

2018/19

Statement of Performance Expectations



**Tertiary
Education
Commission**
Te Amorangi
Mātauranga Matua

Our purpose
is to help all
New Zealanders
prosper through
tertiary education
and careers services

Contents

We are government’s key agency for investment in tertiary education and careers services	2
This Statement of Performance Expectations sets out our performance expectations for 2018/19	2
Our statutory functions are set out in the Education Act 1989	2
Our strategic framework reflects our changing environment	3-4
Our four impact areas show how we are helping New Zealanders prosper through tertiary education and careers services	5
Our organisational strategy directs our resources to achieve our impacts	6
Our values reflect how we work to support our functions and enablers	6
Our operating model is how we organise ourselves to deliver our strategy	7
Statement of Responsibility	10
We support the tertiary education and careers systems	11
Administration of and Support for the Tertiary Education and Careers Systems	12-14
We invest in tertiary education	15
Tertiary Tuition and Training	16-25
Access to Tertiary Education	26
Centres of Research Excellence	27
Tertiary Sector / Industry Collaboration Projects	28-29
Tertiary Education Research and Research-Based Teaching	30
University-led Innovation	31
Support to Apprentices	32
Tertiary Scholarships and Awards	33
Secondary-Tertiary Interface	34
Forecast Financial Statements	35
Forecast Statement of Comprehensive Revenue and Expense	36
Forecast Statement of Financial Position	37
Forecast Statement of Changes in Equity	38
Forecast Statement of Cash Flows	39
Movement of Forecast Intangible Assets	41
Movement of Forecast Property, Plant and Equipment	42
Forecast Grants Revenue from the Crown and Planned Grants Expenses	43
Revenue to Fund the Tertiary Education Commission’s Operations	44
Notes to the Forecast Financial Statements	45-50

We are government's key agency for investment in tertiary education and careers services

The Tertiary Education Commission is a Crown agency under the Crown Entities Act 2004 and we are governed by a Board of Commissioners appointed by the Minister of Education.

We are government's key agency for investing in tertiary education, training and careers services. Our investments aim to develop tertiary education and careers systems that are people centred. We also safeguard the Crown's interest in public tertiary education institutions.

Each year we spend over \$3 billion investing in tertiary education and supporting the tertiary education and careers systems. Approximately \$2.9 billion of this is invested into the tertiary education system. This supports more than 700 tertiary education organisations across New Zealand to provide all forms of post-secondary school education, including foundation education, vocational education and higher education, including research.

This Statement of Performance Expectations sets out our performance expectations for 2018/19

It provides:

- › a base against which performance can be assessed
- › an explanation of how performance will be assessed
- › forecast financial statements.

Our medium-term strategic intentions are described in our *Statement of Intent 2018/19 - 2021/22*, which is available on our website www.tec.govt.nz

Our statutory functions are set out in the Education Act 1989

Our statutory functions require us to:

- › give effect to the Tertiary Education Strategy by funding tertiary education organisations, growing their capability and monitoring their performance
- › collect and provide information about study and work options
- › provide information and services to help career seekers prepare to move to work or further study
- › strengthen the connections from education to employment
- › advise the Minister on tertiary education organisations and sector performance and on the operational impact of policy.

Our strategic framework reflects our changing environment

Our legislative functions have expanded following the transfer of Careers New Zealand to the Tertiary Education Commission.

Our strategic framework reflects our changing environment and shows our:

- › why – our overarching purpose and our four impacts
- › what – our organisational strategy that is expressed through our two functions and our three enablers
- › how – our values, operating model and outputs.

