



**Tertiary
Education
Commission**
Te Amorangi
Mātauranga Matua



Annual Report

for the year ended 30 June 2016

New Zealand Government



Who we are

The Tertiary Education Commission

We invest in tertiary education so that New Zealanders are equipped with the knowledge and skills needed for lifelong success. Our role is to:



Invest government funding through Investment Plans and contracts with tertiary education organisations



Provide information and advice to the Government about tertiary education organisations and the tertiary education sector



Monitor and manage the performance of tertiary education organisations

What we achieved in 2015/16

1 Increased proportion of the population with a tertiary qualification

- › 4 percentage point increase in Youth Guarantee qualification completion rates, now at 64%
- › Over 100,000 learners supported through our Literacy and Numeracy Assessment Tool
- › 2,070 employer-led funded places for learners to improve their literacy and numeracy in the work place in 2016 (up from 1,114 in 2015)
- › 2.1 percentage point increase in the proportion of 18-year olds who have achieved National Certificate of Educational Achievement level 2 or an equivalent qualification, now at 83.3% (Better Public Services target 5)

2 High-quality and more relevant research

- › 10 Centres of Research Excellence funded through to 2020





What we did



* Includes other tertiary education providers, adult and community education providers, government training establishments, and secondary schools.

3 | A tertiary system that is more responsive to the needs of employers and learners

- › 1,911 learners in Māori and Pasifika Trades Training Programme (up from 1,189 in 2014)
- › 9,094 priority engineering equivalent full-time students (up from 8,615 in 2014)
- › We have invested in three new Information, Communication and Technology graduate schools in Auckland, Wellington and Christchurch
- › Increased industry training completions
 - 4 percentage point increase in credit completion rates (now at 80%)
 - 3 percentage point increase in qualification completion rates (now at 75%)

4 | Increased internal organisational capability

- › Our employee engagement index score has risen from 67% in 2014 to 73% in 2016. We are above the 2016 State sector average of 67.5%
- › We lifted our cultural capability through our Whakapakari programme. This extended our people's knowledge about what works for Māori learners in tertiary and industry settings



The Tertiary Education Commission Annual Report for the year ended 30 June 2016

This Annual Report provides information to enable our stakeholders to assess the operations and performance of the Tertiary Education Commission (the TEC).

The report covers what we set out to do, what we have done and how we have contributed to the strategic priorities and targets set by the Government. We report on progress against our *Statement of Intent 2015/16-2018/19* impacts and the performance measures in our *Statement of Performance Expectations 2015/16*.

Cover photo and section break photos on pages 13, 48 and 75 were taken for the TEC by Colin McDiarmid at tertiary education organisations in the Wellington region.

The section break photo on page 33 was taken by Colin McDiarmid at a TEC staff meeting.



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Chair's Foreword



This Annual Report provides an overview of what the Tertiary Education Commission (the TEC) achieved during 2015/16. It also sets out how we have contributed to delivering on the *Tertiary Education Strategy 2014-2019*, the Better Public Services targets and the Business Growth Agenda.

This was the first year we delivered against the strategic intentions set out in our *Statement of Intent 2015/16-2018/19*. Our focus on our investment approach is a critical component of our strategy. We want to achieve better value for New Zealanders from our investment in tertiary education.

This year we focused on improvements to the flexibility of our funding mechanisms so we can be more responsive to the needs of learners. This includes changing the rules so that providers receive funding for increased delivery in specific areas. Our next area of focus is on developing a more self-managing tertiary education system. To do this we will set clearer performance expectations for providers that focus on improving outcomes for learners. This is supported by the interactive information products we have developed and will launch to the sector in late 2016. We are also working on how these increased performance expectations will inform the next investment plan process in 2019.

Our focus on building partnerships has helped us to respond to the evolving landscape of tertiary education. These changes include an increasingly global market for graduates' skills and qualifications and new and 'disruptive' technologies. Tertiary education providers also need to develop innovative approaches to tertiary provision that meet the preferences of business, industry and learners.

The development of three Information and Communication Technology (ICT) Graduate Schools are excellent examples of our commitment to responding to the changing needs of employers and learners. Through the new Graduate Schools learners are able to access industry-focused education that connects tertiary education providers with high-quality local employers. We've made progress bringing employers, providers and learners together to increase the numbers studying engineering. Our 'Make the World Campaign', launched in 2016, has started to engage learners in the opportunities that exist through studying engineering. We expect that this will start to have an impact on the number of learners studying engineering over the coming years.

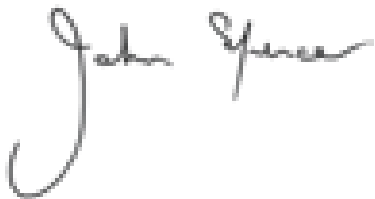
Another core component of our strategy is to create the right conditions for all to aspire to and succeed in tertiary education. Raising the achievement of Māori and Pasifika is critical to New Zealand's social, cultural and economic success. Through our Māori and Pasifika strategies we are applying innovative approaches to enable Māori and Pasifika learners to achieve tertiary qualifications.

This year we developed the four long-term actions to increase participation and achievement rates for Māori learners through *Tū Māia e te Akonga*. In the 2016/17 year we started to implement these four actions. This includes supporting tertiary providers and schools to work closer together to equip Māori learners with high-quality information, advice and support. I expect that our work in this area will lead to long-term improvements in tertiary education participation and achievement for Māori.

For tertiary education to have the biggest impact on New Zealand, we want New Zealanders to make the most informed decisions possible about their tertiary education investment. During the year we made great progress on developing a 'Key Information Set' that will be published on tertiary education organisations' websites. This will give learners access to better information about their investment in tertiary education. It will be launched in late 2016.

The proposed transfer of Careers New Zealand's functions to the TEC over the coming year provides an opportunity for us to further improve young peoples' transitions from school to tertiary study and employment. We are excited about the opportunities the merger affords us. We are working closely with Careers New Zealand to ensure a smooth and successful transfer process.

We are enthusiastic about the opportunities that lie ahead for the TEC. We look forward to working even more closely with tertiary education organisations, employers and our Government partners. Together, we can ensure New Zealanders are equipped with the knowledge and skills they need for lifelong success.



John Spencer

Chair, Tertiary Education Commission

18 OCTOBER 2016



Chief Executive's Message



As the Government's primary investor in the New Zealand tertiary education system we invest approximately \$2.8 billion into the tertiary education system. Our investments continue to contribute towards New Zealanders developing the knowledge and skills needed for lifelong success.

The 2015/16 year was another positive year of progress for the Tertiary Education Commission and the tertiary education system. Our investments in the tertiary education system contribute to better social, economic and cultural outcomes for more New Zealanders.

Over the year we continued to focus on delivering our business strategy. This supports an increased proportion of the population to gain a tertiary qualification, helps to create a tertiary system that is more responsive to the needs of employers and learners and enables higher-quality and more relevant research.

We had a successful year, during which we:

- › continued our focus on achieving better value for learners, the society and economy through our investment approach work programme. We made significant progress with our six 'quick wins' projects to enhance the investment process for the 2017-18 funding round
- › laid the foundations to equip tertiary education organisations with better information for prospective learners. This will enable learners to make informed decisions about their tertiary investment decisions and the outcomes that can be achieved
- › sought to improve the links between learners, tertiary education providers, and employers. We worked with employers and providers to introduce three new ICT Graduate Schools and improve the numbers of learners studying engineering
- › worked with our government partners in the education system to jointly address the key areas where we see the most need for a collaborative approach. This will support the education system to collectively make a bigger impact on improving learner outcomes
- › won the 2016 IPANZ *Excellence in Achieving Collective Impact* award. This award recognised our partnership with the Ministry of Education on the Youth Guarantee Trades Academy programme.

During the year I have been encouraged by the results of two surveys that gauged the experience of our customers and our staff. It's good to see that tertiary education organisations continued to find us easier to do business with and that we are improving the way we engage with them. This shows that our customers are experiencing the positive changes we have made to the way we operate, including more efficient and business-friendly processes. We have a considerable way to go to reach the level of service that we aspire to. We will continue to engage with our partners and providers to guide us on what is important for them and how we can meet their expectations.

I've also seen employee engagement continue to rise. Our employee engagement index now sits at 73 percent, up from 67 percent in 2014. This has cemented our place as one of the better performing State sector agencies. More importantly, it shows that the investment we have made in our people under our Mā Tātou, Mō Tātou people plan, is making a difference.

In 2015/16 we have continued to bolster our monitoring activities, with increased audit capacity and use of pattern recognition software. We continue to take a robust and comprehensive approach to monitoring tertiary education organisation funding conditions.

We know that there is still work to be done. We believe that stronger staff engagement leads to a better customer experience. Over the coming year, we will continue our focus on improving our systems and processes to ensure we provide the best possible experience for our customers. Similarly, we will keep building our workforce capability as this underpins our ability to deliver on our investment approach, to partner for success and to champion aspiration.

As we look ahead we will continue to deliver our strategy and continue our improvement journey that will contribute to a better tertiary education system.



Tim Fowler

Chief Executive, Tertiary Education Commission

18 OCTOBER 2016



Who we are and what we do

Each year we invest approximately \$2.8 billion in tertiary education so that New Zealanders are equipped with the knowledge and skills needed for lifelong success. Our investments are shaped by the priorities set out in the *Tertiary Education Strategy 2014-2019*.

Our role

Our role is to:

- › **invest government funding**, through Investment Plans and contracts with tertiary education providers
- › **provide information and advice** to the Government (including monitoring advice) about tertiary education organisations and the tertiary education sector
- › **monitor and manage** the performance of tertiary education organisations.

We invest in all forms of post-secondary school education and training, including foundation education, adult and community education, and research. We also fund programmes that link schools with tertiary education, such as Gateway and Trades Academies.

Tertiary education organisations include:

- › 8 universities
- › 16 institutes of technology and polytechnics
- › 3 wānanga
- › 235 TEC-funded private training establishments
- › 11 industry training organisations
- › over 400 other organisations, including adult and community education providers, government training establishments and secondary schools.

The tertiary education institutions – universities, institutes of technology and polytechnics and wānanga – are Crown entities and we monitor them on behalf of the Crown.

As a Crown entity we are jointly monitored by the Ministry of Education and the Ministry of Business, Innovation and Employment. This arrangement reflects our role in contributing to both education and the economy.

Our expectations of tertiary education organisations

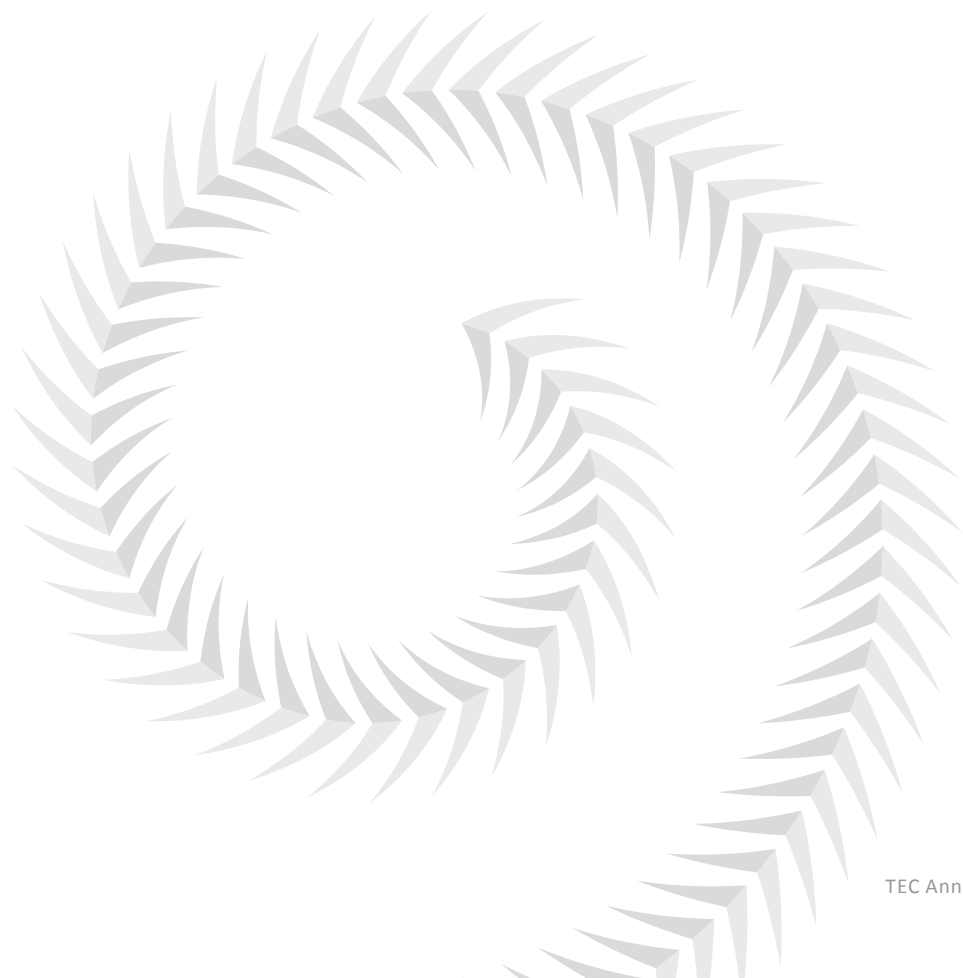
Through the Investment Plan process we require tertiary education organisations to set performance commitments that show how they will respond to the Government's priorities in return for Government investment.

An Investment Plan is an accountability document that sets out how each tertiary education organisation will respond to the Government's priorities. It also sets out their proposed contributions to national outcomes, as expressed in the *Tertiary Education Strategy 2014-2019* and our Plan Guidance.

The Plan-based investment process begins with our publication of Plan Guidance, which outlines our expectations of tertiary education organisations. Through engaging with tertiary education organisations and approving their Investment Plans, we seek to shift funding to higher-performing tertiary education organisations. This ensures that adequate investment occurs in high-priority areas.

In our Plan Guidance for 2015 and 2016 Investment Plans, we asked that tertiary education organisations:

- › outline their performance stories, including:
 - their mission and distinctive role within the tertiary education system
 - their strategic direction, including intended outcomes and the activities and outputs that will contribute to these
 - how they will measure success.
- › explain how they intend to respond in the coming three years to each of the Government's six priorities in the *Tertiary Education Strategy 2014-2019*.



Our strategic context

The Tertiary Education Strategy

Our strategic direction is underpinned by the *Tertiary Education Strategy 2014-2019*. This strategy sets out the Government's current to long-term strategic priorities for tertiary education.

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

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

We work towards implementing wider government commitments that complement the priorities set out in the *Tertiary Education Strategy 2014-2019*.

The Business Growth Agenda

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

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

Better Public Services

To sharpen the public sector's focus on high-quality delivery, the Government has set Better Public Services targets.

For tertiary education the priority is to boost skills and employment by lifting educational achievement. We contribute towards these two targets:

- › by 2017, 85 percent of 18-year-olds will have achieved a National Certificate of Educational Achievement level 2 or an equivalent qualification
- › by 2018, 60 percent of 25- to 34-year-olds will have a qualification at level 4 and above on the New Zealand Qualifications Framework.

Supporting Māori and Pasifika participation and achievement

Supporting Māori and Pasifika participation and achievement is a key priority for the Government. We want Māori and Pasifika learners to participate and achieve at all levels of tertiary education, on par with their peers. This will ensure they can take advantage of future employment opportunities and contribute to a vibrant New Zealand economy.

Tū Māia e te Akonga is our action plan that outlines the initiatives we will undertake to implement the Ministry of Education's:

- › Māori Education Strategy: *Ka Hikitia Accelerating Success 2013-17*
- › Tau Mai Te Reo – *The Māori Language in Education Strategy 2013-2017*.

Our *Pasifika Framework 2013-2017* is our contribution to implementing the Ministry of Education's *Pasifika Education Plan 2013-17*.

International Education Priorities

The *Leadership Statement for International Education* sets out the Government's policy objectives and goals for international education. These goals include doubling the annual value of New Zealand's international education services to \$5 billion by 2025.

Our role is to encourage tertiary education organisations to grow their international revenue.

The TEC strategy

Our strategic context informs the TEC strategy. We've developed a strategy that focuses on three key pillars:

- › **Champion aspiration** – by promoting the value of tertiary education and success within it
- › **Build partnerships** – to better leverage our role and to support the sector
- › **An investment approach** – to refocus the way we invest across the sector to ensure a better return and greater impact.

The foundations for achieving our aims are:

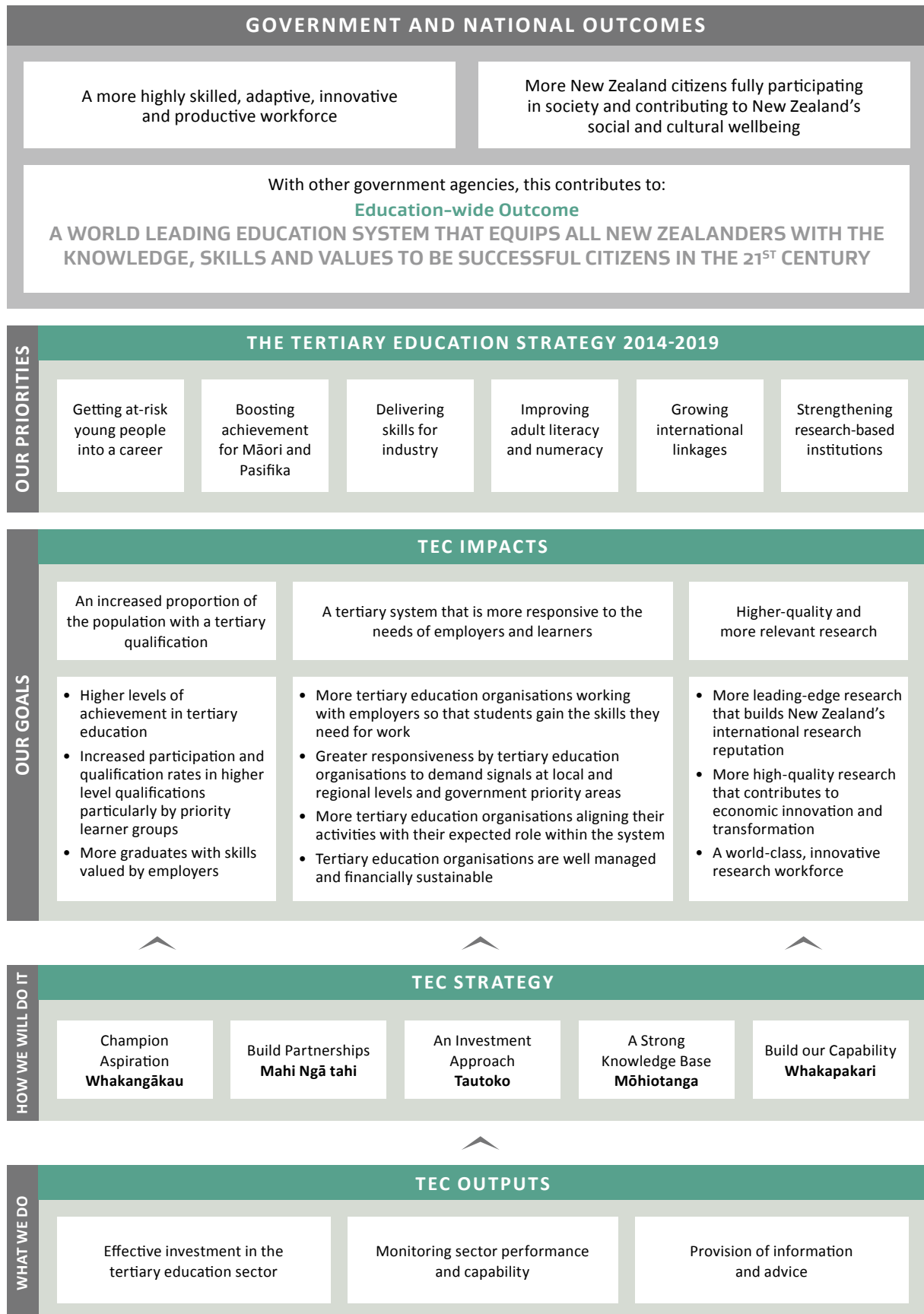
- › **A strong knowledge base** – so we have the right tools and information to guide smart investment decisions and help learners make the right choices about their tertiary education
- › **Internal capability** – attracting, retaining and growing great people will help us deliver our strategy.

The Tertiary Education System

We can't deliver our strategic objectives alone. We work with the Ministry of Education and our partner education sector agencies to support tertiary education organisations to create a world-leading tertiary education system.

We also work closely with the Ministry of Business, Innovation and Employment. Together we ensure the tertiary education system meets industry demand and delivers the skills and knowledge that contribute to economic growth.

Our Performance Framework





Delivering on our strategy

An increased proportion of the population with a tertiary qualification

Tertiary education drives better economic, social, cultural and environmental outcomes for all New Zealanders.

Tertiary education provides learners with the knowledge and skills they need for lifelong success. Increasing the proportion of the population with a tertiary qualification is vital to ensuring New Zealand's future social and economic prosperity.



Tertiary education provides learners with the knowledge and skills they need for lifelong success

Our focus and priorities

We have focused our efforts on delivering:

- › more graduates with the skills valued by employers
- › higher levels of educational achievement
- › increased participation and completion rates in higher-level qualifications, particularly by priority learner groups.

These focus areas are aimed at supporting Better Public Services targets and four of the priorities in the *Tertiary Education Strategy 2014-2019 (TES)*:

- › Increasing the proportion of 18-year-olds who have achieved National Certificate of Educational Achievement level 2 or an equivalent qualification (Better Public Services)
- › Increasing the proportion of 25- to 34-year-olds who have a qualification at New Zealand Qualifications Framework level 4 or above (Better Public Services)
- › Delivering skills for industry (TES Priority 1)
- › Getting at-risk young people into a career (TES Priority 2)
- › Boosting achievement of Māori and Pasifika (TES Priority 3)
- › Improving adult literacy and numeracy (TES Priority 4).

