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

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

Please note that these forecast financial statements contain no actual results. Actual results achieved are likely to vary from the

forecast information and the variation may be material (see Statement of Significant Assumptions underlying the Forecast Financial Statements on page 32 for further information).

Presentation currency and rounding

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

Summary of significant accounting policies

Revenue

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

Revenue from Crown

We are primarily funded from the Crown. This funding is restricted in its use for the purpose of us meeting our performance measures as specified in the interim Statement of Intent 2025/26 and this Statement of Performance Expectations 2025/26. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period it relates to.

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

Contract – Pre-purchased English Language Tuition

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

Interest – grants

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

Interest – operating

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

Grants expenses

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

Personnel costs

Superannuation schemes – defined contribution schemes

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

Operating leases

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

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

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

Capital charge

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

Goods and services tax (GST)

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

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

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

Payables

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

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

- › Where we have committed to provide funding based on a multi-year contract, we recognise commitments for a further 12 months. Our contracts with tertiary education organisations state our ability to provide funding depends on the Government continuing to appropriate sufficient funding for us to fund the tertiary education organisation. At 30 June 2025, our funding has only been confirmed up until 30 June 2026.
- › Where we have committed to provide funding to tertiary education organisations to the end of the current calendar year, we recognise commitments up to then.

Exceptions are as follows:

- › Volume-based funding: most of our funding is paid based on the number of valid student enrolments. We obtain the number of students enrolled in courses at each tertiary education

organisation as at 30 June and compare this to what we have funded the tertiary education organisation for to 30 June. We record an asset or liability based on these student numbers and whether the funding we provided to the tertiary education organisation is higher or lower than what they are entitled to.

- › Deliverable-based funding: some of our funding is paid once a tertiary education organisation completes a piece of research or meets a milestone. We do not record a liability unless the tertiary education organisation has met the milestone at 30 June.

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

Receivables

Receivables are initially measured at face value and then adjusted for amounts not considered recoverable.

Short-term receivables are recorded at the amount due, less any allowance for expected credit losses (ECL).

We have applied the simplified ECL model of recognising lifetime ECL for short-term receivables. The model of expected credit loss is based on the age of individual accounts receivable past due date of receipt, drawing on credit loss history, relationship with TEC and communications with the individual. Most receivables are not past due.

We have a large tertiary grants payable. The Ministry of Education (MoE) acknowledged through a June 2016 Memorandum of Understanding that we would record a receivable from it equal to the amount of our payable.

We also have a grants Balance Sheet Mechanism receivable from the MoE. It is funded from underspends in the Tertiary Tuition and Training multi-category appropriation. This helps us manage cost pressures within and across financial years.

Cash and cash equivalents

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

Intangible assets

Software acquisition and development

Computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software, so long as they are not considered a Software-as-a-Service (SaaS) arrangement.

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

Computer software is the major class of intangible assets. Its useful life ranges from three to eight years and its associated amortisation rate ranges from 12.5 percent to 33 percent straight line.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing us with the right to access the cloud provider's application software over the contract period. As such we do not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give us the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

We recognise all costs associated with SaaS arrangements as an expense as the service is received.

Impairment of intangible assets and property, plant and equipment

Cash-generating assets

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

Non-cash-generating assets

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

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

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

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

Property, plant and equipment

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

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

Additions

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

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

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

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

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

Disposals

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

Depreciation

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

Class	Useful life	Depreciation rate
Leasehold improvements	Life of lease	
Computer equipment	2.4–5 years	20–40% straight line
Office equipment	5 years	20% straight line
Furniture and fittings	10 years	10% straight line

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

Employee entitlements

Current employee entitlements

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

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

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

Non-current employee entitlements

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

The calculations are based on:

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

Presentation of employee entitlements

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

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

Provision for lease

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

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

Lease incentives

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

We lease five floors at 44 The Terrace, Wellington.

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

We have also received a \$34,000 incentive for our Auckland office in November 2019.

Lease make-good provisions

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

We lease five floors at 44 The Terrace, Wellington. At the expiry of the lease term, we are required to make good any damage caused and remove any installed fixtures and fittings. The cost is based on the market value of replacement items as specified in the lease agreements. We estimate this to be \$158,000.

Onerous contracts

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

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

Repayment of grants funding – Ministry of Education

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

Equity

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

Capital management

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

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

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

Income tax

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

Critical accounting estimates and assumptions

In preparing these forecast financial statements we have made estimates and assumptions concerning the future (see Statement of Significant Assumptions underlying the Forecast Financial Statements on page 32 for further information).

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

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

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

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

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

In our assessment of useful lives of intangible assets and property, plant and equipment, we did not note any changes in useful life that had an effect on expected amortisation expenses in future years.

Measuring retirement and long-service leave obligations

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

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

Critical judgements in applying accounting policies

Lease's classification

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

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

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

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

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