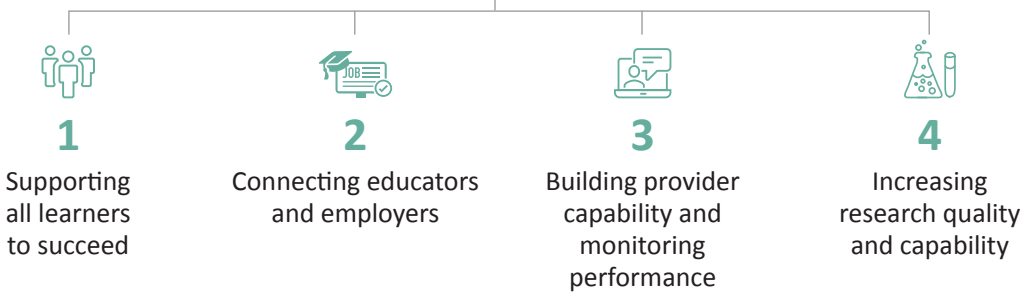
A high-level summary of each part of our strategic framework is set out on pages 5, 6 and 7. Our *Statement of Intent 2018/19 - 2021/22* provides more detail about each part of our strategic framework.

Our Framework

WHY

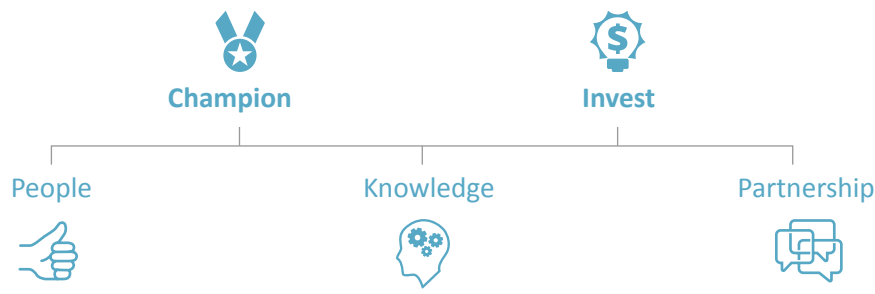
Why we are here – our purpose
 We help all New Zealanders prosper through tertiary education and careers services

The difference we intend to make – our impacts



WHAT

What we do – our organisational strategy



HOW

How we work – our values



How we organise ourselves to deliver our strategy – our operating model



How we administer our funds – our outputs



Our four impact areas show how we are helping New Zealanders prosper through tertiary education and careers services

Our *Statement of Intent 2018/19 - 2021/22* sets out in detail how we intend to achieve our four impacts and how we will measure our success. Below is a summary of each impact.



Impact **1**

Supporting all learners to succeed

All learners have the opportunity to develop the skills and knowledge to succeed.



Impact **2**

Connecting educators and employers

There are strong connections between education and employment through collaboration and sharing of knowledge among the system and employers.



Impact **3**

Building provider capability and monitoring performance

Tertiary Education Organisations are well managed, financially sustainable and provide quality education services.



Impact **4**

Increasing research quality and capability

Research-based institutions contribute to New Zealand's success through:

- › innovation, connections and collaboration
- › building a world-class innovative workforce.

Our organisational strategy directs our resources to achieve our impacts

Our strategy has two external functions:

Champion Whakangākau

Equipping all New Zealanders with skillsets that will allow them to have sustainable employment for as long as they need to.

Invest Tautoko

Improving how we allocate funding to lift the performance of the tertiary education system and how we manage provider performance.

Our two functions are supported by three internal enablers:

People Tāngata

Developing our internal capability to ensure the Tertiary Education Commission is a great place to work so we can attract and retain high-quality staff.

Knowledge Mōhiotanga

Developing a strong knowledge base to equip us with the right tools and information to support good decisions on where and how to invest.

Partnership Mahi Ngātahi

Striving to build effective partnerships that help us to achieve better outcomes for New Zealanders.

Our values reflect how we work to support our functions and enablers

We aim high Whāia 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 Ngaiotanga