Our achievements

Targeting *Tertiary Education Strategy 2014-2019* priority learners

Over the last year our investments have supported opportunities for all learners to progress to higher levels of educational achievement. We've focused on ensuring learners under 25 years old, and those who need to boost their literacy and numeracy skills, have access to the right tools and training opportunities. We also had a specific emphasis on raising the participation and achievement of Māori and Pasifika learners.

Investing in New Zealanders' literacy and numeracy skills

We have a significant opportunity to improve New Zealand's literacy and numeracy skills. Over the past year we've invested in tertiary education organisations and employers that are committed to boosting adult literacy and numeracy.

The Organisation for Economic Cooperation and Development's 2015 Survey of Adult Skills found that New Zealand's literacy and numeracy skill levels have generally increased over the past two decades. However, we continue to have a relatively large proportion of adults with poor literacy and numeracy skills.

Underpinning our investments in adult literacy and numeracy is our refreshed *Literacy and Numeracy Implementation Strategy*. The refreshed Strategy was published in November 2015.

We've made a solid start delivering on this Strategy. By raising the profile of adult literacy and numeracy through our Skills Highway programme, we've increased demand for the employer-led strand of the Workplace Literacy and Numeracy Fund. From 2015 to 2016 the number of employer-led funded places for learners to improve their literacy and numeracy in the workplace grew from 1,114 to 2,079. We've also made it easier to access the Fund by streamlining application forms and processes to encourage more workplaces to invest in their employees' skills.

Making an impact through Workplace Literacy and Numeracy

The workplace is critical for enabling more adults to improve their literacy and numeracy skills. Research into our Workplace Literacy and Numeracy-funded training shows a number of positive outcomes including:

- › greater employee confidence, leading to better workplace communication and participation
- › business outcomes such as increased employee proficiency and productivity
- › improved health and safety reporting
- › enhanced family and whānau wellbeing.

Sanford – New Zealand's largest fishing and aquaculture business – achieved benefits from its workplace literacy programme in Timaru. Sanford's 'Keeping it Fresh' programme focused on communicating and problem-solving about health and safety and the results have paid off. Employees enjoyed the course and now feel more confident.

"My mind went boom! I got into the rhythm. It was the stuff we didn't learn at school. Good things."

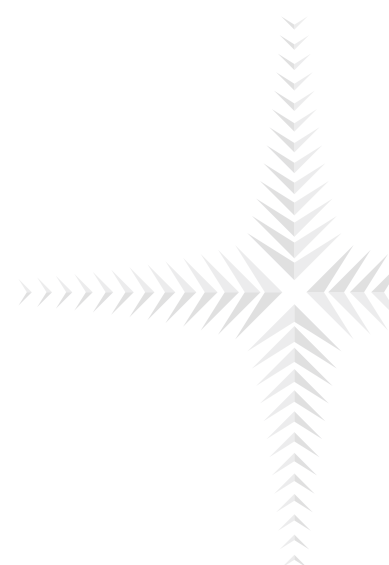
(Sanford 'Keeping it Fresh' programme participant)

"Guys are grabbing me and talking to me about stuff! Everyone wins and can do more when they understand what they are doing and their role in the team."

(Sanford Timaru Site Manager)



We have a significant opportunity to improve New Zealand's literacy and numeracy skills



We've also seen positive outcomes from our investments in literacy and numeracy diagnostic tools. Through our Literacy and Numeracy Assessment Tool, teaching staff have supported over 100,000 learners to sit more than 250,000 assessments. Research undertaken by Business and Economic Research Limited (BERL) in 2015 and 2016 showed that usage of our Literacy and Numeracy Assessment Tool increased the likelihood of:

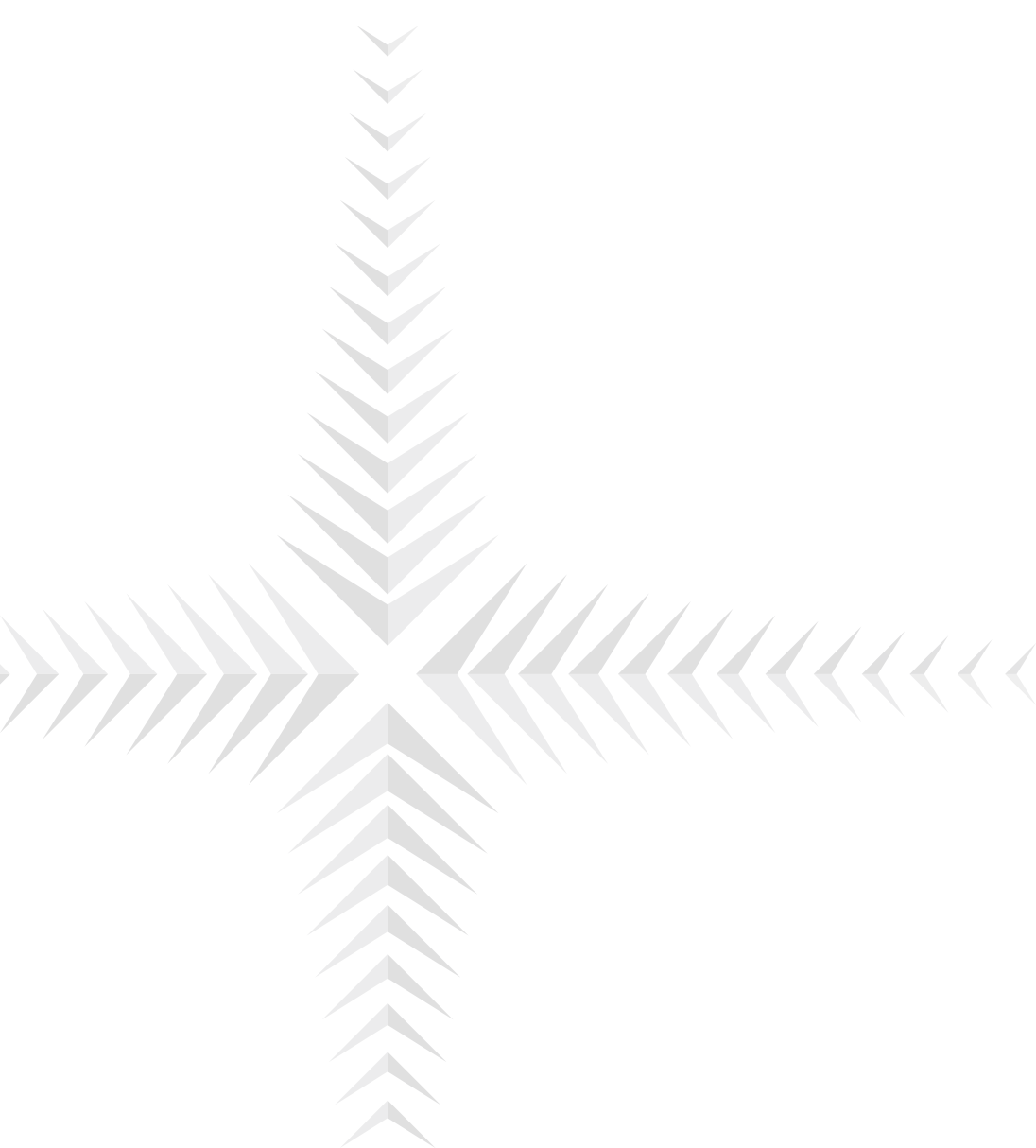
- › Youth Guarantee course completion by 31-36 percentage points (Māori Youth Guarantee learners had a 39 percentage point increase)
- › Student Achievement Component levels 1 and 2 course completion by 13-14 percentage points.

We are developing new online interactive resources and videos to help educators learn about good practice without needing face-to-face workshops. These resources will support educators to keep embedding literacy and numeracy into their existing teaching.

Boosting the achievement of Māori and Pasifika learners

Māori and Pasifika learners are critical to New Zealand's future success. Although we've continued to see improvements in Māori and Pasifika participation and achievement, we know there is still work to be done.

Tū Māia e te Akonga and our *Pasifika Framework 2013-2017* guide our work for improving the tertiary system's performance for Māori and Pasifika learners.



Tū Māia e te Akonga – our action plan to raise Māori learner participation and achievement in tertiary education

Our Board approved our *Tū Māia e te Akonga* action plan in October 2015. *Tū Māia e te Akonga* focuses on four work areas:

1. We are improving pathways into tertiary education for Māori learners through our **Collective Action on Pathways** workstream. Through supporting tertiary providers and schools to work closer together, we will equip Māori learners with high-quality information, advice and support. This will lead to better National Certificate of Educational Achievement subject choices, tertiary study decisions and progress into successful careers.
2. The **Kura to Career Pilot**, based in Waikato, brings together local tertiary providers, schools and community to develop new approaches to pastoral care and support to deliver greater success for Māori learners.
3. We are working with the sector to develop a Quality Educator action plan that will improve education delivery to Māori learners. Through more effective teaching practices and professional development we will deliver increasing numbers of quality educators of Māori learners. This will lift Māori learner achievement.
4. By **strengthening our focus on Māori learners** we are bringing together work programmes under the *Tū Māia* banner. This ensures our day-to-day work contributes to Māori learner success. To achieve this we are:
 - making better use of data and information through our new business intelligence tool
 - supporting tertiary education organisations to use the Māori Assessment Framework when developing their Investment Plans
 - progressing our *Championing Aspirations* work programme
 - continuing to invest in the Māori and Pasifika Trades Training programme.



We are improving pathways into tertiary education for Māori learners

Auckland is a key focus of our *Pasifika Framework 2013-2017*. South Auckland is a youthful part of Auckland where the level of tertiary education attainment is low. We've focused our efforts on providing better information about tertiary education pathways and study options to our stakeholders in South Auckland. This will help Pasifika learners and their families make better study decisions, and support more Pasifika learners to progress into tertiary education that has good employment outcomes.

We've also ramped up use of our new business intelligence tools. This has:

- › supported our review of tertiary investment in South Auckland
- › enabled better conversations with tertiary education organisations that have high Pasifika enrolment.

This initiated more challenging performance commitments for Pasifika achievement in tertiary education organisations' Investment Plans. Over time, we will see improved Pasifika achievement rates at all levels of tertiary education.



Youth Guarantee aims to support more at-risk youth into tertiary education and onto employment

For some learners the pathway to achieving higher levels of educational achievement needs to start with foundation-level qualifications.

Youth Guarantee aims to support more at-risk youth into tertiary education and onto employment. The programme provides fees-free tertiary places for learners who are 16 to 19 years old.

Youth Guarantee learners study towards National Certificate of Educational Achievement levels 1-2 or other qualifications at levels 1-3 on the New Zealand Qualifications Framework. Learners who complete these programmes can go onto further study or work.

In 2015 Youth Guarantee continued to be successful. Qualification completion rates increased from 60 percent in 2014 to 64 percent in 2015. This built on the increase from the previous year. In 2015 our providers delivered 9,376 equivalent full-time students under the Youth Guarantee fund.

Supporting informed learner decisions

Over the past year we've been developing two new online education information tools – the Key Information Set and Rate My Qualification. These tools will support learners with making decisions on their investment in tertiary education.

The two tools will be launched during 2016/17. The Key Information Set will be hosted on the websites of all tertiary education organisations, providing a set of consistent information for every TEC-funded qualification at level 5 and above. Rate My Qualification will provide learners with a richer picture of their likely educational experience and prospective outcomes.

The Key Information Set and Rate My Qualification are combining our knowledge assets with our information and technology. The tools will enhance the accessibility and availability of information to improve tertiary study decisions.

Partnering with tertiary education organisations and learners to provide better tertiary information

Deciding on what to study, and where, is often the biggest investment decision a young person will make. Having information that is easily accessible and consistent about available qualifications, as well as post-study feedback from graduates, will help young people choose the qualification that is right for them.

We've partnered with tertiary education organisations and learners in the development of our online education information tools.

As part of the Key Information Set pilot we've worked closely with nine tertiary education organisations and with Year 12 and 13 students. The feedback has been encouraging and the tool will add value to prospective tertiary students' decision-making when rolled out in the coming year.

"90% of learners [who took part in the pilot] agreed that they found it easy to identify the Key Information Set on tertiary education organisation websites." (Source: Key Information Set Pilot Evaluation, December 2015, Litmus.)

Measures of Progress

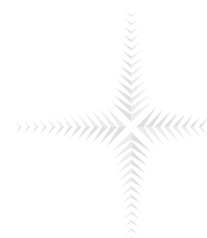
Measure	2013 Actual	2014 Actual	2015 Target	2015 Actual
Proportion of 18-year-olds with National Certificate of Educational Achievement level 2 or an equivalent qualification (Better Public Services Target)	78.6%	81.2%	82.3%	83.3%
Proportion of 25- to 34-year-olds with a qualification at level 4 and above on the New Zealand Qualifications Framework (NZQF) (Better Public Services Target) (Note 1)	53.4%	54.6% (annual average to December 2014)	56.1%	54.7% (annual average to December 2015)
Proportion of students with NZQF levels 1-3 progressing to study at higher levels within 2 years (Note 2)	36.7%	33.1%	37.3%	31.7%
Percentage of equivalent full-time students funded through Student Achievement Component fund that were Māori at NZQF level 4 and above (Note 3)	18%	18%	Increase	18%
Percentage of Student Achievement Component funded equivalent full-time students that were Pasifika at NZQF level 4 and above (Note 3)	9%	9%	Increase	9%
Percentage of equivalent full-time students under the age of 25 funded through Student Achievement Component fund at NZQF level 4 and above	63%	64%	Increase	64%
Proportion of graduates who are employed two years after completing a qualification at NZQF level 4 or above (Tertiary Education Strategy Priority 1) (Note 1)	57% (2010 graduates)	60% (2011 graduates)	Increase	Information not available until 2017
Earnings of graduates who are employed two years after completing a qualification at level 4 or above (Tertiary Education Strategy Priority 1) (Note 4)	\$40,955 (2010 graduates)	\$41,534 (2011 graduates)	Maintain or increase	Information not available until 2017

Note 1 – A significant influence on this result is net migration. Net migration is at a record high of 3.5 percent for 25-34-year-olds for the year to December 2015 (2.3 percent excluding international students). Results for the last two quarters show that the attainment rate is improving.

Note 2 – The decline in progression rate is likely to be related to the stronger labour market, with people choosing employment rather than further study. There is a similar pattern of decline going on for all groups within NZQF levels 1-3 students (i.e. by age group, gender, provider type and ethnicity). This decline in progression is also happening at other levels of study.



Performance measures



Note 3 – Results for both Māori and Pasifika participation are still not meeting expectations. This is owing to a number of reasons including a strong labour market. Our Tū Māia and Pasifika Strategies are implementing actions to ensure Māori and Pasifika learners aspire to and achieve in tertiary education at all levels. This includes setting clear expectations with providers on targets for Māori and Pasifika learners. It also includes providing Māori and Pasifika learners with high-quality information about their options for tertiary education.

Note 4 – The graduate results in this table are not official statistics. They have been created for research purposes by the Ministry of Education from the Integrated Data Infrastructure (IDI). This is managed by Statistics New Zealand. The opinions, findings, recommendations and conclusions expressed in this paper are those of the author, not Statistics New Zealand.



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

For the tertiary education system to meet the skills and research needs of the economy, it needs to be flexible and responsive.

Being more responsive to the needs of employers and learners will ensure that the skills and qualifications gained in tertiary education support people to succeed in life and the workforce. It will provide businesses with the skilled people they need to prosper.

Tertiary education organisations also need to be well managed and financially sustainable to ensure that high-quality and relevant provision meets the needs of learners and employers.

Our focus and priorities

Over the last year our focus has been on:

- › more tertiary education organisations working with employers so that students gain the skills they need for work
- › greater responsiveness by tertiary education organisations to demand signals at local and national levels and to the Government's priority areas
- › more tertiary education organisations aligning their activities with their expected roles within the system
- › tertiary education organisations that are well managed and financially sustainable.

Our focus on these areas is aimed at supporting the priorities set out in the *Tertiary Education Strategy 2014-2019* in delivering skills for industry (Priority 1) and the priorities set out in the Government's Business Growth Agenda.

We also support Education New Zealand to improve international linkages (Priority 6).

By investing in well-managed and quality tertiary education providers, we support making New Zealand an attractive place for international students.



For the tertiary education system to meet the skills and research needs of the economy, it needs to be flexible and responsive



Our investment approach is refocusing the way we invest across the tertiary system

Our achievements

Investing in outcomes

Our investment approach is refocusing the way we invest across the tertiary system. We are creating a system where better information enables learners, tertiary education organisations and government to make more informed decisions about tertiary education.

Our investment approach will lead to better returns from our investment in tertiary education. This includes:

- › better value for learners, the society and economy
- › a more self-regulating system where incentives for good performance are clear.

During the year we focused on some 'quick win' projects. These projects are adding value to the 2017-18 Investment Plan round by:

- › simplifying the investment process for many small tertiary education organisations
- › improving education performance indicators
- › using employment outcomes data to inform Investment Plan discussions with tertiary education organisations
- › enabling more flexible funding so that funding can follow demand.

Better tertiary investment decisions through richer data and information

As part of our journey towards being an investment-focused organisation we are making better use of our extensive data and information.

During the year we purchased a leading business intelligence tool that has made it easier to find, contextualise and deliver valuable data and information across our organisation and beyond. It is now much quicker to see what tertiary education is being provided and where.

Our new tool is adding value to our conversations across the sector, including deeper insights into learner enrolment patterns and employment outcomes for graduates.

We will release our business intelligence tool to the sector in late 2016. This will support tertiary education organisations to make more informed decisions through better information.

We've also made solid progress on three key longer-term workstreams. These workstreams will underpin more significant change for the next Investment Plan round for 2019 and 2020. We are focused on developing:

- › enhanced information products
- › return on investment methodologies
- › tertiary education organisation capability assessment.

Delivering skills for industry

The *Tertiary Education Strategy 2014-2019* set a target to prioritise getting industries the skills they needed. Our investment approach is part of our broader emphasis on delivering the skills that are valued by industry.

Through our Investment Plan process we increased our investment in areas where there is real industry demand. This is helping to grow the number of graduates in engineering, information and communications technology, and science.

Three new information and communication technology (ICT) graduate schools

The Government's Business Growth Agenda recognises that ICT is a key driver for economic growth.

We've invested in three new ICT graduate schools to respond to this increasing demand for skilled ICT graduates. Two schools in Auckland and Wellington were officially launched during the year and we anticipate the third school will be launched in Christchurch in late 2016. Once fully established the three schools are expected to train more than 350 students annually in one-year graduate and postgraduate courses.

The three schools will lift the number of ICT graduates available to staff New Zealand's fast-growing software and software services industry. The schools focus on fostering close links with industry and have a strong vocational emphasis.

Our investment in the three schools will provide industry-ready graduates capable of making smooth transitions from education to employment in a growing sector.

Growing the pipeline of engineers in New Zealand

Engineering is a priority of the Government's Business Growth Agenda. New Zealand needs more engineers to help us build a high-tech economy capable of adapting to rapid technological change.

We initiated the *Engineering Education to Employment Programme* in 2014 to increase the number of engineering graduates with the skills, competencies and qualifications to meet employer demand. We deliver the Engineering Education to Employment Programme with oversight from a Steering Group. The Steering Group is chaired by Sir Neville Jordan and its members include:

- › Fonterra, Altitude Aerospace and BECA
- › Business New Zealand and the Institute of Professional Engineers New Zealand
- › tertiary education organisations such as the University of Waikato, Unitec and the Nelson Marlborough Institute of Technology.

The Engineering Education to Employment Programme has four main workstreams:

- › **Promotion** – we launched the 'Make the World' public awareness campaign in May 2016 to encourage more young people into an engineering career.
- › **Employer engagement** – we've commissioned the development of a graduate capability framework to describe the skills and competencies engineering graduates need in the workforce. Following engagement with industry and education providers, this will be launched in 2017. We've also started working with Te Puni Kōkiri, the Ministry for Business Innovation and Employment, the Ministry for Women and the New Zealand Qualifications Authority on increasing the diversity of the engineering workforce. We are particularly focused on lifting the numbers of Māori, Pasifika and women engineers.
- › **Education Delivery** – we are committed to supporting best-practice engineering education and we've worked on linking tertiary providers with employers and industry. To illustrate,

we've piloted degree apprenticeships with employers through Unitec's Bachelor of Engineering Technology qualification. Over the coming year we will work with tertiary education organisations on ways to implement Ako Aotearoa's recommendations on best-practice engineering teaching.

- › **Increasing our investment in engineering education** – we've continued to increase the number of enrolments in engineering through the Investment Plan process. This will continue the positive trend we've seen in the numbers of engineering graduates in recent years – between 2008 and 2015, the number of engineering graduates has increased by 20 percent.

Engineering – leaders in designing and building New Zealand's future

In May 2016 we launched our 'Make the World' campaign to encourage more young people into a career in engineering. The campaign targets young people and their families, helping them to understand the high value of engineering qualifications.

Our online content is the primary way we reach young people considering a career in engineering. This includes our 'Make the World' website – <http://maketheworld.nz> – that has engaging, interactive content for prospective engineering students.

Between 1 May 2016 and 30 June 2016:

- › our 'Make the World' website was viewed by over 15,000 visitors
- › website visitors spent on average 48 seconds on the site (above industry standards)
- › our video content received approximately half a million views across multiple channels (including YouTube, Pandora, Spotify and Tumblr).

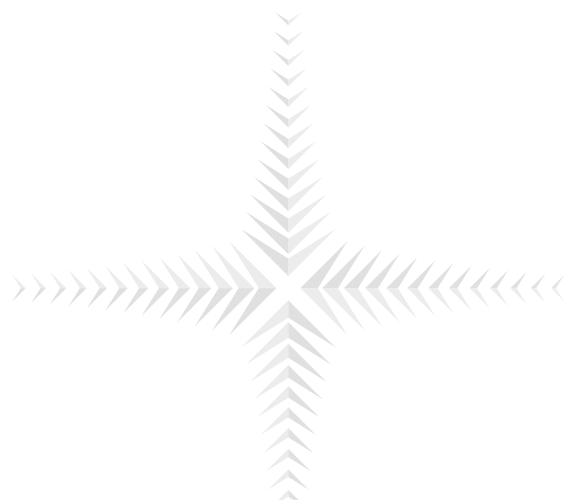
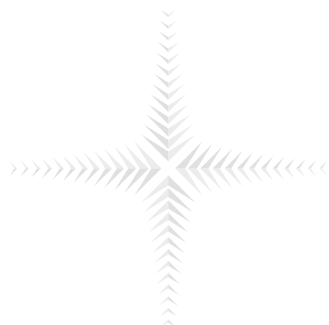




Photo and profile courtesy of Futureintech

Sapo Rimoni – Site Engineer, Hawkins Infrastructure

In a nutshell: I operate as a supervisor on site – I'm the liaison between subcontractor, site team and site managers. It's my job to make sure that key tasks are performed on a massive infrastructure project to widen Fred Taylor Drive.

Why? I love being able to take a 2D drawing and bring it to life, creating a positive and permanent change to my surroundings.

Pathway: Avondale College, final year subjects: English, PE, Statistics, Technology, MIT - Manukau Institute of Technology: Level 4 Carpentry Certificate; New Zealand Diploma in Engineering (Civil)

Earning: \$50-65,000

I left school at the end of Year 12. I completed a certificate in carpentry, helped by a scholarship from the Pacific Trades Training initiative.

My dream goal is to be a construction manager one day, so I progressed from carpentry to a diploma in civil engineering. I worked at Hawkins Infrastructure one summer – it was a great way to earn some money and see what an engineering career is all about at the same time. The company also gave me a scholarship to cover some of my tuition fees.

I like the practical work and that's what many Pacific people are known for – working the land, working with their hands.

My job is a mix of indoor and outdoor work. I start the day with site meetings to plan out the work and find out who is doing what, and also discuss any health and safety issues.

I'm there to support the operators who are working on the roading project and answer their questions, which might be about how wide the road is going to be or how deep the pavement [road material] needs to be laid. If required, I go onsite to inspect the work and make sure it's being done to the specifications for the project.

I love that Fred Taylor Drive is a huge project. The machinery is also huge and it is amazing to be involved in something which is going to make life for people in this area easier.

I have two young children so I work on Auckland-based projects as I need to be at home at night.

My job would suit someone who enjoys a challenge as well as responsibility. Someone who likes to be outdoors as well as indoors. Someone who wants a job that isn't repetitive.

Posted March 2015



FOLLOW THIS PATHWAY: Diploma in Civil Engineering: Environmental, Geotechnical, Structural or Transport



In 2015 the Māori and Pasifika Trades Training programme supported 1,911 learners and 14 consortia

Māori and Pasifika Trades Training

The Māori and Pasifika Trades Training programme supports Māori and Pasifika learners aged 16-40 to get the skills they need to complete New Zealand Apprenticeships and go on to employment. This training is fees-free for learners and includes assistance with their transition into employment.

Training is delivered through regional consortia that deliver a wide range of trades, such as construction, carpentry, electrical, motor industry and engineering. These consortia bring together employers, community groups and tertiary education organisations to ensure that learners are equipped with skills that meet the needs of their communities and local economies.

In 2015 the Māori and Pasifika Trades Training programme supported 1,911 learners and 14 consortia. This was an increase from 1,189 learners and 12 consortia in 2014.

Our focus is to increase learner numbers purchased each year by 1,000 new learner places to a total of 5,000 in 2019. We will continue to work with consortia groups and government agencies to ensure programme settings suit the changing environment.



Performance measures

Measure of Progress

Measure	2013 Actual	2014 Actual	2015 Target	2015 Actual
Number of engineering equivalent full-time students	8,228	8,615	Increase	9,049
Number of Māori and Pasifika Trades Training equivalent full-time students	n/a	717	Increase	1,164
Proportion of 20- to 24-year-olds who are not in employment, education or training	15.6%	14.6%	Decrease	15.1%

Industry training

The performance and volume of industry training continued to increase in 2015.

- › Apprenticeship volumes continue to grow, increasing by almost 5% from 2014 to 2015. This increase follows the Apprenticeship Reboot scheme (which ceased at the end of 2014) and the introduction of New Zealand Apprenticeships. In 2015 35% of all standard training measures were for apprenticeships. Just over half of all standard training measures delivered in 2015 were at level 4 and above.
- › Total funding for industry training has increased 30% , from \$130 million in 2011 to \$168.6 million in 2015. Top 10 funded programmes (covering carpentry; electrical engineering; motor industry; plumbing, gasfitting and drainlaying; retail; agriculture; mechanical engineering; and community support services) accounted for 42% of all funding in 2015. This reflects continued employer demand for these programmes.
- › From 2016 onwards, over-delivery in apprenticeships can be funded up to a maximum of 102% of the allocated amount, providing industry training organisations meet minimum quality and performance criteria.
- › Budget 2016 announced funding of \$14.4 million over four years to support growth in apprenticeships. This increase in the Industry Training Fund will provide for an additional 5,500 apprentices by 2020.

Supporting Canterbury tertiary education institutions

We continued to support the University of Canterbury, Lincoln University and the Ara Institute of Canterbury (formerly the Christchurch Polytechnic Institute of Technology and Aoraki Polytechnic) recover from the 2011 earthquakes.

All three institutions saw an increase in enrolments in 2016. This was the first increase in enrolments following the earthquakes for the University of Canterbury and Lincoln University.

The University of Canterbury continues to make good progress on its rebuild programme. Work on the modernisation and expansion of its engineering facilities is nearing completion and some facilities are already open. Work on the Regional Science and Innovation Centre has also started and is progressing well.

In 2014 Government agreed in principle to provide \$107.5 million in capital funding toward the rebuilding of Lincoln University's science facilities.

The new Ara Institute of Canterbury is committed to both continuing earthquake remediation work and new building projects and partnerships. During the year Ara focused on developing its brand and programme offerings to meet a more diverse range of labour market and learner needs across the greater Canterbury region.

Budget 2016 initiative to establish Centres of Asia-Pacific Excellence

Budget 2016 allocated \$34.5 million over four years to establish three Centres of Asia-Pacific Excellence in New Zealand.

The aim of the Centres of Asia-Pacific Excellence is to enhance New Zealand's Asia-Pacific knowledge and language skills by leveraging our partnerships with the Asia-Pacific region.

The Centres of Asia-Pacific Excellence will be university-led, cross-institutional, centres of excellence focusing on the language, culture, politics and economies of the Asia-Pacific region. They will specialise in a country or region in North Asia, South-East Asia and Latin America. The Centres will also train language-capable graduates for New Zealand businesses, the Ministry of Foreign Affairs and Trade and other government agencies with posts offshore.

Each Centre of Asia-Pacific Excellence will develop strong linkages with its region of specialty, offer student and faculty exchanges and become a focal point for New Zealand's relationships with these regions.

In 2016/17 we will seek and select applications for the design and delivery of the Centres of Asia-Pacific Excellence through a competitive process. Funding will begin in 2017 and we expect that the Centres will become operational by mid-2017.

Work with agencies as stewards of the tertiary education system

Monitoring the performance of tertiary education organisations

We've continued to strengthen our monitoring work in relation to our investment in tertiary education. We are progressively implementing the recommendations in the Deloitte review of the quality assurance, delivery and financial monitoring activities of both the New Zealand Qualifications Authority and the TEC.

Over the past year we've focused on strengthening our connectedness with the New Zealand Qualifications Authority. This includes appropriate sharing of information on tertiary education organisations posing risk, complaints, audit and external evaluation and review information. The 2017 schedule of audits and external evaluation and reviews will align with the New Zealand Qualifications Authority's programme of work.

As we look ahead we are:

- › increasing the volume of tertiary education organisations that we audit (up to 70 audits in 2017)
- › continuing our reviews and investigations of tertiary education organisations in potential breach of funding conditions. This will increasingly draw on information derived from our pattern recognition work and from our partnerships with the New Zealand Qualifications Authority and the Ministry of Social Development
- › strengthening our processes. Tertiary education organisations are now required to provide an annual declaration that they have complied with the conditions of funding and provided accurate Single Data Return reports for each year of funding. This is in addition to Single Data Return declarations they are required to provide to the Ministry of Education.

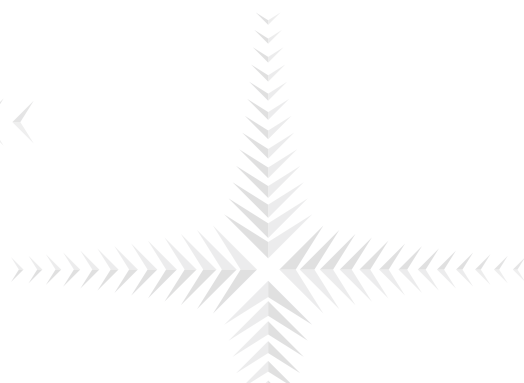
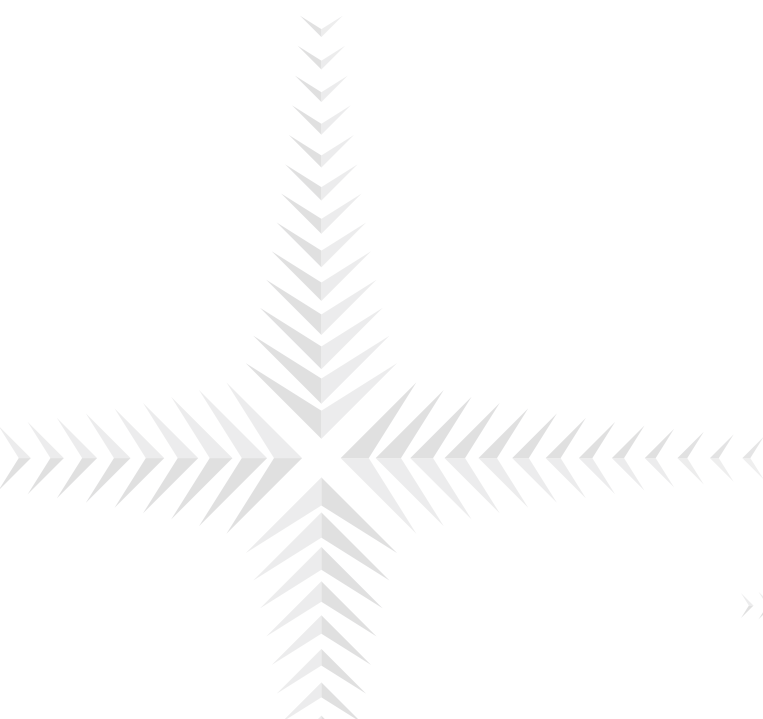


Performance measure

Measure of Progress

Measure	2013 Actual	2014 Actual (Note1)	2015 Target	2015 Actual
Proportion of investment in tertiary education organisations with Category 1 and 2 NZQA external evaluation and review (EER) rating	92.9%	95%	Increase	95%

Note 1 – This figure was incorrectly reported as 99 percent in our 2014/15 Annual Report owing to a typographical error.



Higher-quality and more relevant research

Building tertiary education's contribution to economic growth requires us to have strong, internationally respected and competitive universities and other research-based institutions.

Research-led teaching trains the next generation of researchers and equips graduates with the knowledge and skills to make a greater contribution to their communities and workplaces. Research enhances public knowledge and debate, the creation of effective public policy and innovation and productivity.

Our focus and priorities

We focus on delivering:

- › more leading-edge research that builds New Zealand's international research reputation
- › more high-quality research that contributes to innovation and economic transformation
- › a growing, world-class, innovative research workforce.

Our work supports the *Tertiary Education Strategy 2014-2019* priority to strengthen research-based institutions (Priority 5). This priority focuses on seeking a stronger contribution from New Zealand's research, science, and innovation systems to our wider economic objectives.

Our achievements

Our role is to invest in, and influence, research improvements. We've continued to invest in improving the quality and relevance of research and research-led teaching through the Investment Plan process, the Performance-Based Research Fund and the Centres of Research Excellence.

Through the Investment Plan process the research-based tertiary education organisations are required to explain how they will:

- › manage their overall resources to support their research strategies and implementation plans
- › support innovation (especially commercial innovation) through research, knowledge exchange and human capital development.



Our role is to invest in, and influence, research improvements



The Centres of Research Excellence fund supports excellent, collaborative and strategically important New Zealand research

The Centres of Research Excellence fund recognises excellence in collaborative research

The Centres of Research Excellence fund supports excellent, collaborative and strategically important New Zealand research. The fund encourages sharing knowledge with end-users and supports tertiary education organisations to build New Zealand's future research workforce. Tertiary education organisations also build research capacity and capabilities through postgraduate programmes and the training of new researchers.

The ten current Centres of Research Excellence funded through to 2020 are:

- › Bio-Protection Research Centre, hosted by Lincoln University
- › Brain Research New Zealand – Rangahau Roro Aotearoa, co-hosted by Brain Research Centre – Otago University and Centre for Brain Research – University of Auckland
- › the Dodd-Walls Centre for Photonic and Quantum Technologies, hosted by University of Otago
- › MacDiarmid Institute for Advanced Materials and Nanotechnology, hosted by Victoria University of Wellington
- › the Maurice Wilkins Centre, hosted by University of Auckland
- › the Medical Technologies Centre of Research Excellence, hosted by University of Auckland
- › Ngā Pae o te Māramatanga – New Zealand's Indigenous Centre of Research Excellence, hosted by University of Auckland
- › QuakeCore: Centre for Earthquake Resilience, hosted by University of Canterbury
- › Riddet Institute, hosted by Massey University
- › Te Pūnaha Matatini Centre of Research Excellence, hosted by University of Auckland.

Two Centres of Research Excellence were also funded through to 31 December 2015:

- › Allan Wilson Centre for Molecular Ecology and Evolution, hosted by Massey University
- › Gravida: National Research Centre for Growth and Development, hosted by University of Auckland.



PHOTO: Former Governor-General, Sir Jerry Mateparae (right) capturing a single atom in the lab of Mikkel Andersen at Otago. Sir Jerry visited the Dodd-Walls Centre and Otago Museum with a focus on the Centre's collaborative approach to the translation of its research through the museum sector.

Photo and commentary courtesy of Dodd-Walls Centre.

Research excellence at the new Dodd-Walls Centre

The Dodd-Walls Centre for Photonic and Quantum Technologies was established as a new Centre of Research Excellence in 2015. The Centre focuses on cutting-edge research to underpin advanced technological development that will enhance New Zealand's international scientific reputation.

Research is thriving at the new centre! In the past year:

- › Stéphane Coen from the University of Auckland has received the 2015 New Zealand Association of Scientists Research Medal for his work on non-linear phenomena in optical fibres
- › Professor Richard Blaikie from the University of Otago received the Royal Society of New Zealand Thomson Medal for his leadership of nanotechnology
- › Dr Ian Griffin, Dodd-Walls Education Team member and Director of the Otago Museum, won the Prime Minister's Prize for Science Media Communication.

During the year the Dodd-Walls Centre also supported the United Nations International Year of Light and Light-Based Technologies. Personnel from the Centre had a key role leading *illuminating New Zealand*, a series of events at museums across the country. Permanent Dodd-Walls Centre exhibition spaces are now being developed at Auckland's Museum of Transport and Technology and the Otago Museum.

The Performance-Based Research Fund encourages and rewards excellent research

The Performance-Based Research Fund ensures that excellent research in the tertiary education sector is encouraged and rewarded. This involves assessing the research performance of tertiary education organisations and funding them based on their performance. The Performance-Based Research Fund is accessed by universities, institutes of technology and polytechnics, wānanga and private training establishments through Investment Plans.

We've worked with a Sector Reference Group to develop detailed operational guidelines for the 2018 Quality Evaluation. The guidelines were released in June 2016 and provide information for tertiary education organisations in advance of the 2018 Quality Evaluation round.

The Performance-Based Research Fund continues to support Mātauranga Māori. The research degree completion measure of the Performance-Based Research Fund recognises all theses submitted in Te Reo Māori, and all research degrees completed by Māori research students, through higher weightings in the funding calculation.



Performance measures

Measures of Progress

Measure	Actual 2013	Actual 2014	Target 2015	Actual 2015
Research quality	New measure in development	New measure in development	n/a	New measure in development
Research degree completions (measured by Performance-Based Research Fund (PBRF) – eligible research degree completions)	4,023	3,946	3,900 ±5%	3,858
Percentage increase in amount of external income for PBRF – eligible providers	-3.5%	3.4%	2%	3.3%



Organisational Capability



Organisational Capability



Continuing to build the capability of our people

We have a highly educated and talented workforce.

Continuing to build the capability of our people, with opportunities to grow and be their best, is part of our commitment to being a good employer. Our focus is ensuring we have a diverse and capable team, with the right mix of skills and knowledge to deliver on our vision.

Our values are the foundation for an environment that supports people to achieve.

We aim high – Whaia te iti Kahurangi

We feel passionate about making sure everyone has access to the life-changing opportunities of tertiary education.

We partner for success – Hononga

We listen to the providers and seek to build trust.
We are all aiming for the best possible outcomes for learners.

We work as one – Kotahitanga

We pull together the right resources for the job and are flexible in working with others across the organisation.

We learn and innovate – Ngaioatanga

We are always looking for ways to do things better and make more of an impact.
We have freedom to make changes and focus on what really matters.

Our focus and priorities

Over the past year we've focused on:

- › enabling staff to feel more engaged in their roles and with the organisation
- › increasing the knowledge of Māori world views to build Māori education participation and achievement
- › tracking turnover toward the average rate for the core public service or below
- › aligning our resources, capability and skill requirements to support high-quality tertiary investment.

Our achievements

Mā Tātou, Mō Tātou (By Us, For Us) is our people plan that describes how we will develop the capability of our people to deliver our strategy. Mā Tātou, Mō Tātou guides our priority activities and our people management practices.

Our approach to capability has an added focus as we deliver on our investment approach. We have a specific plan to develop the capability we need to be trusted and savvy investors in tertiary education and this applies across the organisation. We want to make sure everyone has the appropriate skills and knowledge in their role to make their contribution to our strategy.

Whakapakari – lifting our cultural capability

Weaving together our people capability work is our Whakapakari programme. Whakapakari is lifting our cultural capability through extending people’s knowledge about what works for Māori learners in tertiary and industry settings.

We’ve supported our staff to better understand data about Māori participation and achievement in tertiary education. This is adding value to our conversations across the sector, as we can better support tertiary education organisations to lift the participation and achievement of Māori learners.

We’ve also delivered organisation-wide workshops covering Māori world views and perspectives and this is supported by our e-learning modules, te reo classes and information resource kits.



We’ve supported our staff to better understand data about Māori participation and achievement in tertiary education

The next phase of Mā Tātou, Mō Tātou will consolidate and build on what we have learned over the last two years. It’s about giving a conscious, deliberate focus to the things we believe will make the biggest difference, including:

- › driving an even stronger organisational culture
- › improving our employee engagement by acting upon the feedback from our staff engagement survey
- › boosting investment in our people capability through attracting talent and supporting new people to succeed
- › providing the right development opportunities to support people’s growth and ability to deliver
- › developing our leaders and managers to lead effectively and coach their people well.

Measures of progress

Measure	2013/14 Actual	2014/15 Actual	Target 2015/16	Actual 2015/16
Core unplanned turnover	13.7%	13.3%	14%	13.3%
Level of staff engagement (engagement survey) (Note 1)	66.7%	71% (above the State sector average of 69)	State Sector Benchmark or above	73% (above the State sector average of 67.5%)

Note 1 – 2013/14 was the first year we conducted an employee engagement survey since 2010.



Performance measures



An engaged workforce

The results from our employment engagement survey tell us we're on the right track.

Our engagement index for 2016 is 73 percent, up from 67 percent in 2014. This compares to an average of 67.5 percent across the state sector. We are now one of the better performing State sector agencies.

Our people told us they feel they are working for a successful organisation and believe in what we are doing. They can see how their work contributes to the success of the TEC.

The results also revealed the confidence in our senior management team – 73 percent have confidence in our senior managers compared with a State sector average of 57 percent. We believe this is a key element supporting an engaged workforce, a focus on high-quality services for our customers and lower turnover.

Our people told us things we can improve on to make the TEC even better. The feedback is valuable and we've listened. In 2016/17 our programme of work will be based on "you said, we did". Through listening to our staff and taking action we expect to consolidate and improve our employee engagement score in the coming years.

Leadership, accountability and culture

We ran a leadership development programme for 35 managers and leaders to drive shared commitment to our strategy and create a strong, positive culture. To continue this momentum, leadership meetings are held regularly, as well as ongoing learning and coaching groups amongst peers.

Staff engagement surveys are held twice a year. One is a full survey and the other is a short 'pulse check'. Alongside our external stakeholder satisfaction survey, this information guides our priorities for the people capability work programme.

Employee development, promotion and exit

We provide development programmes for all staff and each TEC staff member has their own development plan that is discussed at least twice a year. Along with performance conversations, we offer formal training, secondments, work shadowing, coaching and mentoring, feedback and project participation as development opportunities.

We've developed a capability plan for our investment approach. This supports our staff to build on the skills they need to deliver quality investment. For example, we've trained our staff to use business intelligence tools that enhance access to, and analysis of, our data and information.

Flexibility and work design

In July 2014 we initiated work to consolidate our entire Wellington-based staff into a single building that is fit for purpose for the next 12 to 15 years. This work was completed two months ahead of schedule in June 2016.

Our Wellington office relocation means that all Wellington people are co-located across continuous floors. The design is very deliberate to support collaborative ways of working. It also allows different styles of working and includes quiet spaces. There is a wellbeing room that can be used by parents with young children or if a staff member feels unwell.

The consolidation supports the delivery of the Government's strategy for reducing property costs by:

- › reducing the space per employee from 24m² to 15m²
- › sharing our reception floor and meeting rooms and associated costs with the Commerce Commission.

Remuneration, recognition and employment conditions

Our performance and development system is linked to remuneration. We involve the Public Service Association in discussions on the process as part of an ongoing and positive working relationship. We've scoped a recognition programme and will roll this out in 2016/17.

Harassment and bullying prevention

Our policies and procedures set out our expectations on harassment and bullying. This is also discussed during induction. Our values support the behaviours we wish to see in the organisation.