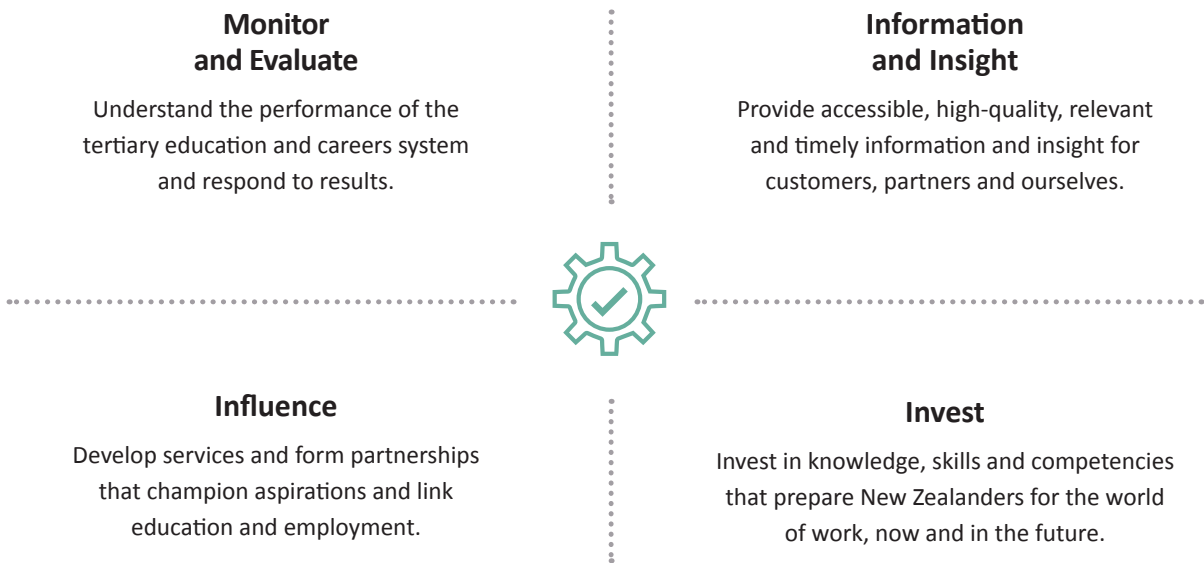
We are always looking for ways to do things better and make more of an impact. We have freedom to make changes and focus on what really matters.

Our operating model is how we organise ourselves to deliver our strategy

We developed an operating model to ensure that we:

- › make smart investments in the tertiary education and careers systems
- › support people to make smart decisions about their career pathways and investment in tertiary education.

There are four components to our functional operational model:



We will spend over
\$3 billion
investing in
 tertiary education and
supporting
 the tertiary education
 and careers systems

This diagram shows the amount of money we receive for each appropriation.



An appropriation is a sum of money authorised by government for a particular use.



The following sections detail our performance measures for each appropriation and how our appropriations link to our impacts.



We continuously review our measures to ensure they reflect the impact of the changes taking place in our operating environment.



This appropriation **supports**
 the Tertiary Education and
 Careers Systems

Administration of
 and Support for the
 Tertiary Education
 and Careers Systems



\$63.9 million

We use these appropriations to invest in tertiary education

Tertiary Tuition and Training

This includes:

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



**\$2,829.6
million**

**Tertiary Education Research
and Research-Based Teaching**



\$316.5 million

Centres of Research Excellence



\$49.8 million

**Tertiary Sector / Industry
Collaboration Projects**



\$25.6 million

Access to Tertiary Education



\$25.5 million

Secondary-Tertiary Interface



\$18.2 million

**Tertiary Scholarships
and Awards**



\$15.6 million

University-led Innovation



\$10.8 million

Support to Apprenticeships



\$2.2 million

Statement of Responsibility

This *Statement of Performance Expectations 2018/19* is produced in accordance with the requirements of sections 149B to 149M of the Crown Entities Act 2004.

This *Statement of Performance Expectations 2018/19* has been prepared as required under the Crown Entities Act 2004. We take responsibility for the statement's content, including the assumptions used in preparing the forecast financial statements and the other required disclosures. We will not update these prospective financial statements following their publication.

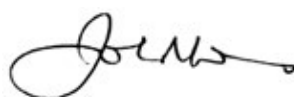
We use and maintain internal controls to ensure the integrity and reliability of our performance and financial reporting.

We certify that the information contained in this *Statement of Performance Expectations 2018/19* is consistent with the appropriations contained in the *Estimates of Appropriations for the year ending 30 June 2019*. These were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

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



Nigel Gould
Chair
Tertiary Education Commission
14 June 2018



John Morris
Audit, Risk and Compliance Committee
Tertiary Education Commission
14 June 2018



We support the
tertiary education
and careers systems





Our operational appropriation enables us to support the tertiary education and careers systems

We lead the Government's relationship with the tertiary education sector and provide career services from education to employment.