Recruitment, induction and selection

We've developed a careers page on our website and have piloted the use of LinkedIn to improve our branding.

We've also piloted an assessment tool for recruitment so we can better target people with the right capability for our organisation. This is improving our interviewing as we have better selection information. It also provides insights for use with people when they start to support their development in the role and in their career.

Creating a safe and healthy environment

We take the health and wellbeing of our staff seriously. Over the past year we've:

- › updated our policy and developed key performance indicators so we can be confident we are managing risk and improving our health and safety
- › completed physical audits with each move to our new floors
- › trained two staff in the new Health and Safety legislation.

We will continue to roll out safety and wellbeing information and education for our staff and managers in 2016/17.



Our workforce profile

As at 30 June 2016 we had a total of 193 staff made up of 190.5 full-time equivalent staff. Forty-seven percent of our staff were male and 53 percent were female. The tables below provide a breakdown of our workforce.

Gender profile by tier as at 30 June 2016

	Female	Male	Total
Tier 1		1	1
Tier 2	2	2	4
Tier 3	7	9	16
Other	95	77	172
Total	104	89	193

Our workforce represents a diverse range of ethnicities. Māori representation has dropped slightly to eight percent, from nine percent for the previous three years. Over the same period there has been a reduction in the number of Pacific Island employees from five percent to four percent. The reduction in the Pacific Island people reflects the closure of our Auckland office in March 2014.

Our ethnicity as at 30 June 2016

Ethnicity	Female	Male	All staff
Asian	8%	3%	6%
Indian	0%	3%	2%
Non-NZ European	12%	14%	13%
Not Advised	5%	12%	8%
NZ European	56%	56%	56%
NZ Māori	12%	5%	8%
Other Ethnic Minority	3%	3%	3%
Pacific Islands	4%	4%	4%

Age and length of service as at 30 June 2016

Measure	Female	Male	All Staff
Average age	43 years	45 years	44 years
Average length of service	5 years	6 years	5 years

Equal Employment Opportunity

We are committed to being a good employer and to providing equal employment opportunities for all employees and potential employees. We reduce workplace obstacles for people with interventions such as:

- › workstation assessments and provision of equipment
- › wellness initiatives and resources
- › working alongside our leaders and managers to provide specific information and expertise where necessary.

We will continue to ensure we have a diverse workforce.



Our workforce represents a diverse range of ethnicities

Our work with others

We work with a wide range of tertiary education organisations, industry training organisations and employers on a daily basis. We also work closely with our government partners – the education agencies, as well as the Ministry of Business, Innovation and Employment and the Ministry of Social Development to deliver the Government’s expectations of better public services.

Our focus and priorities

We focus on:

- › enabling better alignment of activities across government
- › enhancing use of shared services across education sector agencies
- › increasing the outsourcing of non-core TEC services through all-of-government procurement arrangements.

Our achievements

Achieving more through effective collaboration

There are eight separate agencies in New Zealand with responsibilities for our education sector:

- › the Ministry of Education
- › the Education Review Office
- › the New Zealand Qualifications Authority
- › the Tertiary Education Commission
- › Careers New Zealand
- › Education New Zealand
- › the Education Council of Aotearoa New Zealand
- › Te Ako o Te Kura Pounamu (the Correspondence School).

Each of these agencies holds responsibility for a part of education in New Zealand.

It was a year of important developments for the education sector agencies. Following a shared vision and planning process between the above education agencies and the State Services Commission, we’ve committed to jointly addressing the key areas where we see the most need for, and the most potential impact of, a collaborative approach.

Collectively, we will power up learners, parents, communities and employers to influence the quality of teaching and learning and lift achievement. We will also improve our information management and technology, providing the evidence, data and knowledge to allow these groups, education professionals and government agencies to make the best possible decisions. The 2016/17 year will be the first full year of putting this new way of working together as a more unified sector into practice.





Peter Hughes, State Services Commissioner and former Secretary for Education (left) Claire Douglas, Deputy Secretary, Graduate Achievement, Vocations and Careers, Ministry of Education (middle) Paula Collins, DCE Careers Transition, Tertiary Education Commission (right)

Photo courtesy of IPANZ

Working together gives students better career choices and real results

The Tertiary Education Commission and the Ministry of Education jointly won the ‘Excellence in Achieving Collective Impact’ prize at the 2016 Institute of Public Administration New Zealand (IPANZ) awards ceremony.

This award recognised our partnership with the Ministry of Education on the Youth Guarantee Trades Academy programme. Trades Academies support students to get hands-on work experience, a National Certificate of Educational Achievement level 2 qualification and a head-start on their future career.

The Youth Guarantee Trades Academy programme began in 2011 with nine academies and 700 students. There are now 24 Trades Academies involving 300 secondary schools and 6,500 students. Participating students are more likely to achieve National Certificate of Educational Achievement level 2, resulting in a return on investment of \$1.59 for every \$1 invested.

We’re pleased to win this award and that our successful partnership with the Ministry of Education has given students a clear pathway into jobs and careers.

“I am really proud of the partnership that formed... to create the Youth Guarantee Trades Academy programme. The results have been a real achievement for kids as they look to build experience and make career pathway choices. Can I ask you to pass on my congratulations to the team. They should be very proud of what they have achieved.”

(Peter Hughes, State Services Commissioner and former Secretary for Education)

Improving the flexibility of our funding

We worked closely with the Ministry of Education to change the way we are funded so we can be more responsive to demand. We want to maximise the amount we are able to invest in high-quality and relevant tertiary education. By simplifying the way our funding is structured we are expanding our ability to do this. The changes we have made mean that we are able to fund a number of new improvements such as fee increases and increased demand in specific areas.

Continuous improvement

We've continued to focus our efforts on becoming a lean organisation with more business-friendly processes including:

- › implementing a quality writing programme that has seen an improvement in our written documents
- › rolling out business improvement process training across the organisation
- › introducing tools and techniques using lean principles.

The results of our annual stakeholder satisfaction survey showed us that our customers are experiencing the positive changes we have made in this area of our work. We have:

- › made it simpler and easier for people to work with us, with our rating increasing from 3.02 in 2014 to 3.39 in 2016
- › improved the way we engage with tertiary education organisations, with our rating increasing from 3.33 in 2015 to 3.50 in 2016.

Our annual stakeholder satisfaction survey identified potential areas for improvement in the way we work with tertiary education organisations and our partner agencies. A concerted effort to improve both our staff engagement and our systems and processes will lead to improved survey results in the years ahead.

A greater use of shared services

We've continued to identify operating efficiencies in areas such as property, health and safety, business continuity and procurement. Our agreement with the New Zealand Qualifications Authority for internal audit services continues to allow us to increase our internal audit work programme, share best practice and to work closer together in areas of joint risk.

We've continued to sign up to all-of-government contracts as they have become available. During the year we joined three contracts. These were the all-of-government contracts for Consultancy Services and Web Services and the syndicated contract for Meeting Room Technology.

Through our Wellington office consolidation we now share reception and meeting room services with the Commerce Commission. This has led to increased collaboration between the agencies and greater efficiencies in reception and meeting room costs.

Survey result across all questions

	2014	2015	2016
Average score (Note 1)	3.00	3.27	3.31

Note 1 – Respondents were asked to indicate their level of agreement for each statement: strongly disagree, disagree, neutral, agree and strongly agree. The ratings are given a score of one to five, one representing strongly disagree and five representing strongly agree. The result is the average score across all questions asked.



We want to maximise the amount we are able to invest in high-quality and relevant tertiary education

Systems, processes and technology

One of our key priorities is to improve our information systems and processes to ensure that we can carry out our core functions and support an investment approach to tertiary education. We also want to enable students, providers and employers to make informed tertiary education decisions.

What we want to see

- › improved processing, analysis and management of information to improve performance monitoring and funding decisions
- › improved timeliness, quality and reporting of our information
- › improved capability to translate data into reliable, consistent performance information
- › improved information capability to accurately measure education outcomes
- › better informed decision-making by all players in the tertiary education system.

Our achievements

Making technology work for us and the tertiary education sector

Developing a strong knowledge base is critical to our business strategy. To build this strong knowledge base we refreshed our information and technology development plan in 2014/15.

Over the last two years we've made significant improvements to how we collect, collate and provide information. We're introducing a suite of new business intelligence tools and a secure portal to improve access to our information. The tools are enabling our staff to access more and better quality information, supporting a more informed and responsive system. Our business intelligence tools will be rolled out to the sector in the coming months.

Other highlights over the past twelve months have included:

- › streamlining the collection of commitment, forecast and actual performance data from tertiary providers through our Integrated Provider Information system. This enabled us to retire a number of legacy systems
- › updating the Single Data Return system through a joint project with the Ministry of Education
- › investing in cyber security to ensure that information and privacy are well protected
- › supporting our investment approach by improving the breadth of information available for investment decisions
- › implementing a Key Information Set that will allow learners and their families to more easily understand the impacts of learning choices
- › continuously improving our data warehouse to enable broader and deeper analysis.

New Zealand Business Number

The New Zealand Business Number (NZBN) is a key initiative of the Government's 'Better for Business' programme. NZBNs are new unique identifiers assigned to businesses in New Zealand. The NZBN will reduce the time and energy businesses spend providing government the same information in different ways.



We will have accepted an NZBN by December 2018. The implementation of an NZBN will affect several ICT systems that use a separate education sector reference as the unique identifier for a tertiary provider. We will work with the Ministry of Education to determine how to treat the NZBN alongside this identifier and have allocated funding to undertake NZBN-related work in 2017/18.

Looking ahead

Our next two-year plan, covering 2016/17 and 2017/18, expands on our previous plans. The new plan builds on our capabilities to support our investment approach.

Over the next two years our major areas of work include:

- › implementing the new Rate My Qualification tool
- › extending the learner-focused Key Information Set to industry training and level 1-4 qualifications
- › improving our data collection, finance system and data warehouse systems to ensure they continue to support the growing information needs of staff, partner agencies and providers
- › implementing a Customer Relationship Management (CRM) system
- › working with the Ministry of Education to develop and implement a consolidated infrastructure roadmap across the sector agencies.

We will regularly review the plan to ensure that it meets our needs.

Measures of Progress

Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual
Availability of core ICT services and applications (excluding planned outages)	New Measure	New Measure	98.5%	99.9%
Availability of core ICT services and applications we provide for tertiary education organisations (excluding planned outages)	New Measure	New Measure	98.5%	99.7%

Managing risk

To be successful we must identify and manage the internal and external risks that might affect delivering on the Government's priorities. We operate an effective risk-management and assurance system to identify, evaluate, mitigate and monitor risks to the organisation.

Our approach is consistent with the Joint Australian New Zealand International Standard for Risk Management (AS/NZS ISO 31000:2009). Governance and high-level management structures are in place to support the management of risks. These include the strategic risk review function of the senior management team and the risk-management activities of the Audit and Risk Committee of our Board of Commissioners.

Our focus through to 2018 will be to continue to build the organisation's risk-management capability. We will align risk management with our core business and embed an organisational mindset and culture that recognises risks and takes appropriate, timely action.



Performance measures

Statement of Responsibility

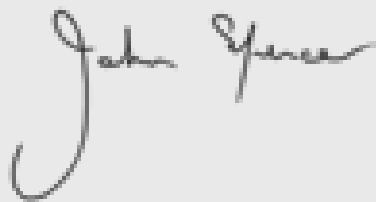
In terms of the Crown Entities Act 2004 and the Education Act 1989, the Board of the Tertiary Education Commission Te Amorangi Mātauranga Matua is responsible for the preparation of the Tertiary Education Commission's Financial Statements and the Statement of Performance and for the judgements made in them.

The Board of the Tertiary Education Commission is responsible for any end-of-year performance information provided by the Tertiary Education Commission under section 19A of the Public Finance Act 1989.

The Board of the Tertiary Education Commission has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and reporting of the Statement of Performance.

In the Board's opinion, these Financial Statements and Statement of Performance fairly reflect the financial position and operations of the Tertiary Education Commission for the year ended 30 June 2016.

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



John Spencer
Chair

Tertiary Education Commission
18 October 2016



Nigel Gould
Chair

Audit and Risk Committee
Tertiary Education Commission
18 October 2016

Independent Auditor's Report

To the readers of the Tertiary Education Commission's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of the Tertiary Education Commission (TEC). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of TEC on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- › the financial statements of TEC on pages 76 to 104, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- › the performance information of TEC on pages 14 to 32 and 49 to 74.

In our opinion:

- › the financial statements of TEC:
 - present fairly, in all material respects:
 - ~ its financial position as at 30 June 2016; and
 - ~ its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards.
- › the performance information:
 - presents fairly, in all material respects, TEC's performance for the year ended 30 June 2016, including:
 - ~ for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - ~ what has been achieved with the appropriations; and
 - ~ the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Commissioners and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of TEC's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TEC's internal control.

An audit also involves evaluating:

- › the appropriateness of accounting policies used and whether they have been consistently applied;
- › the reasonableness of the significant accounting estimates and judgements made by the Board of Commissioners;
- › the appropriateness of the reported performance information within TEC's framework for reporting performance;
- › the adequacy of the disclosures in the financial statements and the performance information; and
- › the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Commissioners

The Board of Commissioners is responsible for preparing financial statements and performance information that:

- › comply with generally accepted accounting practice in New Zealand;
- › present fairly TEC's financial position, financial performance and cash flows; and
- › present fairly TEC's performance.

The Board of Commissioners' responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

The Board of Commissioners is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that

are free from material misstatement, whether due to fraud or error. The Board of Commissioners is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out two probity assurance assignments, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in TEC.



S B Lucy

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



Statement of Performance

Our operational outputs

Funding the activities of the Tertiary Education Commission

The TEC has three key operational output classes:

- › Managing the Government's Investment in the Tertiary Education Sector
- › Ownership Monitoring of Tertiary Education Institutions
- › Tertiary Education and Training Advice.

Managing the Government's Investment in the Tertiary Education Sector

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

This appropriation is intended to achieve effective investment in the tertiary education sector by ensuring that education, training and research activities align with Government priorities and outcomes for tertiary education.

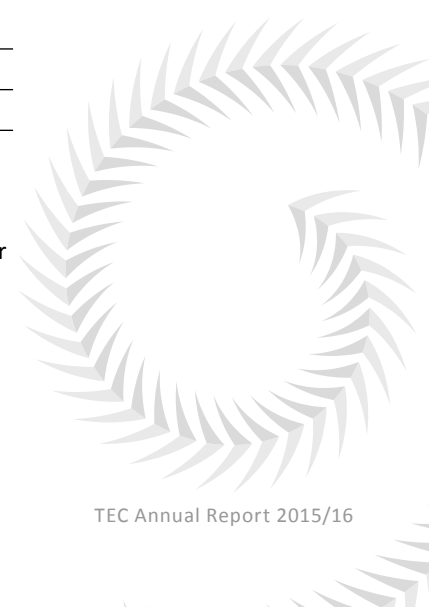


Managing the Government's Investment in the Tertiary Education Sector
\$39.189 million

Managing the Government's Investment in the Tertiary Education Sector	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
– Tertiary Education Commission	40,253	39,955	42,261
– Māori Education Trust	109	109	109
Immigration NZ – Funding for Administration of English For Migrants	322	74	231
Other	256	8	87
Interest revenue	1,370	1,802	1,646
Total revenue	42,310	41,948	44,334
Expenses			
– Tertiary Education Commission	39,080	40,593	38,606
– Māori Education Trust	109	109	109
Total expenses	39,189	40,702	38,715
Surplus/(deficit)	3,121	1,246	5,619

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a surplus for the year reflecting the TEC's overall underspend. We spent less than budgeted in the office consolidation costs, salaries, computer costs and depreciation.



Expense associated with the New Zealand Benchmarking Tool has been moved to be reported under operational output Ownership Monitoring of Tertiary Education Institutions for 2015/16.

The TEC manages the Government's investment in the tertiary education sector in the three main ways described below:

Managing the investment system

- › Our key activities in managing the investment system include assessing and approving Investment Plans and contracts against gazetted content and criteria and making payments after Investment Plans and contracts have been approved.

Monitoring investment in tertiary education organisations

- › We monitor and analyse how well tertiary education organisations govern and manage themselves. We also audit the performance of tertiary education organisations. We undertake evaluations and quantitative studies of key initiatives as part of our programme to monitor and report on sector, fund and investment performance.

Providing information

- › We provide information and advice to government (including ownership monitoring advice) about tertiary education organisations and on the tertiary education sector. We also provide information to the sector, students, other government agencies and external stakeholders. We publish information on tertiary education organisations' performance, funds, educational performance and research.



We monitor and analyse how well tertiary education organisations govern and manage themselves



Performance measures

Measures of Progress

Measure	Target 2015/16	Actual 2015/16
Plans for tertiary education organisations demonstrate evidence of alignment with employer, community and learner needs	100%	100%
Plans for tertiary education organisations include targets for improving achievement rates for priority groups in the Tertiary Education Strategy	100%	100%
Payments are made to tertiary education organisations as per the agreed contractual terms and conditions	100%	100%
Number of tertiary education organisations audited by the Tertiary Education Commission	25-30 audits	31 audits
Percentage of audits completed within 70 days according to audit compliance standards	95%	95%
Percentage of tertiary education organisations where an appropriate action plan is initiated (as per the TEC performance consequences framework) on the basis of an identified material breach of TEC's rules or requirements	100%	100%
Percentage of Investment Plans that are monitored	100%	100%
Appropriate actions are undertaken in accordance with the Performance Consequences Framework http://www.tec.govt.nz/Funding/Monitoring-and-reporting/Performance-Consequences-Framework/	100%	100%
The number of tertiary education organisations that are the subject of a focused review	5-7	7

Measure	Target 2015/16	Actual 2015/16
Evaluations and quantitative studies of TEC initiatives are undertaken in accordance with agreed standards	100%	100%
Number of evaluations and quantitative studies of TEC initiatives undertaken	3	3
Percentage of independently assessed externally focused publications that meet six or more elements of the TEC Plain English Standard	Baseline to be established	29% (Note 1)

Note 1 – Four out of 14 externally focused documents audited met six or more elements. A further four documents met five elements.

Ownership Monitoring of Tertiary Education Institutions

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

This appropriation is intended to achieve protection of the Crown’s ownership interest in tertiary education Institutions through monitoring risks and financial viability and providing advice on tertiary education institution council appointments.

Ownership Monitoring of Tertiary Education Institutions	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*	2,567	2,567	2,567
Total revenue	2,567	2,567	2,567
Expenses			
Expenses	4,472	4,294	2,688
Total expenses	4,472	4,294	2,688
Surplus/(deficit)	(1,905)	(1,727)	(121)

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a deficit for the year reflecting additional expenditure on tertiary education institutions governance in 2015/16.

The year-on-year increase in expenditure is primarily owing to costs associated with the New Zealand Benchmarking Tool. We are reporting under this operational output for the first time. It was previously reported under Managing the Government’s Investment in the Tertiary Education Sector operational output. Contributory funding by tertiary education institutes is being implemented in 2016/17.



Ownership Monitoring of Tertiary Education Institutions \$4.472 million



Performance measures

Measures of progress

Measure	2015/16 Target	2015/16 Actual
Ownership risks are assessed and appropriate mitigation strategies are put in place	100%	100%
Ownership risks are reported and advice is provided to the Minister	100%	100%
Percentage of tertiary education institutions where close monitoring and engagement is taken after having received a high-risk rating under the Financial Monitoring Framework	100%	100%
Recommendations on ministerial appointments to tertiary education institute councils are made and the appointment process is managed effectively in a timely way	100%	100%



Tertiary Education and Training Advice \$5.710 million

Tertiary Education and Training Advice

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

This appropriation is intended to achieve the delivery of timely and high-quality advice and support to Ministers on the tertiary sector and tertiary education and training issues.

The key activity in this output is to provide information and advisory services to the Minister.

Tertiary Education and Training Advice	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*	3,837	3,837	3,837
Total revenue	3,837	3,837	3,837
Expenses			
Expenses	5,710	5,692	5,523
Total expenses	5,710	5,692	5,523
Surplus/(deficit)	(1,873)	(1,855)	(1,686)

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

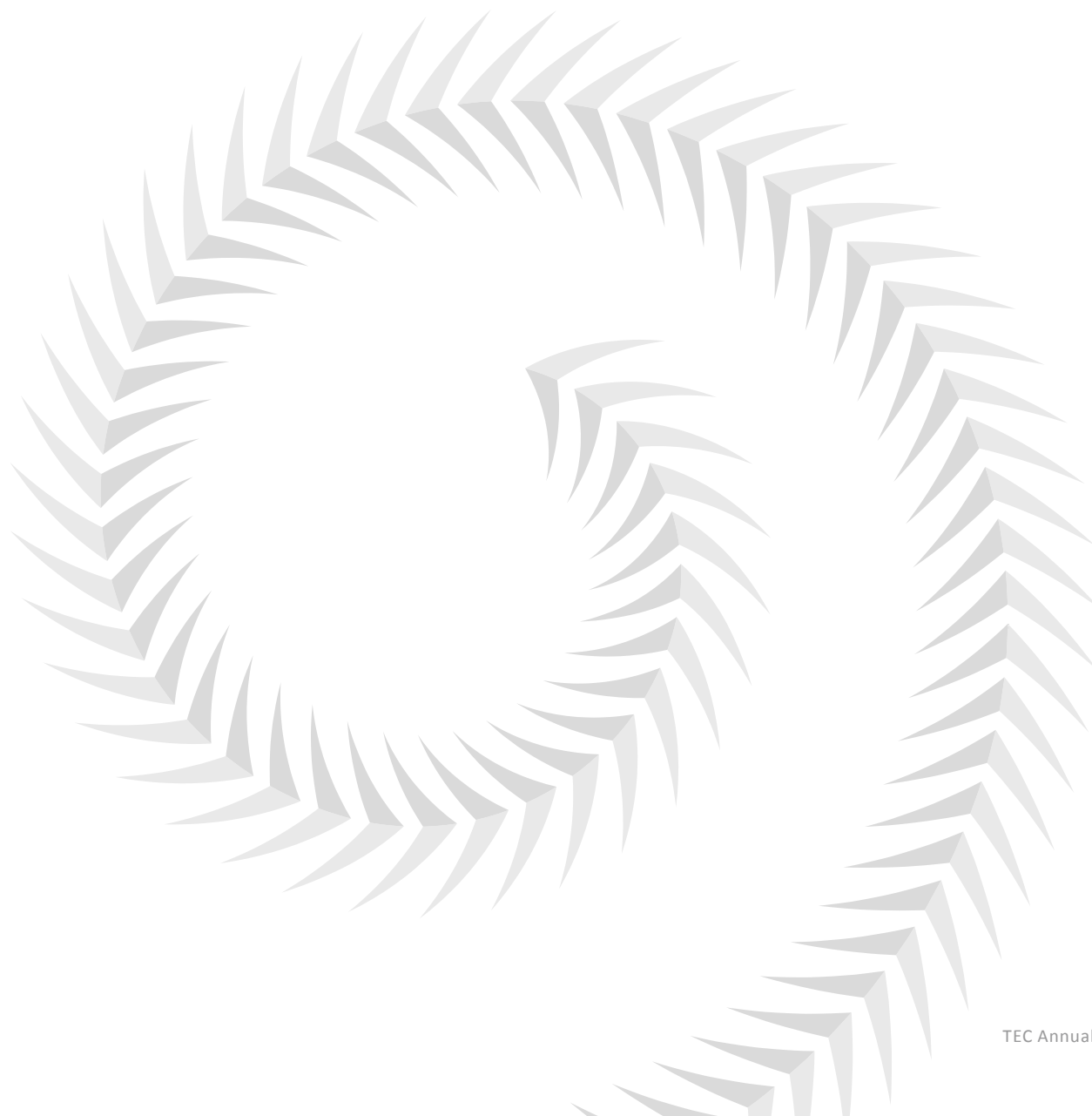
This appropriation has generated a deficit for the year in line with what was budgeted.

Measures of progress

Measure	2015/16 Target	2015/16 Actual
Percentage of ministerial items provided to Ministers requiring redraft due to avoidable errors. Avoidable errors means factual, spelling, grammatical or formatting errors	<5%	0%
Percentage of ministerial items provided to Ministers within agreed timeframes	95%	96%
Number of adverse findings from the Office of the Ombudsman or the Office of the Privacy Commissioner in relation to the TEC's decisions on Official Information Act 1982 or Privacy Act 1993 requests	0	0



Performance measures



Tertiary education sector outputs

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

Teaching and Learning



Tertiary Education: Student Achievement Component
\$2,035.175 million

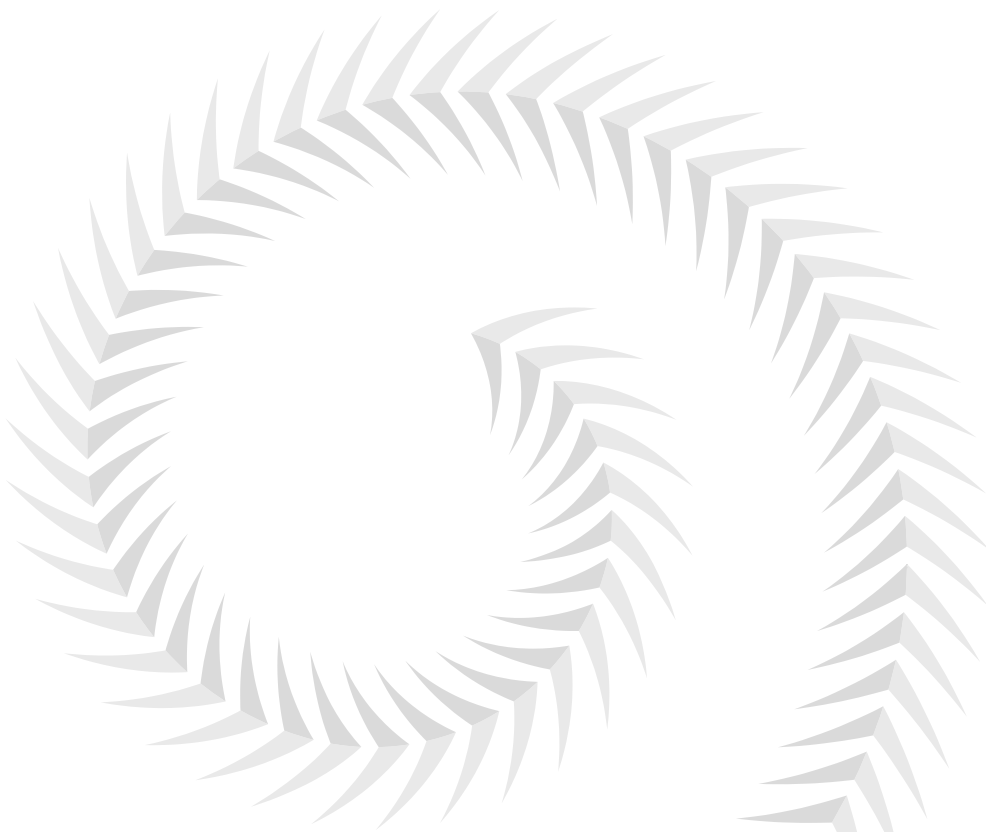
Tertiary Education: Student Achievement Component

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

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

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

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



Tertiary Education: Student Achievement Component	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
Provision at levels 1 and 2	101,299	101,299	101,828
Provision at levels 3 and above	1,968,864	1,972,995	1,902,554
– Universities	1,186,248	1,175,377	1,161,843
– Institutes of technology and polytechnics	474,358	481,566	471,997
– Wānanga	114,486	129,049	120,542
– Private training establishments	193,772	187,003	148,172
Skills for Canterbury	–	–	532
– Institutes of technology and polytechnics	–	–	2,790
– Private training establishments	–	–	(2,258)
ICT Graduate programmes	2,509	2,509	–
Quality Teaching Agenda	1,357	3,089	1,025
Total revenue	2,074,029	2,079,892	2,005,939
Expenses			
Provision at levels 1 and 2	82,787	101,299	101,303
Provision at levels 3 and above	1,947,640	1,972,995	1,902,071
– Universities	1,187,190	1,175,377	1,165,646
– Institutes of technology and polytechnics	479,657	481,566	476,286
– Wānanga	117,552	129,049	121,998
– Private training establishments	163,241	187,003	138,141
Skills for Canterbury	–	–	532
– Institutes of technology and polytechnics	–	–	2,790
– Private training establishments	–	–	(2,258)
ICT Graduate programmes	3,391	2,509	–
Quality Teaching Agenda	1,357	3,089	1,025
Total expenses	2,035,175	2,079,892	2,004,931
Surplus/(deficit)	38,854	–	1,008

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a surplus for the year as a result of the net impact of the implementation of the new Public Benefit Entity accounting standards and the retention of unallocated funding from the year.

Measures of progress

The tables below show Investment Plan commitments linked to our investments and funding appropriations. These tables exclude funds for which performance measures are not volume based.



Performance measures

Measure	2014		2015/16	2015	2015		Variance from Investment Plan (Note 2)
	Delivered	Funded (Note 1)	Budget Standard	Investment Plan commitment	Delivered	Funded (Note 1)	

STUDENT ACHIEVEMENT COMPONENT (SAC) Estimated funded domestic equivalent full-time students

Number of equivalent full-time students at New Zealand Qualifications Framework level 3 and above by subsector

Universities	115,684	117,438	111,300 ±5%	115,727	114,859	117,528	1.6%
Institutes of technology and polytechnics	55,371	55,640	52,500 ±5%	54,877	54,561	54,733	-0.3%
Wānanga	18,280	18,162	17,500 ±5%	17,726	17,245	17,423	-1.7%
Private training establishments	25,016	22,066	21,700 ±5%	22,350	22,955	20,780	-7.0% (Note 3)
Total equivalent full-time students at New Zealand Qualifications Framework level 3 and above	214,351	213,306		210,679	209,620	210,465	-0.1%
Number of EFTS at New Zealand Qualifications Framework levels 1 and 2	13,452	13,516	12,800 ±3%	12,718	12,252	12,098	-4.9% (Note 4)
Total Student Achievement Component	227,803	226,822	226,300	223,397	221,872	222,563	-0.4%

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

Note 2 – Variance from Investment Plan commitment is calculated from 2015 Funded/2015 Investment Plan commitment

Note 3 – This is a demand-driven measure. Reduced demand for tertiary education and increased TEC oversight of tertiary education organisations lowered the volume of funded delivery in 2015.

Note 4 – Levels 1 and 2 – This is a demand-driven measure. A number of factors influenced the lower volume of funded delivery in 2015, including reduced demand in some regions.

Across all sectors the application of our funding rules may result in funded volumes being above actual delivery. For example, the estimated funded equivalent full-time students for universities for 2014 and 2015 are higher than actual delivery. This is owing to the exemption from funding recoveries given to Christchurch-based institutions as a result of the earthquakes in 2010 and 2011.

Measures of progress

The table below sets out the performance commitments linked to Student Achievement Component funding for priority learners.

Student Achievement Component Funding	2012 Actual	2013 Actual	2014 Actual	2015 Investment Plan commitment	2015 Actual
Proportion of SAC-funded Māori enrolments at New Zealand Qualifications Framework levels 4 and above	17%	18%	18%	18%	18%
Proportion of SAC-funded Pasifika enrolments at New Zealand Qualifications Framework levels 4 and above	8%	9%	9%	10%	9%
Proportion of SAC-funded under-25-year-old enrolments at New Zealand Qualifications Framework levels 4 and above	62%	63%	64%	64%	64%



Performance measures

Measures of progress

The following table sets out tertiary education sector performance commitment linked to Student Achievement Component funding.



Performance measures

Sector performance commitment shifts linked to funding		2012 Actual	2013 Actual	2014 Actual	2015 Investment Plan commitment	2015 Actual
Course completion	All learners	83%	83%	83%	84%	83%
	Māori learners at New Zealand Qualifications Framework levels 4 and above	78%	78%	78%	81%	77%
	Pasifika learners at New Zealand Qualifications Framework levels 4 and above	74%	73%	74%	77%	73%
	Under-25-year-old learners at New Zealand Qualifications Framework levels 4 and above	85%	85%	85%	85%	85%
Qualification completion	All learners	76%	78%	78%	77%	77%
	Māori learners at New Zealand Qualifications Framework levels 4 and above	65%	71%	67%	71%	67%
	Pasifika learners at New Zealand Qualifications Framework levels 4 and above	63%	63%	62%	66%	60%
	Under-25-year-old learners at New Zealand Qualifications Framework levels 4 and above	71%	71%	73%	71%	72%
Progression	From New Zealand Qualifications Framework levels 1-3 to levels 4 and above for all learners	35%	39%	39%	40%	37%
Retention	For all learners across all New Zealand Qualifications Framework all levels and all learners	71%	73%	74%	76%	74%

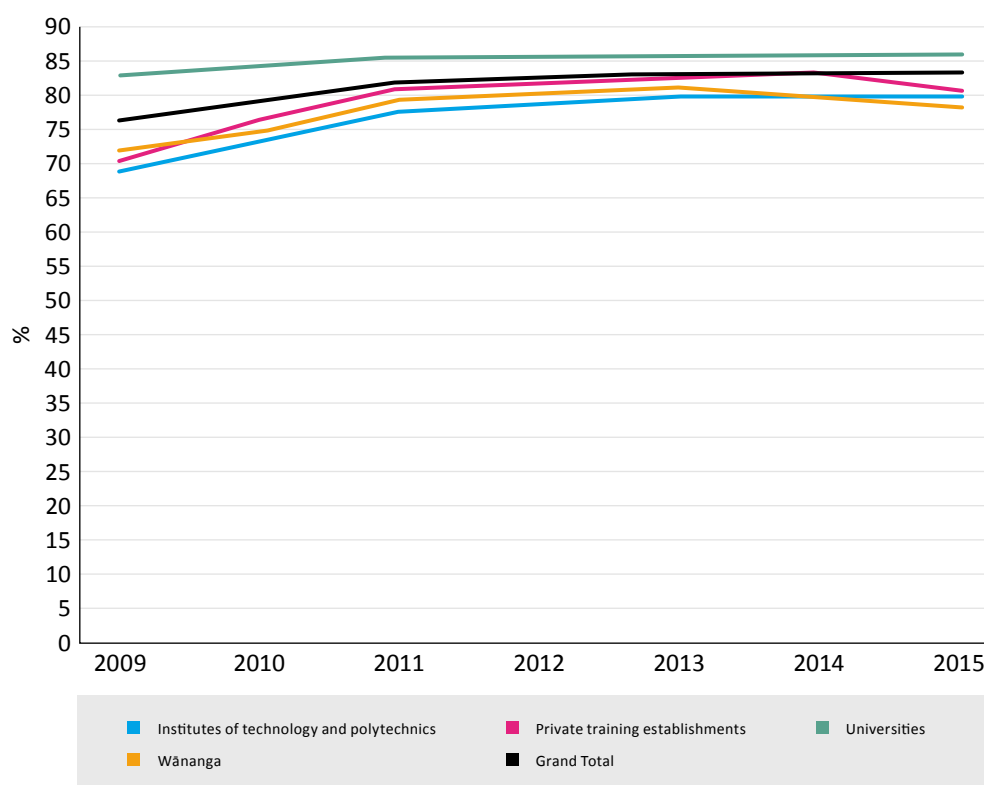
Changes over time

The graphs below provide information on 2016 Student Achievement Component Educational Performance Indicators for the tertiary education organisation subsectors: institutes of technology and polytechnics, private training establishments, universities and wānanga.

Between 2009 and 2015 Educational Performance Indicators improved across all subsectors, with the most significant overall improvement being seen in the institutes of technology and polytechnics sector. Overall, qualification completion and student retention rates had the highest percentage point increase of over 15 percent between 2009 and 2015.

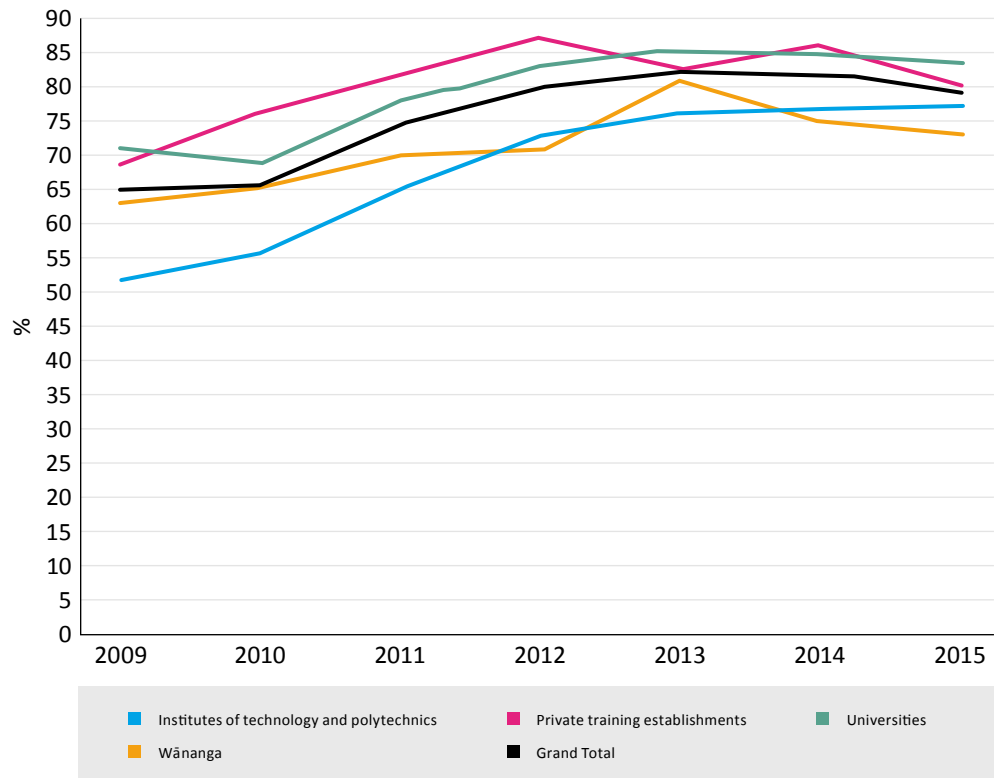
In 2015 the university sector had the highest course completion, qualification completion and student retention rate when compared to other subsectors. Course qualification and retention rates for the university sector were 80 percent or over.

Course completion trends since 2009

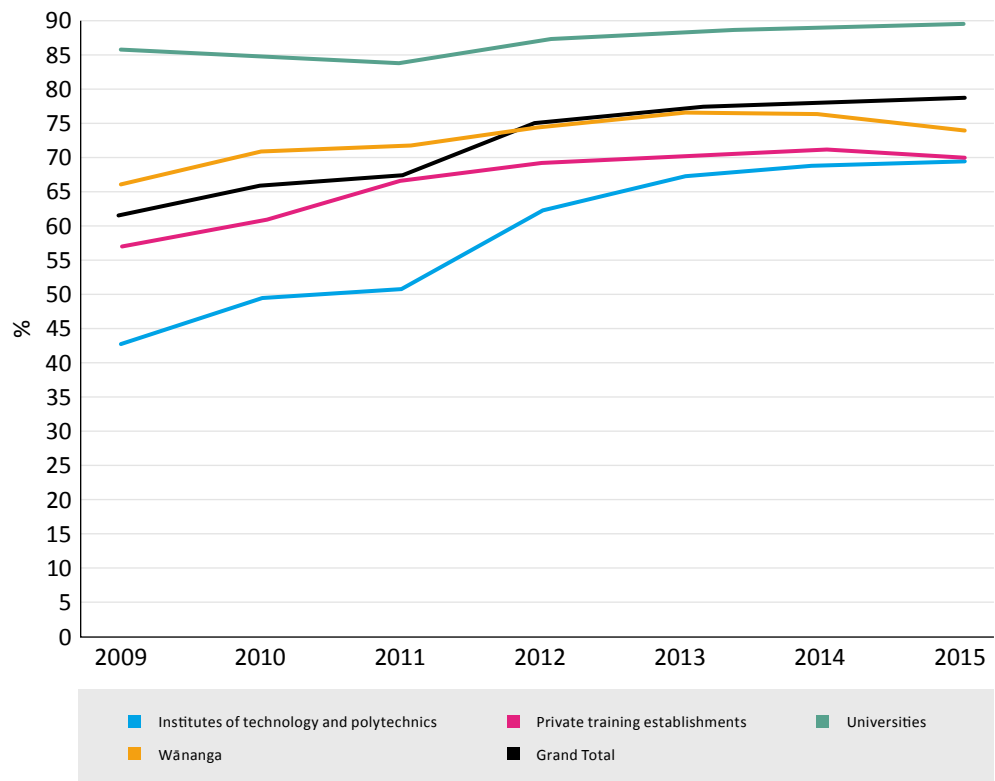


Performance trends

Qualification completion trends since 2009



Student retention trends since 2009



Training for Designated Groups

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

This appropriation is intended to achieve an increase in the number of young people and employees with qualifications valued by employers through investing in training.

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

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

Training for Designated Groups	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
Industry Training Fund	169,951	167,451	171,801
Industry Training Fund – Direct Access Scheme	7,500	10,000	1,282
Industry Training Fund – Ring-fenced amounts	2,450	1,600	608
Youth Guarantee	113,411	120,817	108,569
Gateway	19,013	19,013	18,599
Apprenticeships Re-boot (Employer)	–	–	18,518
Māori and Pacific Trades Training (Brokerage)	1,908	2,199	1,040
Total revenue	314,233	321,080	320,417
Expenses			
Industry Training Fund	166,665	167,451	169,771
Industry Training Fund – Direct Access Scheme	4,470	10,000	1,282
Industry Training Fund – Ring-fenced amounts	1,276	1,600	608
Youth Guarantee	107,951	120,817	108,359
Gateway	18,533	19,013	18,592
Apprenticeships Re-boot (Employer)	–	–	18,827
Māori and Pacific Trades Training (Brokerage)	1,881	2,199	988
Total expenses	300,776	321,080	318,427
Surplus/(deficit)	13,457	–	1,990

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a surplus for the year as a result of the net impact of the implementation of the new Public Benefit Entity accounting standards and the retention of unallocated funding from the year.



**Training for
Designated
Groups**
\$300.776 million



Performance measures

Measures of progress

Measure	2014 Actual		2015/16	2015	2015		Variance from Investment Plan (Note 2)
	Delivered	Funded (Note 1)	Budget Standard	Investment Plan commitment	Delivered	Funded (Note 1)	
TRAINING FOR DESIGNATED GROUPS							
Industry Training – funded standard training measures	27,242	26,949	28,800 ±5%	28,740	27,979	27,883	-3.0%
Apprentices – funded standard training measures	13,479	13,301	17,500 ±5%	15,781	15,503	15,375	-2.6%
Youth Guarantee – funded equivalent full-time students	9,596	9,429	9,900 ±5%	9,901	9,376	9,258	-6.5% (Note 3)
Gateway – total participants	14,709	13,609	12,500 – 14,000 in up to 375 schools	13,995	14,821	13,956	-0.3%
– number of schools				374	374	374	–

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

Note 2 – Variance from Investment Plan commitment is calculated from 2015 Funded/2015 Investment Plan commitment.

Note 3 – There is softening demand for Youth Guarantee. The majority of the under-delivery in Youth Guarantee in 2015 was at private training establishments.

Youth Guarantee

The Youth Guarantee fees-free initiative is designed to provide young people under 20 years old with an opportunity to study towards National Certificate of Educational Achievement level 2 aligned with the Vocational pathways, or equivalent, at tertiary education providers fees-free.

Measures of Progress

Measure		2013 Actual	2014 Actual	2015 Actual
Course completion	All learners	61%	66%	67%
	Māori learners	57%	61%	62%
	Pasifika learners	66%	68%	65%
Qualification completion	All learners	52%	60%	64%
	Māori learners	48%	55%	59%
	Pasifika learners	56%	62%	63%
Progression	All learners	N/A	39%	39%
Retention	All learners	N/A	59%	59%

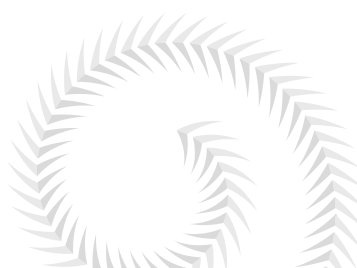


Performance measures

No targets were set for these measures in our *Statement of Performance Expectations 2015/16*.