Administration of and Support for the Tertiary Education and Careers Systems

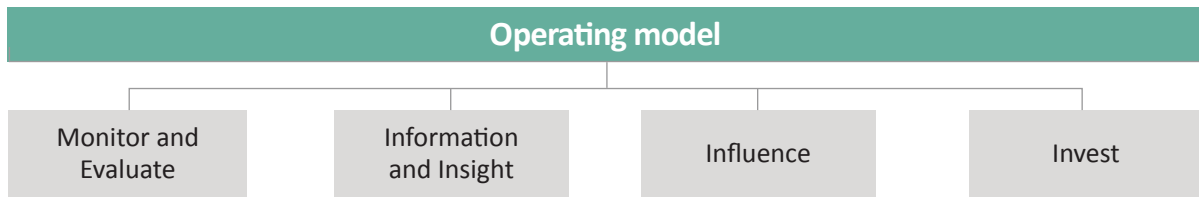
This appropriation is limited to giving effect to the Tertiary Education Strategy by effectively investing in, monitoring, informing and influencing the tertiary education and careers systems; managing the Crown's ownership interest in tertiary education institutions, and providing advice and support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

This appropriation is intended to ensure New Zealand has effective and well-managed tertiary education and careers systems.

This appropriation links to our impacts			
1 Supporting all learners to succeed		2 Connecting educators and employers	
		3 Building provider capability and monitoring performance	
		4 Increasing research quality and capability	

Administration of and Support for the Tertiary Education and Careers system	Budget 2018/19 \$000
REVENUE	
Crown revenue	
- Tertiary Education commission	63,905
- Māori Education Trust	109
Contract – Pre-purchased English Language Tuition	630
Contract – Migrant Futures	1,613
Interest	1,241
Other revenue	1,273
Total revenue	68,771
EXPENSES	
Tertiary Education Commission	74,077
Māori Education Trust	109
Total expenses	74,186
Surplus/(deficit)	(5,415)

Our Operating Model aligns with the scope and intention of our operational appropriation detailed on the previous page.



How we will assess performance

Monitor and Evaluate

Measure	Dimension	Target 2018/19	Estimated Actual 2017/18	Actual 2016/17
Percentage of TEC-funded tertiary education organisations who agree that they were kept informed throughout the monitoring process	Quality	Baseline year	New measure	New measure

Information and Insight

Measure	Dimension	Target 2018/19	Estimated Actual 2017/18	Actual 2016/17
Percentage of users who agree that the content on the careers.govt.nz website is relevant to their needs	Quality	80%	80%	79%
Percentage of education organisations surveyed who agree that our information tools are accessible and useful	Quality	Baseline year	New measure	New measure

Influence

Measure	Dimension	Target 2018/19	Estimated Actual 2017/18	Actual 2016/17
Percentage of education organisations accessing career development resources and services that agree this has helped improve their careers services	Quality	80%	80%	New measure
Percentage of TEC-funded tertiary education organisations that agree TEC information and engagement helps them to support Māori and Pasifika students to succeed	Quality	Baseline year	New measure	New measure
Percentage of employers who agree that a TEC initiative has helped improve their organisation's/industry's connection with stakeholders in the careers system	Quality	Baseline year	New measure	New measure

Invest

Measure	Dimension	Target 2018/19	Estimated Actual 2017/18	Actual 2016/17
Percentage of TEC-funded tertiary education organisations who agree that the guidance and engagement received was useful to inform their investment plan process	Quality	Baseline year	New measure	New measure
Percentage of payments the TEC makes to tertiary education organisations that are accurate and timely	Quality Quantity Timeliness	100%	100%	100%

Business enablers (including advice and support to Ministers)

Measure	Dimension	Target 2018/19	Estimated Actual 2017/18	Actual 2016/17
The overall satisfaction rating given by the Minister of Education on the Tertiary Education Commission (as per the Common Satisfaction Survey – Note 1)	Quality	Maintain or increase	Maintain or increase	7.5 out of 10
Recommendations on ministerial appointments to tertiary education institution councils are made and the appointment process is managed in a timely way	Timeliness	100%	100%	100%

Note 1 – The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of advice on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.