Overall, achievement rates in Youth Guarantee programmes increased in 2015. More learners who left school without foundation education qualifications took the opportunity to engage and achieve in alternative, contextual learning programmes.

These Youth Guarantee programmes are an important contributor to reaching the Better Public Services target of 85 percent of 18-year-olds achieving National Certificate of Educational Achievement level 2, or equivalent, by 2017.



Industry training participation and educational performance

Industry training is a partnership between government and industry and is delivered to people in employment. It is training in skills that will be useful to industry.

The information in the table below reflects participation and performance through industry training organisations.



Performance measures

Measures of Progress

Industry training participation		Actual 2013	Actual 2014	Actual 2015
Māori trainees enrolled at New Zealand Qualifications Framework level 4 and above as a proportion of all trainees enrolled at level 4 and above		14%	15%	15%
Pasifika trainees enrolled at New Zealand Qualifications Framework level 4 and above as a proportion of all trainees enrolled at level 4 and above		4%	5%	5%
Trainees aged under 25 enrolled at New Zealand Qualifications Framework level 4 and above as a proportion of all trainees enrolled at level 4 and above		43%	45%	42%
Educational performance		Actual 2013	Actual 2014	Actual 2015
Credit completion	All learners	72%	76%	80%
	Māori learners at New Zealand Qualifications Framework level 4 and above	67%	78%	75%
	Pasifika learners at New Zealand Qualifications Framework level 4 and above	66%	76%	76%
	Under-25-year-old learners at New Zealand Qualifications Framework level 4 and above	65%	80%	80%
Programme completion	All learners	74%	72%	75%
	Māori learners at New Zealand Qualifications Framework level 4 and above	70%	64%	55%
	Pasifika learners at New Zealand Qualifications Framework level 4 and above	66%	52%	59%
	Under-25-year-old learners at New Zealand Qualifications Framework level 4 and above	60%	59%	59%

No targets were set for these measures in our *Statement of Performance Expectations 2014/15*.

The industry training sector has undergone significant change in recent years. This included mergers that reduced the number of funded industry training organisations from 38 organisations in 2011 to 11 organisations in 2015.

Overall, participation has been steadily climbing since 2013. The proportions of both Māori and Pasifika trainees have remained steady, while credit completion rates have reduced slightly since 2014. However, the rates themselves are still good.

Programme completion rates are low for priority groups, compared with all learners. Māori, and Pasifika in particular, have low numbers of learners at level 4 and above. Therefore, rates can be affected more easily than when there are larger numbers of people in a group.

Community Education

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

This appropriation is intended to achieve improvement in literacy and numeracy skills for learners who have low skills in these areas by funding foundational learning programmes.

Funding foundational learning programmes links to the Tertiary Education Strategy Priority 4:

› *Priority 4: Improving adult literacy and numeracy.*

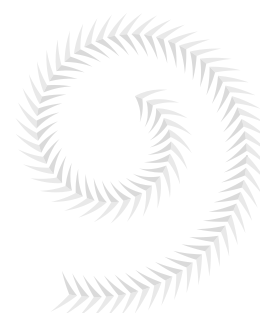
Community Education	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
Adult and Community Education	22,890	22,890	22,148
Literacy and Numeracy Provision	36,048	34,048	31,826
English for Speakers of Other Languages	13,966	13,756	13,328
Emergency Management Pool	2,229	2,229	755
Total revenue	75,133	72,923	68,057
Expenses			
Adult and Community Education	21,984	22,890	22,148
Literacy and Numeracy Provision	33,783	34,048	30,892
English for Speakers of Other Languages	13,479	13,756	13,328
Emergency Management Pool	1,671	2,229	405
Total expenses	70,917	72,923	66,773
Surplus/(deficit)	4,216	-	1,284

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a surplus for the year as a result of the net impact of the implementation of the new Public Benefit Entity accounting standards and the retention of unallocated funding from the year.



**Community
Education**
\$70.917 million





Performance measures

Measures of progress

Measure	2014 Actual		2015/16	2015	2015		Variance from Investment Plan (Note 2)
	Delivered	Funded (Note 1)	Budget Standard	Investment Plan commitment	Delivered	Funded (Note 1)	
Adult and community education (ACE)							
Total number of school-based ACE hours funded	399,245	366,184	395,000 ±5%	395,857	416,615	380,383	-3.9%
Number of funded equivalent full-time students in tertiary education institutions	1,763	1,688	2,200 ±5%	2,023	1,884	1,731	-14.5% (Note 3)
From the priority groups identified in the Tertiary Education Strategy: Percentage of learners identified:							
– as Māori or Pasifika	32%	n/a	All – 50%	All – 50%	41%	n/a	n/a
– with English language needs	32%	n/a			26%	n/a	
– as having low or no formal qualifications	57%	n/a			57%	n/a	
Literacy and numeracy							
Intensive literacy and numeracy	5,318	5,016	4,800 ±5%	5,162	5,182	4,961	-3.9%
Workplace Literacy Fund – total	6,534	6,183	6,600 ±5%	5,477	5,257	5,090	-7.1% (Note 4)
Tertiary education organisations led	3,294	3,205		4,485	4,537	4,370	-2.6%
Employee targeted	2,331	2,069		n/a	n/a	n/a	n/a
Employer led	909	909		992	720	720	-27.4% (Note 5)

Measure	2014 Actual		2015/16	2015	2015		Variance from Investment Plan (Note 2)
	Delivered	Funded (Note 1)	Budget Standard	Investment Plan commitment	Delivered	Funded (Note 1)	
English for Speakers of Other Languages – total	4,170	3,467	3,500 ±5%	3,681	3,794	3,514	-4.5%
Intensive literacy and numeracy English for Speakers of Other Languages	3,627	2,932		2,954	3,236	2,939	-0.5%
Intensive literacy and numeracy Refugee English	543	535		727	558	575	-20.9% (Note 6)

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

Note 2 – Variance from Investment Plan commitment is calculated from 2015 Funded/2015 Investment Plan commitment.

Note 3 – Part of the under-delivery for 2015 is owing to the delays in a new provider getting established and confirmed as preferred provider for Emergency Management Training.

Note 4 – Demand is high. However, employers will typically prioritise productivity over training. They sometimes have limited training time so literacy and numeracy training competes with other training needs. We are working with employers to smooth and reschedule delivery if required. From 31 December 2016 the introduction of multi-year funding beyond two years will enable better long-term planning and rescheduling delivery with employers.

Note 5 – There were 25 programmes with delivery in 2015. Eleven programmes had their places reduced. As reported above, employers will typically prioritise productivity over training. Five programmes had late delivery. Delivery for these courses will be counted in 2016 reporting.

Note 6 – Refugee English – changing refugee resettlement patterns resulted in a number of tertiary education organisations under-delivering against their commitments in 2015. We are working with the sector, the Ministry of Education and the Ministry of Business, Innovation and Employment to ensure funded places align with demand.



Tertiary Education Grants and Other Funding \$29.156 million

Tertiary Education Grants and Other Funding

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

This appropriation is intended to achieve improvement in educational outcomes for priority learner groups and enhance the educational capability of tertiary education organisations by investing in activities focused on these groups and organisations.

Investing in priority learner group activities links to the Tertiary Education Strategy Priorities 3 and 4:

- › *Priority 3: Boosting achievement of Māori and Pasifika*
- › *Priority 4: Improving adult literacy and numeracy*

Tertiary Education Grants and Other Funding	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
National Centre for Tertiary Teaching Excellence	3,556	3,556	3,556
Equity Loading	15,709	16,300	15,639
Industry Training Organisations Strategic Leadership Fund	1,000	1,000	990
Information and Communication Technology Graduate Schools (Development and Delivery)	2,810	6,000	–
Engineering (Building the Pipeline)	1,030	1,500	–
Wānanga Research Capability Fund	1,500	1,500	1,500
Māori and Pasifika Trades Training (Consortia)	900	–	–
Section 321 grants School of Dance and School of Drama	2,264	2,264	2,220
Section 321 grant Taranaki Futures Trust	63	–	–
Total revenue	28,832	32,120	23,905
Expenses			
National Centre for Tertiary Teaching Excellence	3,556	3,556	3,556
Equity Loading	15,880	16,300	15,539
Industry Training Organisations Strategic Leadership Fund	1,000	1,000	990
Information and Communication Technology Graduates Schools (Development and Delivery)	2,810	6,000	–
Engineering (Building the Pipeline)	1,030	1,500	–
Wānanga Research Capability Fund	1,500	1,500	1,500
Māori and Pasifika Trades Training (Consortia)	972	–	–
Section 321 grants School of Dance and School of Drama	2,220	2,264	2,220
Section 321 grant Taranaki Futures Trust	188	–	–
Total expenses	29,156	32,120	23,805
Surplus/(deficit)	(324)	–	100

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a deficit for the year as a result of the net impact of the implementation of the new Public Benefit Entity accounting standards and the retention of unallocated funding from the year.

Measure of progress

Measure	Target 2015/16	Actual 2015/16
Plans and funding agreements are consistent with funding rules and objective of fund	100%	100%



Performance measure

Secondary-Tertiary Interface (Vote Education)

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

Secondary-Tertiary Interface (Vote Education)	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*	17,215	16,676	15,256
Total revenue	17,215	16,676	15,256
Total expenses	17,201	16,676	15,256
Surplus/(deficit)	14	-	-

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a surplus for the year as a result of the implementation of the new Public Benefit Entity accounting standards.



Secondary-Tertiary Interface (Vote Education) \$17.201 million

English for Migrants (Vote Immigration)

We administer a programme under contract with Immigration New Zealand (English for Migrants). Immigration New Zealand is responsible for reporting the performance of this appropriation.

English for Migrants (Vote Immigration)	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Revenue from Immigration New Zealand	2,156	807	1,587
Total revenue	2,156	807	1,587
Total expenses	2,156	807	1,587
Surplus/(deficit)	-	-	-



English for Migrants (Vote Immigration) \$2.156 million

Research



Centres of Research Excellence \$59.760 million

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.

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

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

Centres of Research Excellence	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*	50,705	50,705	55,834
Total revenue	50,705	50,705	55,834
Total expenses	59,760	50,705	55,834
Surplus/(deficit)	(9,055)	-	-

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a deficit for the year as a result of the implementation of the new Public Benefit Entity accounting standards.



Performance measures

Measures of Progress

Measure	Actual 2013/14	Actual 2014/15	Target 2015/16	2015/16 Actual as at 31/09/15
Centres of Research Excellence Annual Plans are assessed against assessment criteria and have been revised, where appropriate, by end of March	Achieved	Achieved	Achieved	Achieved
Centres of Research Excellence Annual Reports are reviewed against research plans and meet assessment criteria	Achieved	Achieved	Achieved	Achieved

Performance-Based Research Fund

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.

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

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

Performance-Based Research Fund	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
Quality Evaluation element	168,750	168,750	172,772
Research Degree Completions element	73,438	73,438	71,988
External Research Income element	51,562	51,562	43,193
Total revenue	293,750	293,750	287,953
Expenses			
Quality Evaluation element	172,080	168,750	172,772
Research Degree Completions element	74,887	73,438	71,988
External Research Income element	52,580	51,562	43,193
Total expenses	299,547	293,750	287,953
Surplus/(deficit)	(5,797)	-	-

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a deficit for the year as a result of the implementation of the new Public Benefit Entity accounting standards.

Measures of Progress

Measure	Actual 2013	Actual 2014	Target 2015	Actual 2015
Research quality	New measure in development	New measure in development	n/a	New measure in development
Research degree completions (measured by Performance-Based Research Fund (PBRF) – eligible research degree completions)	4,023	3,946	3,900 ±5%	3,858
Percentage increase in amount of external income for PBRF – eligible providers	-3.5%	3.4%	2%	3.3%



**Performance-
Based Research
Fund**
\$299.547 million



Performance measures

Benefits and Unrequited Expenses



Tertiary Scholarships and Awards \$14.466 million

Tertiary Scholarships and Awards

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

This appropriation is intended to provide a stipend for domestic sixth-year medical trainee interns and other scholarships.

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

- › *Trainee Medical Intern Grant*
- › *Tertiary Teaching Awards.*

Tertiary Scholarships and Awards	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
Trainee Medical Intern Grant	13,950	12,656	11,246
Tertiary Teaching Awards	200	200	200
Ministry of Education administered Awards	1,470	1,080	1,080
Total revenue	15,620	13,936	12,526
Expenses			
Trainee Medical Intern Grant	12,796	12,656	11,246
Tertiary Teaching Awards	200	200	200
Ministry of Education administered Awards	1,470	1,080	1,080
Total expenses	14,466	13,936	12,526
Surplus/(deficit)	1,154	-	-

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

This appropriation has generated a surplus for the year as a result of the implementation of the new Public Benefit Entity accounting standards.

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for payments of Tertiary Scholarships and Awards under the Education Act 1989. Performance information relating to the administration of the payment is provided under the Managing the Government's Investment in the Tertiary Education Sector appropriation.

Support to Apprentices

This appropriation is limited to payments to New Zealand Apprentices who are eligible for the Apprenticeships Re-boot, and Māori and Pasifika Trades Trainees, towards their tools and other training related costs.

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

In 2015/16 this appropriation relates to funding Māori and Pasifika Trades Training (MPTT) tools for employees and is linked to the Tertiary Education Strategy Priorities 1 and 3:

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

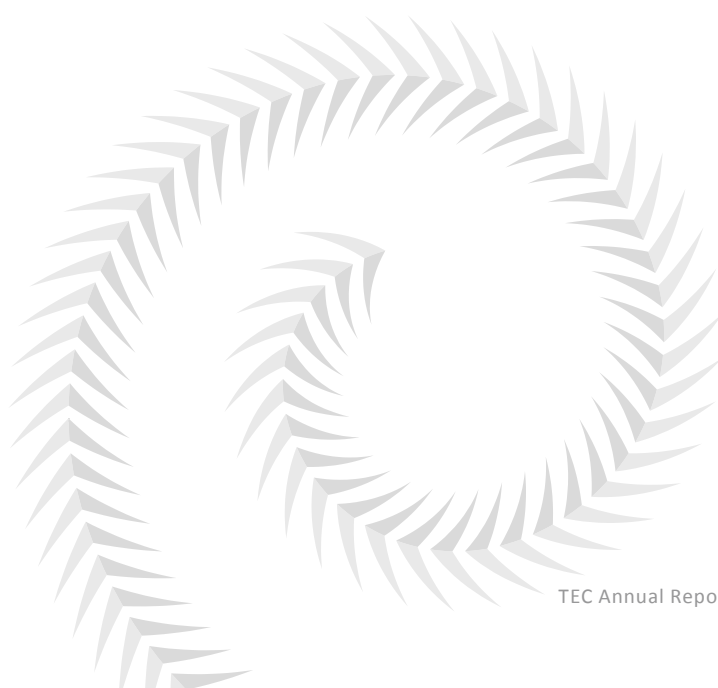
Support to Apprentices	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
Apprenticeships Re-boot	–	–	18,518
Māori and Pasifika Trades Training (Tools)	31	3,000	1,351
Total revenue	31	3,000	19,869
Expenses			
Apprenticeships Re-boot	–	–	18,827
Māori and Pasifika Trades Training (Tools)	31	3,000	8
Total expenses	31	3,000	18,835
Surplus/(deficit)	–	–	1,034

* The Crown funding received equals the actual expenses incurred in relation to the appropriation.

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for payments of Apprenticeships Re-boot subsidy under the Education Act 1989. Performance information relating to the administration of the payment is provided under the Managing the Government's Investment in the Tertiary Education Sector appropriation.



Support to
Apprentices
\$0.031 million



Non-departmental Capital Expenditure



Literacy and Numeracy Assessment Tool \$0.623 million

Literacy and Numeracy Assessment Tool

This appropriation is limited to development of the online assessment tools for adult and youth literacy and numeracy.

This appropriation is intended to achieve the delivery of online assessment tools for adult and youth literacy and numeracy to improve literacy and numeracy skills.

Development of the online assessment tool links to the Tertiary Education Strategy Priority 4:

- › Priority 4: Improving adult literacy and numeracy.

Literacy and Numeracy Assessment Tool	Actual 2015/16 \$000	Budget 2015/16 \$000	Actual 2014/15 \$000
Revenue			
Crown revenue*			
Literacy and Numeracy Assessment Tool	825	825	920
Total revenue	825	825	920
Expenses			
Literacy and Numeracy Assessment Tool	623	825	917
Total expenses	623	825	917
Surplus/(deficit)	202	-	3

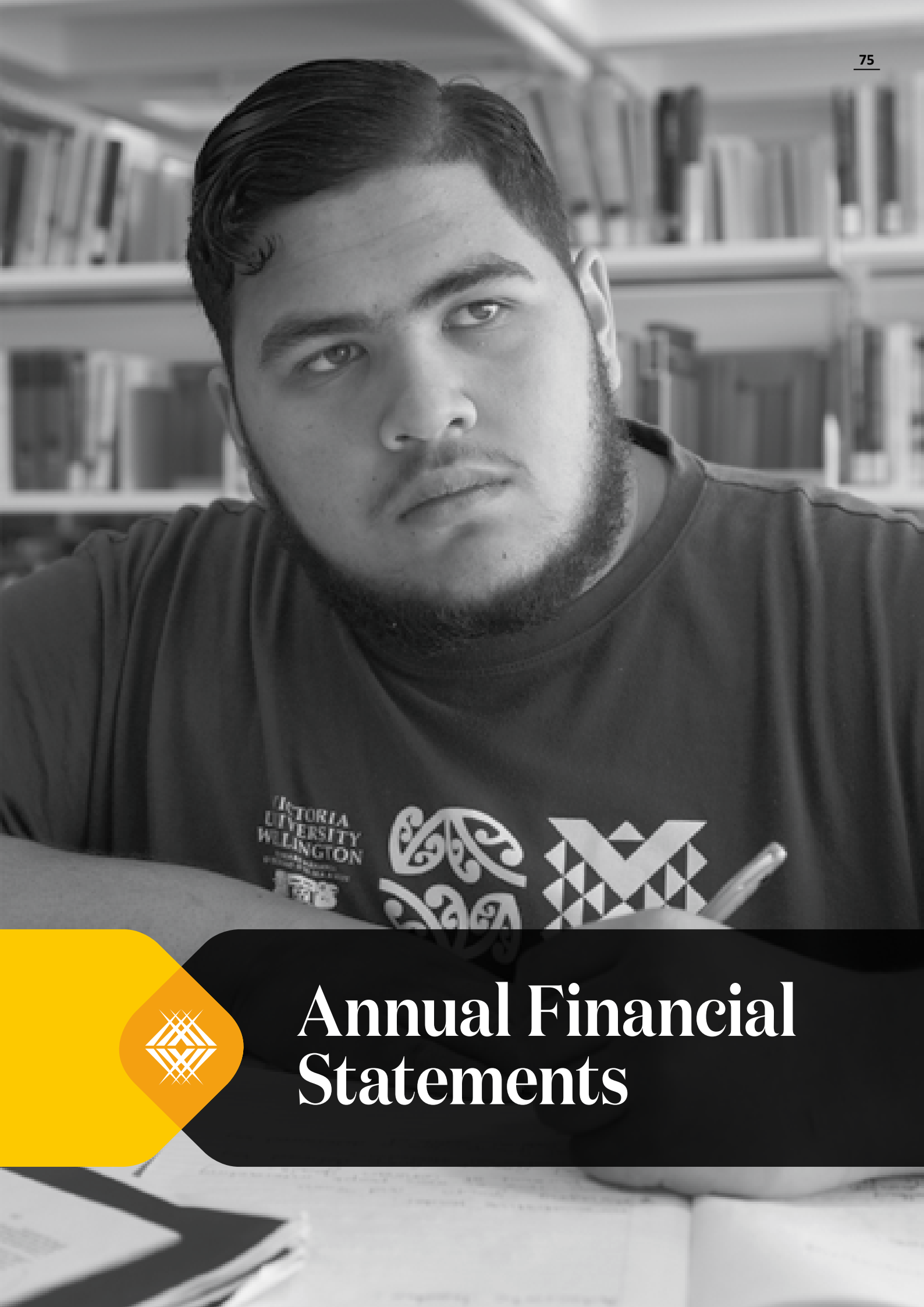
* The Crown funding received equals the actual expenses incurred in relation to the appropriation.



Performance measure

Measure of Progress

Measure	Actual 13/14	Actual 14/15	Target 2015/16	Actual 2015/16
Online assessment tools for adult literacy and numeracy are developed on time and are fit for purpose	Achieved	Achieved	Achieved	Achieved



Annual Financial Statements

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2016

	Notes	2016 Actual \$000	2016 Budget \$000	2015 Actual \$000
REVENUE				
Operating revenue:				
Vote Tertiary Education – Ministry of Education (MoE)		46,657	46,359	48,665
Contract revenue – Immigration New Zealand (INZ)		322	74	231
Other revenue		256	8	87
Total operating revenue		47,235	46,441	48,983
Grants revenue:				
Vote Education/Tertiary Education	29	2,866,721	2,879,913	2,809,030
Prior year recoveries		6,628	-	12,853
Total grants revenue		2,873,349	2,879,913	2,821,883
Finance revenue:				
Interest income on bank deposits – operating		1,370	1,802	1,646
Interest income on bank deposits – grants		348	500	510
Total finance revenue		1,718	2,302	2,156
Total revenue		2,922,302	2,928,656	2,873,022
EXPENSE				
Operating expense:				
Personnel costs	2	27,040	26,892	24,516
Other expenses	3	15,519	16,786	15,769
Capital charge		2,267	1,982	1,950
Depreciation	4	767	777	870
Amortisation	5	3,669	4,142	3,712
Total operating expense		49,262	50,579	46,817
Grants expense:				
Grants expense – MoE	29	2,811,118	2,879,913	2,804,388
Bad and doubtful debts		13,141	-	2,312
Total grants expense		2,824,259	2,879,913	2,806,700
Total expense		2,873,521	2,930,492	2,853,517
SURPLUS/(DEFICIT)				
Operating surplus/(deficit)		(657)	(2,336)	3,812
Grants surplus/(deficit)		49,438	500	15,693
Total comprehensive revenue and expense		48,781	(1,836)	19,505

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2016

	Notes	2016 Actual \$000	2016 Budget \$000	2015 Actual \$000
CURRENT ASSETS				
Cash and cash equivalents	6	51,269	40,683	45,983
Prepayments		526	336	451
Debtors and other receivables	7, 29	575,528	1,196	521,474
Total current assets		627,323	42,215	567,908
NON-CURRENT ASSETS				
Property, plant and equipment	8	4,825	4,666	1,134
Intangible assets	9	6,630	7,914	6,649
Work in progress	10	3,733	3,100	3,639
Total non-current assets		15,188	15,680	11,422
Total assets		642,511	57,895	579,330
CURRENT LIABILITIES				
Creditors and other payables	11, 29	535,080	9,762	522,026
GST payable		1,315	133	1,056
Employee entitlements	12	1,696	1,536	1,352
English for Migrants – fees in advance	13	3,536	7,690	3,061
Provisions for lease	14	112	206	117
Repayment of grants surplus	15	7,903	500	6,751
Total current liabilities		549,642	19,827	534,363
NON-CURRENT LIABILITIES				
English for Migrants – fees in advance	13	20,169	12,303	16,206
Employee entitlements	12	584	484	557
Provisions for lease	14	1,225	–	–
Total non-current liabilities		21,978	12,787	16,763
Total liabilities		571,620	32,614	551,126
Net assets		70,891	25,281	28,204
EQUITY				
General funds		70,891	25,281	28,204
Total equity		70,891	25,281	28,204

Explanations of major variances against budget are provided in note 17.

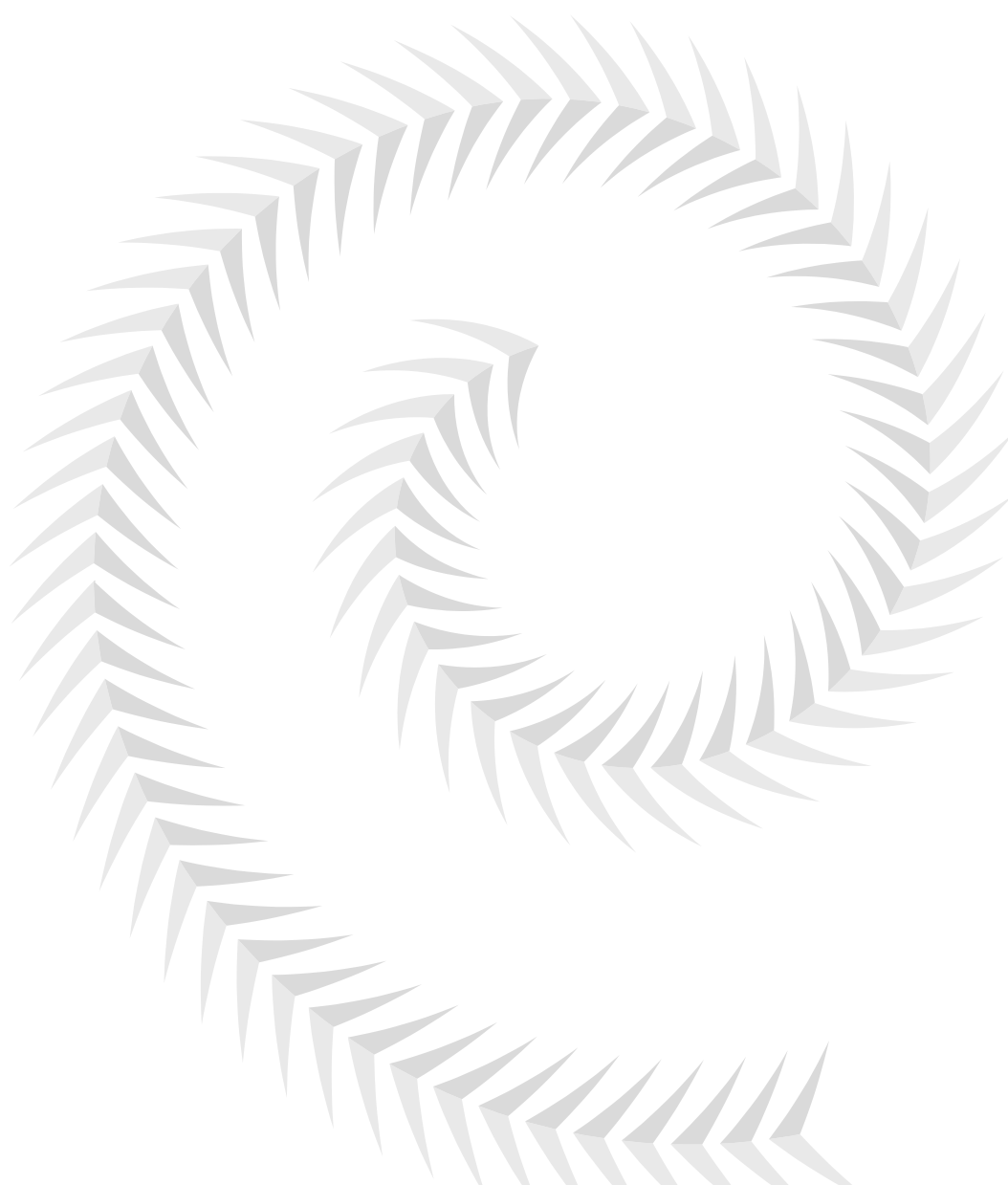
The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2016

	Note	2016 Actual \$000	2016 Budget \$000	2015 Actual \$000
Balance at 1 July		28,204	26,792	23,472
Capital contribution		825	825	920
Total comprehensive revenue and expense for the year		48,781	(1,836)	19,505
Provision for repayment of grant surplus	15	(6,919)	(500)	(15,693)
Balance at 30 June		70,891	25,281	28,204

The accompanying notes form part of these financial statements.



Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 Actual \$000	2016 Budget \$000	2015 Actual \$000
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Operating MoE		46,657	46,359	48,665
Operating INZ		726	74	713
Operating other		130	8	87
Grants MoE		2,806,672	2,879,913	2,789,514
Grants INZ		6,191	807	6,399
Grant recoveries – prior year		6,628	–	10,541
		2,867,004	2,927,161	2,855,919
<i>Cash was applied to:</i>				
Grants payments		(2,806,785)	(2,880,486)	(2,797,715)
Payments to employees		(26,667)	(25,405)	(24,914)
Other operating payments		(14,665)	(18,446)	(15,691)
Capital charge		(2,267)	(1,982)	(1,950)
GST – net		261	(13)	3,072
		(2,850,123)	(2,926,332)	(2,837,198)
Net cash flows from operating activities	16	16,881	829	18,721
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		1	–	10
Interest income on bank deposits – operating		1,410	1,802	1,525
Interest income on bank deposits – grants		348	500	510
		1,759	2,302	2,045
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		(4,444)	(4,805)	(634)
Purchase of intangible assets		(3,967)	(5,608)	(5,004)
		(8,411)	(10,413)	(5,638)
Net cash flows from investing activities		(6,652)	(8,111)	(3,593)
Cash flows from financing activities				
<i>Cash was provided from:</i>				
Capital contribution – MoE		825	825	920
<i>Cash was applied to:</i>				
Repayment of grants surplus (net) – MoE		(5,768)	–	(17,543)
Net cash flows from financing activities		(4,943)	825	(16,623)
Net increase/(decrease) in cash and cash equivalents		5,286	(6,457)	(1,495)
Cash and cash equivalents at the start of the year		45,983	47,140	47,478
Cash and cash equivalents at the end of the year	6	51,269	40,683	45,983

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Statement of accounting policies

Reporting entity

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

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

The financial statements for the TEC are for the year ended 30 June 2016 and were approved by the Board on 18 October 2016.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the Education Act 1989 and Crown Entities Act 2004, which include the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with Tier 1 PBE standards.

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

These financial statements comply with PBE standards.

Basis of measurement

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

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.

Changes in accounting policies

The accounting policies have been revised to fully comply with PBE standards.

Standards issued and not yet effective and not early adopted

In 2015, the External Reporting Board issued *Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE standards, and Amendments to PBE Standards and Authoritative Notice as a consequence of XRB A1 and Other Amendments*. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. The TEC will apply these amendments in preparing its 30 June 2017 financial statements. The TEC expects there will be no effect in applying these amendments.

Summary of significant accounting policies

Revenue

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

Revenue from Crown

The TEC is primarily funded from the Crown. This funding is restricted in its use for the purpose of the TEC meeting its performance measures as specified in the *Statement of Intent 2015-2019 and Statement of Performance Expectations 2015/16*. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period it relates.

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

Contract revenue Immigration New Zealand

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

Interest income on bank deposits – operating

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

Interest income on bank deposits – grants

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

Capital charge

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

Grants expenditure

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

Leases

Operating leases

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

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

Cash and cash equivalents

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

Debtors and other receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that the TEC will not be able to collect the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into

bankruptcy, receivership or liquidation and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected. The carrying amount of the assets is reduced through the use of a provision account and the amount of loss is recognised in the surplus or deficit. When the debt is uncollectable, it is written off against the provision account for receivables. Overdue receivables that have been renegotiated are classified as current (that is not past due).

Bank deposits

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

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

Property, plant and equipment

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

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

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated. In most instances an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

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

Subsequent costs

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

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

Depreciation

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

Computer equipment	4 years	25% straight line
Office equipment	5 years	20% straight line
Furniture and fittings	10 years	10% straight line
Leasehold improvements	12 years	Maximum 8.33% straight line
Motor vehicles	5 years	20% straight line

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

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

Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the TEC are recognised as an intangible asset.

Direct costs include software development and employee costs directly related to enabling the item of software and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the TEC's website are recognised as an expense when incurred.

Amortisation

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

The useful life and associated amortisation rate of the major class of intangible assets has been estimated as follows:

Computer software	4 years	25% straight line
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Impairment of property, plant and equipment and intangible assets

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

Non-cash-generating assets

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

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

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

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

Creditors and other payables

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

Employee entitlements

Short-term employee entitlements

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

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

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

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

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

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution schemes

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

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Onerous contracts

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

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

Lease incentives

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

Goods and services tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Budget figures

The budget figures are derived from the statement of performance expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Cost allocation

The TEC has determined the cost of outputs using the cost allocation system outlined below.

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

Direct costs are charged directly to outputs. Indirect costs are allocated to significant activities based on full-time equivalents and direct labour hours.

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

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

Critical accounting estimates and assumptions

In preparing these financial statements the TEC has made estimates and assumptions concerning the future.

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

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

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

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

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

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

Retirement and long service leave

Note 12 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Critical judgements in applying accounting policies

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

Leases classification

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

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

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

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

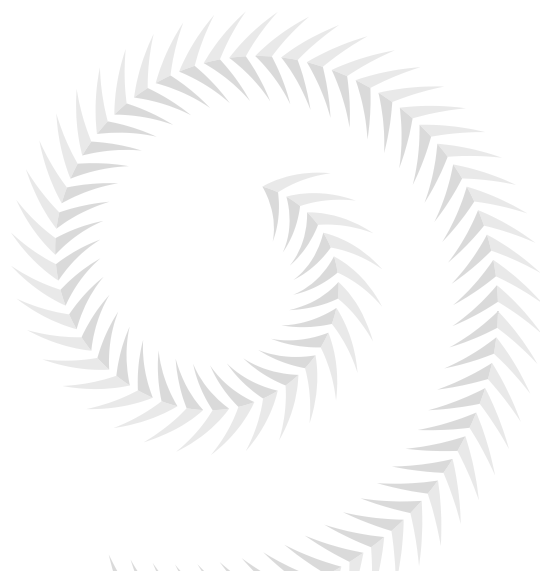
Comparative information

When presentation or classification is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so and as outlined above.

2. Personnel costs

	2016 Actual \$000	2015 Actual \$000
Salaries	21,035	20,158
Contributions to defined benefit and contribution plans*	589	568
Additional provision for leave entitlements	379	373
Training and development	561	300
Other personnel expenses	4,165	3,153
Redundancy cost	311	(36)
Total personnel expenses	27,040	24,516

*Contributions to defined benefit and contribution plans include KiwiSaver and the Government Superannuation Fund.



3. Other expenses

	Note	2016 Actual \$000	2015 Actual \$000
Property rental		1,261	1,255
Motor vehicles		9	10
Computer operations		1,998	3,260
Consultants		3,259	2,642
Audit fees for audit of financial statements		175	159
Other fees paid to auditors - assurance services		11	-
Travel		433	519
Insurance		107	120
Legal fees		503	233
Managing third party contracts		5,512	5,813
Bank fees		5	4
Telephone, tolls and postage		177	160
Other supplies and services		1,818	1,373
Commissioners' fees	19	185	166
PBRF panel members' fees		28	43
Loss on disposal, impairment and write off of property, plant and equipment and software		38	12
Total other expenses		15,519	15,769

4. Depreciation

	2016 Actual \$000	2015 Actual \$000
Leasehold improvements	89	149
Computer equipment	602	650
Office equipment	14	6
Furniture and fittings	62	65
Total depreciation	767	870

5. Amortisation

	2016 Actual \$000	2015 Actual \$000
Intangible amortisation	3,669	3,712
Total amortisation	3,669	3,712

6. Cash and cash equivalents

	2016 Actual \$000	2015 Actual \$000
Cash at bank	8,769	4,883
Term deposits with maturities less than three months	42,500	41,100
Total cash and cash equivalents	51,269	45,983

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

7. Debtors and other receivables

	2016 Actual \$000	2015 Actual \$000
Tertiary grants receivables (non-exchange transaction)	16,696	1,440
MoE grants receivable (non-exchange transaction)	571,384	520,196
Other accounts receivable (exchange transaction)	799	206
Provision for impairment	(13,351)	(368)
Total debtors and other receivables	575,528	521,474

	Gross \$000	Impairment \$000	Net \$000
As at 30 June 2016			
Not past due	532,113	–	532,113
Past due 1-30 days	1,716	–	1,716
Past due 31-60 days	11	–	11
Past due 61-90 days	44	–	44
Past due > 90 days	54,995	(13,351)	41,644
Total	588,879	(13,351)	575,528
As at 30 June 2015			
Not past due	519,368	–	519,368
Past due 1-30 days	1,607	–	1,607
Past due 31-60 days	10	–	10
Past due 61-90 days	482	–	482
Past due > 90 days	375	(368)	7
Total	521,842	(368)	521,474

The provision for impairment has been calculated based on expected losses for the TEC's pool of debtors. Expected losses have been determined based on an analysis of the TEC's losses in previous periods and a review of specific debtors.

Movements in the provision for impairment of receivables are as follows:

	2016 Actual \$000	2015 Actual \$000
Balance at 1 July	368	380
Increase/(decrease) in provision	13,141	3,159
Receivables written off during the year	(158)	(3,171)
Balance at 30 June	13,351	368

8. Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

	Leasehold Improvements \$000	Computer Equipment \$000	Office Equipment \$000	Furniture and Fittings \$000	Motor Vehicles \$000	Total \$000
Cost						
Balance at 1 July 2014	2,525	8,280	711	1,633	21	13,170
Additions	–	507	–	–	–	507
Disposals/written off	(23)	–	(172)	(290)	–	(485)
Balance at 30 June 2015	2,502	8,787	539	1,343	21	13,192
Balance at 1 July 2015	2,502	8,787	539	1,343	21	13,192
Additions	3,395	735	116	258	–	4,504
Disposals/written off	(2,502)	(3,554)	(518)	(998)	(21)	(7,593)
Balance at 30 June 2016	3,395	5,968	137	603	–	10,103
Accumulated Depreciation						
Balance at 1 July 2014	2,376	7,133	699	1,423	21	11,652
Depreciation expenses	149	650	6	65	–	870
Disposals/written off	(23)	–	(172)	(269)	–	(464)
Balance at 30 June 2015	2,502	7,783	533	1,219	21	12,058
Balance at 1 July 2015	2,502	7,783	533	1,219	21	12,058
Depreciation expenses	89	602	14	62	–	767
Disposals/written off	(2,502)	(3,553)	(516)	(955)	(21)	(7,547)
Balance at 30 June 2016	89	4,832	31	326	–	5,278
Carrying amounts						
At 1 July 2014	149	1,147	12	210	–	1,518
At 30 June and 1 July 2015	–	1,004	6	124	–	1,134
At 30 June 2016	3,306	1,136	106	277	–	4,825

There are no restrictions over the title of the TEC's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

9. Intangible assets

Movement of intangible assets is as follows:

	2016			2015		
	Acquired software \$000	Internally generated software \$000	Total \$000	Acquired software \$000	Internally generated software \$000	Total \$000
Balance at 1 July	2,926	3,723	6,649	3,569	3,255	6,824
Additions	2,342	1,308	3,650	1,276	2,261	3,537
Amortisation	(1,829)	(1,840)	(3,669)	(1,919)	(1,793)	(3,712)
Balance at 30 June	3,439	3,191	6,630	2,926	3,723	6,649
Cost	18,574	17,331	35,905	17,080	16,815	33,895
Accumulated amortisation	(15,135)	(14,140)	(29,275)	(14,154)	(13,092)	(27,246)
Balance at 30 June	3,439	3,191	6,630	2,926	3,723	6,649

There are no restrictions over the title of the TEC's intangible assets, nor are any intangible assets pledged as security for liabilities.

10. Work in progress

	Acquired software \$000	Internally generated software \$000	Leasehold Improvements \$000	Computer Equipment \$000	Office Equipment \$000	Furniture and Fittings \$000	Total \$000
Cost							
Balance at 1 July 2014	569	781	–	219	–	–	1,569
Additions	2,402	3,001	337	374	–	–	6,114
Transfer to intangibles/ property, plant and equipment	(1,276)	(2,261)	–	(507)	–	–	(4,044)
Balance at 30 June 2015/1 July 2015	1,695	1,521	337	86	–	–	3,639
Additions	2,019	1,664	3,075	1,116	116	258	8,248
Transfer to intangibles/ property, plant and equipment	(2,342)	(1,308)	(3,395)	(735)	(116)	(258)	(8,154)
At 30 June 2016	1,372	1,877	17	467	–	–	3,733

Work in progress costs comprise projects that are in progress, pending capitalisation.

11. Creditors and other payables

	2016 Actual \$000	2015 Actual \$000
Grants: non-exchange transactions		
Tertiary grants payable as per PBE accounting standards	523,628	511,335
Creditors	418	206
Accrued expenses	7,303	6,766
	531,349	518,307
Operations: exchange transactions		
Creditors	151	895
Accrued expenses	3,580	2,824
	3,731	3,719
Total creditors and other payables	535,080	522,026

Maturity grouping

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

12. Employee entitlements

	2016 Actual \$000	2015 Actual \$000
Current portion		
Salaries and wages	211	126
Annual leave	1,157	1,074
Severance provision	133	–
Sick leave	57	33
Retirement and long service leave	138	119
Total current portion	1,696	1,352
Non-current portion		
Retirement and long service leave	584	557
Total non-current portion	584	557
Total employee entitlements	2,280	1,909

The TEC has engaged the services of an external actuary to calculate long service leave and retirement leave liabilities. The valuation result is most sensitive to the difference between the assumed rates of interest and salary escalation and assumed resignation rates.

The table below shows the impact on the valuation result of varying the assumed rates of salary growth and resignation rates, leaving all other assumptions unaltered:

Changes in assumptions

	Long Service Leave \$000	Retiring Leave \$000	Total \$000
No Change	386	336	722
Salary growth: 2% per year	364	320	684
Salary growth: 4% per year	410	354	764
Resignation rates: 150% of assumed	366	333	699
Resignation rates: 50% of assumed	409	339	748

13. English for Migrants – fees in advance

	Actual 2016 \$000	Actual 2015 \$000
Balance at 1 July 2015	19,267	13,974
Fees received from migrants	7,996	7,851
Fees paid to providers	(2,157)	(1,587)
Refund of unused fees to Immigration New Zealand	(1,079)	(740)
Contract expense - administration	(322)	(231)
Balance at 30 June 2016	23,705	19,267

Migrants pay the TEC for English courses via Immigration New Zealand. The TEC pays the course fees to the providers on enrolment of the migrants. The TEC recognises 10% administration fees 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, then the fees will be refunded back to Immigration New Zealand.



14. Provision for lease

	2016 Actual \$000	2015 Actual \$000
Current portion		
Lease make-good	–	77
Onerous contract	–	40
Lease incentive	112	–
Total current portion	112	117
Non-current portion		
Lease make-good	102	–
Lease incentive	1,123	–
Total non-current portion	1,225	–
Total provision for lease	1,337	117

	Lease Make- Good Actual \$000	Onerous Lease Actual \$000	Lease Incentive Actual \$000	Total \$000
Balance at 1 July 2014	204	394	–	598
Amounts used	(127)	(354)	–	(481)
Balance at 30 June 2015/1 July 2015	77	40	–	117
Additions	102	–	1,395	1,497
Amounts used	(70)	(40)	(160)	(270)
Unused amounts reversed	(7)	–	–	(7)
Balance at 30 June 2016	102	–	1,235	1,337

The provision for lease make-good on the Wellington office is in respect of its leased premises. At the expiry of the leased term the TEC is required to make good any damage caused and remove any fixtures and fittings installed. The cost is based on the market value of replacement items as specified in the lease agreements.

The provision is released as a reduction in the lease cost when the obligation has been met.

The TEC entered into a lease agreement effective from 1 July 2015 and received a lease incentive of \$1,395,000, including \$48,000 for painting costs. This amount was offset against our project cost. The balance of \$1,347,000 was recognised as a reduction of lease rental over the lease term.