We invest in
tertiary education

We invest in all forms of post-secondary school education and training

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

Financial year forecasts, targets and results are shown as 2016/17, 2017/18 and 2018/19. Calendar year forecasts, targets and results are shown as 2016, 2017 and 2018.





Tertiary Tuition and Training

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

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

Tertiary Tuition and Training is a multi-category appropriation (MCA) with four categories:

- › *Community Education*
- › *Tertiary Education: Student Achievement Component*
- › *Training for Designated Groups*
- › *Fees Free Payments.*

This appropriation links to our impacts			
1 Supporting all learners to succeed		2 Connecting educators and employers	
		3 Building provider capability and monitoring performance	
		4 Increasing research quality and capability	

Tertiary Tuition and Training (MCA)		Budget 2018/19 \$000
REVENUE		
Crown revenue		
Community Education		73,258
Tertiary Education: Student Achievement Component		2,086,474
Training for Designated Groups		315,161
Fees Free Payments		354,700
Total revenue		2,829,593
EXPENSES		
Community Education		73,258
Tertiary Education: Student Achievement Component		2,086,474
Training for Designated Groups		315,161
Fees Free Payments		354,700
Total expenses		2,829,593
Surplus/(deficit)		-

How we will assess performance



Overall measure

Measure	Target 2018	Actual 2017	Actual 2016
Proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at level 4 or above)	60% for the year ending December 2018	57.7%	57.2%

Community Education

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

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

This appropriation links to our impacts			
1 Supporting all learners to succeed 	2 Connecting educators and employers 	3 Building provider capability and monitoring performance 	4 Increasing research quality and capability 

Community Education	Budget 2018/19 \$000
REVENUE	
Crown revenue	
Adult and Community Education	22,890
Literacy and Numeracy Provision	34,048
English for Speakers of Other Languages	14,015
Migrant Levy	426
Emergency Management Pool	1,879
Total revenue	73,258
EXPENSES	
Adult and Community Education	22,890
Literacy and Numeracy Provision	34,048
English for Speakers of Other Languages	14,015
Migrant Levy	426
Emergency Management Pool	1,879
Total expenses	73,258
Surplus/(deficit)	-

How we will assess performance

Measure	Target 2018	Actual 2017	Actual 2016
Percentage of learners accessing the desired range (hours) of provision (Note 1)			
- Intensive literacy and numeracy	Baseline year	New measure	New measure
- Workplace Literacy and Numeracy (tertiary education organisation led)	Baseline year	New measure	New measure
- English for Speakers of Other languages	Baseline year	New measure	New measure

Note 1 – Desired range of hours relates to the optimal hours of learning needed to make an impact on an individual's learning.

Māori and Pasifika learners

The following three components of the Tertiary Tuition and Training appropriation (Tertiary Education: Student Achievement Component (SAC), Training for Designated Groups and Fees Free Payments) contain measures relating to Māori and Pasifika learners.

Within five years we intend to achieve participation and completion patterns for Māori and Pasifika that are on a par with other learners in the tertiary system.

While performance has improved in recent years for Māori and Pasifika learners, there is still a gap between the performance of Māori and Pasifika learners and the performance of non-Māori and non-Pasifika learners. We are working with tertiary education organisations to close the gap.

Here is an example to show what we mean by a performance gap:

2016 Qualification completion for Student Achievement Component-funded learners Māori education performance compared to non-Māori and non-Pasifika

Level	Group	Qualification completion	Parity gap
Level 7 degree and above	Māori	51%	-13 percentage points
	Non-Māori and non-Pasifika	64%	

Our performance measures will track the improvement of Māori and Pasifika learners relative to non-Māori and non-Pasifika learners (improvement in the parity percentage point gap). This will show our progress towards achieving our goal of Māori and Pasifika learners participating and achieving on a par with other learners.