15. Provision for repayment of grants surplus

	2016 Grants MoE Surplus \$000	2015 Grants MoE Surplus \$000
Balance at 30 June 2015	6,751	6,480
Grants surplus for the year	6,919	15,693
GST adjustment	984	2,121
Surplus repaid during the period	(6,751)	(17,543)
Balance at 30 June 2016	7,903	6,751

16. Reconciliation of net surplus/(deficit) to net cash flow from operating activities

	2016 Actual \$000	2015 Actual \$000
Total comprehensive income	48,781	19,505
Add non-cash items:		
Depreciation of property, plant and equipment	767	870
Amortisation of intangibles	3,669	3,712
(Gain)/loss on disposal of property, plant and equipment	38	12
Total of non-cash items	4,474	4,594
Add/(less) movement in working capital items		
(Increase)/decrease in debtors and other receivables	(53,565)	(9,263)
GST payable/(receivable)	261	3,072
Increase/(decrease) in creditors and other payables	12,695	(1,575)
Increase/(decrease) in accrued salaries and wages	370	(406)
Increase/(decrease) in fees received in advance from English for Migrants	4,438	5,293
(Increase)/decrease in prepayments	(75)	138
Increase/(decrease) in provisions	1,220	(481)
Net movement in working capital	(34,656)	(3,222)
Add/(less) items classified as investing activities		
Interest income	(1,718)	(2,156)
Total of investing activities	(1,718)	(2,156)
Net cash flows from operating activities	16,881	18,721

17. Explanation of major variances against budget

Explanations for major variances from the TEC's budgeted figures in the *Statement of Performance Expectations 2015/16* are as follows:

Statement of Comprehensive Revenue and Expenses

Grants revenue

Grants revenue includes prior year recoveries of \$6.6 million that are not budgeted for. This has mainly resulted from investigations into historic delivery by providers resulting in amounts being recovered.

Grants expense

Grants expense was less than budgeted by \$55.7 million. Actual expenditure reflects funds allocated to the tertiary sector during the year. The majority of this variance relates to 2015 recoveries and performance linked adjustments. This was partially offset by the full impact of the Public Benefit Entity accounting standards.

Grants expense also includes bad and doubtful debts of \$13.1 million that are not budgeted for. These mainly relate to two investigations during the year. They are funds that we have not yet recovered and have judged that there is some doubt about full recovery. Amounts that are received will be reported as prior year recoveries in grants revenue.

Statement of Financial Position

Cash and cash equivalents

The cash and cash equivalents variance is mainly owing to lower than budgeted capital and operating expenditure, and an increase in the level of prepaid funds received from migrants for English language courses.

Debtors and other receivables

Debtors and other receivables are \$574.3 million above budget owing to the full implementation of the PBE accounting standards creating a receivable that arose after the budget was published.

Creditors and other payables

Creditors and other payables are \$525.3 million over budget owing to the full implementation of the PBE accounting standards creating a payable that arose after the budget was published.

18. Related party disclosure

The TEC is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship. Terms and conditions are no more or less favourable than those that it is reasonable to expect the TEC would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

The following transactions were entered into by Board members during the year. The transactions are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the TEC would have adopted in dealing with the party at arm's length in the same circumstances:

- › the TEC contracted with Kiwirail Holdings Limited for the provision of education, training and other services of \$356,500 (2015: \$nil). Chair John Spencer is a director of Kiwirail Holdings Limited. There were no amounts outstanding at year end (2015: \$nil)
- › the TEC contracted with ACG Tertiary and Careers Group Limited for the provision of education, training and other services of \$2,479,006 (2015: \$4,746,239). ACG Tertiary and Careers Group Limited is a wholly owned subsidiary of Academic Colleges Group Limited. Commissioner John Morris is an independent director of Academic Colleges Group Limited from 1 December 2014 (Chair from March 2016). There were no amounts outstanding at year end (2015: \$nil)

- › the TEC contracted with ACG Yoobee School of Design Limited for the provision of education, training and other services of \$3,275,284 (2015: \$6,340,087). ACG Yoobee School of Design Limited is a wholly owned subsidiary of Academic Colleges Group Limited. Commissioner John Morris is an independent director of Academic Colleges Group Limited from 1 December 2014 (Chair from March 2016). There were no amounts outstanding at year end (2015: \$nil)
- › the TEC contracted with the New Zealand School of Tourism Limited (previously known as The Sir George Seymour and Travel Career and Training Limited) for the provision of education, training and other services of \$10,303,604 (2015: \$9,996,692). The New Zealand School of Tourism Limited is a wholly owned subsidiary of Academic Colleges Group Limited. Commissioner John Morris is an independent director of Academic Colleges Group Limited from 1 December 2014 (Chair from March 2016). There were no amounts outstanding at year end (2015: \$nil)
- › the TEC contracted with New Zealand Management Academies (NZMA) for the provision of education, training and other services of \$14,733,301 (2015: \$7,650,111). NZMA is a wholly owned subsidiary of Academic Colleges Group Limited. Commissioner John Morris is an independent director of NZMA from 1 December 2014 (Chair from March 2016). There were no amounts outstanding at year end (2015: \$nil)
- › the TEC contracted with Airways Corporation of New Zealand Limited for the provision of education, training and other services of \$180,771 (2015: \$154,387). Commissioner Susan Paterson is a director of Airways Corporation of New Zealand Limited. There were no amounts outstanding at year end (2015: \$nil).

Total grants expenses relating to tertiary education institutions

The TEC has provided Crown-owned tertiary education institutions with funding for the provision of education, training and other services. The transactions are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the TEC would have adopted in dealing with the party at arm's length in the same circumstances. The following table details the amounts paid to each institution.

Total grants expenses for the year ended 30 June 2016

	Funding \$000	PBE Adjustment \$000	2016 Actual \$000	2015 Actual \$000
Universities				
Auckland University of Technology	159,933	(234)	159,699	153,487
Lincoln University	44,191	4,853	49,044	40,929
Massey University	197,990	3,131	201,121	190,683
University of Auckland	443,169	(506)	442,663	435,121
University of Canterbury	154,994	5,373	160,367	150,907
University of Otago	294,994	2,483	297,477	289,160
University of Waikato	87,992	149	88,141	86,595
Victoria University of Wellington	172,587	3,228	175,815	170,224
	1,555,850	18,477	1,574,327	1,517,106
Polytechnics				
Aoraki Polytechnic	3,797	–	3,797	6,680
Ara Institute of Canterbury	32,679	3,511	36,190	–
Bay of Plenty Polytechnic	11,915	–	11,915	23,148
Christchurch Polytechnic Institute of Technology	28,096	–	28,096	56,160
Eastern Institute of Technology	38,271	(723)	37,548	38,286
Manukau Institute of Technology	61,137	(1,060)	60,077	60,130
Nelson Marlborough Institute of Technology	19,430	(444)	18,986	18,572
Northland Polytechnic	26,631	(1,009)	25,622	25,409
Otago Polytechnic	35,910	196	36,106	35,357
Southern Institute of Technology	29,155	(472)	28,683	29,423
Tai Poutini Polytechnic	16,849	(156)	16,693	18,463
The Open Polytechnic of New Zealand	38,942	(1,135)	37,807	38,198
Unitec Institute of Technology	72,190	456	72,646	68,828
Universal College of Learning	28,043	(246)	27,797	28,118
Waiariki Bay of Plenty Polytechnic	25,167	(511)	24,656	–
Waiariki Institute of Technology	12,524	–	12,524	25,915
Waikato Institute of Technology	47,928	(345)	47,583	47,288
Wellington Institute of Technology	26,800	743	27,543	27,832
Western Institute of Technology	12,489	(268)	12,221	14,570
Whitireia Community Polytechnic	24,574	97	24,671	25,224
	592,527	(1,366)	591,161	587,601
Wānanga				
Te Wānanga O Aotearoa	131,920	(2,926)	128,994	131,544
Te Wānanga O Raukawa	10,916	(414)	10,502	10,663
Te Whare Wānanga O Awanuiarangi	16,801	3,423	20,224	19,125
	159,637	83	159,720	161,332
Total grants expenses relating to tertiary education institutions	2,308,014	17,194	2,325,208	2,266,039
Grants expenses for other tertiary education institutions	490,811	(4,901)	485,910	538,349
Bad debts written off and provision expense	13,141	–	13,141	2,312
Total grants expenses	2,811,966	12,293	2,824,259	2,806,700

Ministerial disclosures

The Treasury advises that responsible Ministers Hon Steven Joyce and Hon Hekia Parata have certified that they have no related party transactions for the year ended 30 June 2016.

Key management personnel compensation

	Note	2016 Actual	2015 Actual
<i>Board members</i>			
Remuneration	19	\$184,987	\$166,200
Full-time equivalent members		0.8	0.8
<i>Leadership Team</i>			
Remuneration		\$1,564,100	\$1,444,147
Full-time equivalent members		5	5
Total key management personnel remuneration		\$1,749,087	\$1,610,347
Total full-time equivalent personnel		5.8	5.8

The full-time equivalent for Commissioners has been determined based on the notice of appointment.

Key management personnel include Commissioners, the Chief Executive, three Deputy Chief Executives and Chief Advisor Māori.

19. Board member remuneration

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

		2016 Actual \$	2015 Actual \$
Current Board members			
John Spencer (Chair)	appointed August 2012	48,720	46,200
Nigel Gould	appointed May 2013	22,400	20,000
Christopher Mace	appointed May 2013	22,400	20,000
John Morris	appointed November 2012	22,400	20,000
Phil O'Reilly	appointed September 2013	22,400	20,000
Vanessa Stoddart	appointed September 2013	22,400	20,000
Susan Paterson	appointed July 2015	22,400	–
Past Board members			
Judith Johnston	retired July 2015	1,867	20,000
Total commission member fees		184,987	166,200

There have been no payments made to commission members appointed by the Board who are not commission members during the financial year.

The TEC has provided a deed of indemnity to Board members for certain activities undertaken in the performance of the TEC's function.

The TEC has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

No Board member received compensation or other benefits in relation to cessation (2015: \$nil).

20. Employee remuneration

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

	Number of Employees 2016	Number of Employees 2015
Total remuneration paid or payable		
480,001 to 490,000	1	–
450,001 to 460,000	–	1
340,001 to 350,000	1	–
310,001 to 320,000	–	1
270,001 to 280,000	1	–
250,001 to 260,000	1	1
230,001 to 240,000	–	1
190,001 to 200,000	–	1
180,001 to 190,000	5	5
170,001 to 180,000	6	5
160,001 to 170,000	5	5
150,001 to 160,000	5	2
140,001 to 150,000	3	4
130,001 to 140,000	12	9
120,001 to 130,000	12	15
110,001 to 120,000	16	15
100,001 to 110,000	19	12
Total employees	87	77

During the year ended 30 June 2016, seven employees (2015: two) received compensation and other benefits in relation to cessation totalling \$177,299 (2015: \$64,208).



21. Financial instruments

The TEC is a party to financial instrument arrangements as part of its normal operations. These financial instruments include bank accounts, bank deposits, accounts receivable and accounts payable.

Categories of financial assets and liabilities

	2016 Actual \$000	2015 Actual \$000
Financial assets		
Cash and cash equivalents	51,269	45,983
Debtors and other receivables - current	575,528	521,474
Total financial assets	626,797	567,457
Financial liabilities measured at amortised cost		
Creditors and other payables	535,080	522,026
Total financial liabilities measured at amortised cost	535,080	522,026

Credit risk

Credit risk is the risk that a third party will default on its obligation to the TEC causing it to incur a loss. The TEC had minimal credit risk in its holdings of various financial instruments. These instruments included cash, bank deposits and accounts receivable. There was no significant concentration of credit risk.

Market risk

Fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. There were no interest rate options or interest rate swap options in place as at 30 June 2016. The TEC bank deposits are on call and on term deposits with less than or equal to three month maturities.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate owing to changes in foreign exchange rates. The TEC had no exposure to currency risk.

Liquidity risk

Liquidity risk is the risk that the TEC will encounter difficulty raising liquid funds to meet commitments as they fall due. The TEC had no exposure to liquidity risk.

Contractual maturity analysis of financial liabilities

The table below analyses the TEC's financial liabilities that will be settled based on the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, based on liabilities in Note 11.

As at 30 June 2016

	Carrying Amount \$000	Contractual Cash Flows \$000	Less Than 6 months \$000
Creditors and other payables	535,080	535,080	535,080
Total	535,080	535,080	535,080

As at 30 June 2015

	Carrying Amount \$000	Contractual Cash Flows \$000	Less Than 6 months \$000
Creditors and other payables	522,026	522,026	522,026
Total	522,026	522,026	522,026

22. Operating leases

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

	2016 Actual \$000	2015 Actual \$000
Non-cancellable operating leases (rental agreements)		
Not later than one year	1,347	1,724
Later than one year and not later than two years	1,347	1,363
Later than two years and not later than five years	4,041	4,088
Later than five years	8,096	1,363
Total operating leases	14,831	8,538

The TEC has entered into a new operating lease agreement in Wellington effective from 1 July 2015 for a 12-year period with one right to renewal for a further term of six years.

The lease agreements for the Auckland office and one of the Wellington offices were terminated at the end of the lease terms during the year.

Land or building title does not pass to the TEC for any of these sites. Neither does the TEC participate in the residual value of the buildings. For these reasons the TEC has judged that all of the risks and rewards of the buildings are with the respective landlords. Based on these qualitative factors it was concluded that these leases are operating leases.

For the year ended 30 June 2016, \$1.261 million (2015: \$1.255 million) was recognised as an expense (after the release of provision for lease make-good of \$7,000 and lease incentive provision of \$112,000) in the statement of comprehensive revenue and expense in respect of operating leases.

23. Capital commitments

Capital expenditure contracted for at balance date but not yet incurred:

	2016 Actual \$000	2015 Actual \$000
Intangible assets	853	920
Total capital commitments	853	920

24. Non-cancellable agreements and investment plans

Commitments under these agreements and Investment Plans are:

	2016 Actual \$000	2015 Actual \$000
Not later than one year	943,619	917,342
Later than one year and not later than two years	59,659	33,661
Later than two years and not later than five years	127,499	93,395
Total non-cancellable contracts	1,130,777	1,044,398

At 30 June 2016 the TEC had entered into funding agreements for the provision of research and teaching and learning services. Investment Plans for 2016 include agreed funding until 31 December 2016. The TEC also has other longer term contracts, some extending to 2021 (for example, for Centres of Research Excellence).

25. Contingencies

Contingent liabilities

There are no contingent liabilities for the current year (2015: \$nil).

Contingent assets

The TEC has a contingent asset that arises from the likelihood of realising recoveries from some tertiary education organisations. The amount relates to grants expenses and is likely to be returned to the Crown if realised. The investigations are progressing but there is no certainty on the amounts that may be recovered. Since the year end Telford, a division of Lincoln University, has agreed to repay \$1.50 million. (2015: The TEC has a contingent asset that arises from the likelihood of realising recoveries from some tertiary education organisations. The amount relates to grants expenses and is likely to be returned to the Crown if realised. Since the year end Taratahi Agricultural Training Centre has agreed to repay \$8.65 million and Agribusiness Training Limited has agreed to repay \$8.69 million. Agribusiness Training Limited has subsequently been placed in liquidation and the full amount of the debt has been recognised as doubtful).

26. Events after the balance date

No event has occurred since the end of the financial period (not otherwise dealt with within the financial statements) that has affected or may significantly affect the TEC's operations or state of affairs for the year ended 30 June 2016.

27. Professional indemnity insurance

The TEC has taken out the following indemnity and other insurance policies in respect of its commissioners and employees:

- › Professional Indemnity
- › Directors' and Officers' Liability.

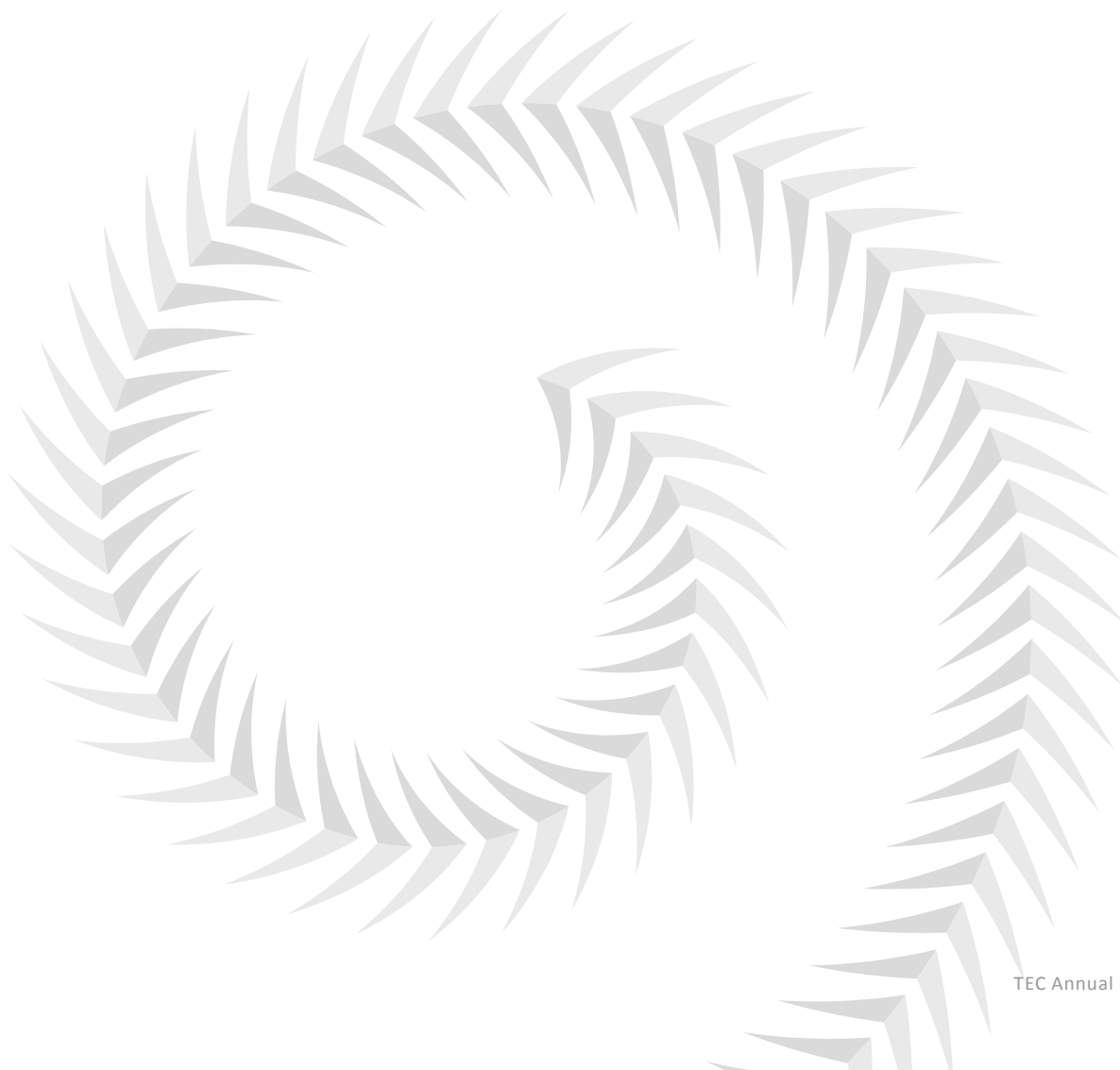
28. Capital management

The TEC's capital is its equity, which comprises accumulated funds. Equity is represented by net assets.

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

The TEC has complied with financial management requirements of the Crown Entities Act 2004 during the year.

The TEC manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealing to ensure the TEC effectively achieves its objectives and purpose, while remaining a going concern.



29. Prior period adjustment

At 30 June 2015 the TEC was unable to determine the impact of the application of Public Benefit Entity (PBE) accounting standards in relation to grants expenditure and grants funding in its financial statements. In 2016 the TEC has applied PBE standards appropriately, giving rise to a prior period adjustment. The application of PBE standards to grants expenditure has resulted in the TEC recognising a liability (and related expense). This relates to its obligation to tertiary education organisations at the balance sheet date. The application of PBE standards to grants revenue from the Crown has resulted in the TEC recognising an asset (and related revenue). This relates to the right to receive funding from the Crown to enable the TEC to satisfy its funding obligations to tertiary education organisations.

For the year ended 30 June 2015 the TEC has accounted for the amount paid to providers of English language courses out of funds received from Immigration New Zealand (INZ). This was recorded as revenue and expense in the statement of comprehensive revenue and expense. It is now noted that the TEC collects funds from immigrants and makes payment on their behalf to providers. This does not result in an increase in net assets/equity of the TEC. To comply with the PBE accounting standards an adjustment has been made to remove both the revenue and expense of English for Migrants from the statement of comprehensive revenue and expense.

	2015 \$000	Adjustments \$000	PBE Accounting Standards 2015 \$000
Statement of financial position			
<i>Current assets</i>			
Debtors and other receivables	10,139	511,335	521,474
<i>Current liabilities</i>			
Creditors and other payables	10,691	511,335	522,026
Statement of comprehensive revenue and expense			
<i>Grants revenue</i>			
Vote Education/Tertiary Education	2,798,375	10,655	2,809,030
Contract revenue INZ	1,587	(1,587)	–
<i>Grants expense</i>			
Grants expense	2,793,733	10,655	2,804,388
Contract expense – INZ	1,587	(1,587)	–



Our governance

The TEC is governed by a Board of Commissioners who:

- › set our strategic direction and make decisions about funding allocations
- › monitor the performance of the Chief Executive and the organisation
- › oversee management of strategic risk.

The Minister for Tertiary Education, Skills and Employment appoints the Board and the position of Chair. Our Board is responsible to the Minister.



John Spencer, (Chair)



Nigel Gould



Sir Christopher Mace



John Morris



Phil O'Reilly



Vanessa Stoddart



Susan Paterson



Judith Johnston
(retired July 2015)

Board sub-committees

Audit and Risk Committee members 2015/16

Nigel Gould (Chair)
John Morris
Phil O'Reilly
Judith Johnston (Alternate – retired July 2015)

Remuneration Committee members 2015/16

John Spencer (Chair)
Sir Christopher Mace
Phil O'Reilly
Vanessa Stoddart

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