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.

This appropriation links to our impacts			
1 Supporting all learners to succeed 	2 Connecting educators and employers 	3 Building provider capability and monitoring performance 	4 Increasing research quality and capability 

Tertiary Education: Student Achievement Component	Budget 2018/19 \$000
REVENUE	
Crown revenue	
Provision at levels 1 and 2	93,386
Provision at levels 3 and above	1,985,793
- Universities	1,199,329
- Institutes of Technology and Polytechnics	477,261
- Wānanga	126,874
- Private Training Establishments	182,329
Information and Communications Technology Graduate Programmes	5,031
Section 321 Grants for School of Dance and School of Drama	2,264
Total revenue	2,086,474
EXPENSES	
Provision at levels 1 and 2	93,386
Provision at levels 3 and above	1,985,793
- Universities	1,199,329
- Institutes of Technology and Polytechnics	477,261
- Wānanga	126,874
- Private Training Establishments	182,329
Information and Communications Technology Graduate Programmes	5,031
Section 321 Grants for School of Dance and School of Drama	2,264
Total expenses	2,086,474
Surplus/(deficit)	-

How we will assess performance

Business	Target 2018	Estimated Actual 2017	Actual 2016
Course completion			
Percentage of Student Achievement Component (SAC)-funded domestic equivalent full-time students (EFTS) completing courses at:			
Level 4-7 Non-degree			
- All learners	Improve on previous year's result	74%	78%
- Māori	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	69%	73%
- Pasifika	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	60%	70%
- Non-Māori and non-Pasifika	n/a	80%	82%
Level 7 degree and above			
- All learners	Improve on previous year's result	86%	87%
- Māori	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	80%	81%
- Pasifika	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	73%	75%
- Non-Māori and non-Pasifika	n/a	88%	89%
Qualification Completion (cohort based) (Note 1)			
Percentage of SAC-funded students completing qualifications at: (Note 2)			
Level 4-7 Non-degree			
- All learners	Improve on previous year's result	56%	56%
- Māori	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	55%	55%
- Pasifika	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	56%	56%
- Non-Māori and non-Pasifika	n/a	57%	57%
Level 7 degree and above			
- All learners	Improve on previous year's result	61%	61%
- Māori	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	51%	51%
- Pasifika	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	48%	48%
- Non-Māori and non-Pasifika	n/a	64%	64%
Progression			
Percentage of SAC-funded students progressing:			
Within New Zealand Qualifications Framework or from levels 1-3 to levels 4 and above			
- All learners	Improve on previous year's result	32%	32%
- Māori	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	34%	34%
- Pasifika	Improve (relative to 'non-Māori and non-Pasifika') on previous year's result	36%	35%
- Non-Māori and non-Pasifika	n/a	29%	29%





Note 1 – We have moved to a new cohort-based methodology for qualification completions. Unlike the EFTS-weighted qualification completion rate, the new methodology provides a more meaningful reflection of a tertiary education organisation's performance. Cohort-based measures track individual enrolments in qualifications and are not susceptible to rate changes owing to external factors, such as fluctuations in enrolment patterns throughout the year.

Note 2 – We anticipate 2017 qualification completion results will be similar to 2016 results and have therefore reported the 2017 estimated actuals to be the same as 2016 actual results.

Training for Designated Groups

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

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

This appropriation links to our impacts			
1 Supporting all learners to succeed 	2 Connecting educators and employers 	3 Building provider capability and monitoring performance 	4 Increasing research quality and capability 

	Budget 2018/19 \$000
Training for designated groups	
REVENUE	
Crown revenue	
Industry Training Fund	178,951
Industry Training Fund — Direct Access Scheme	5,000
Industry Training-related Projects	1,600
Youth Guarantee	110,597
Gateway	19,013
Total revenue	315,161
EXPENSES	
Industry Training Fund	178,951
Industry Training Fund — Direct Access Scheme	5,000
Industry Training-related Projects	1,600
Youth Guarantee	110,597
Gateway	19,013
Total expenses	315,161
Surplus/(deficit)	-

How we will assess performance




Measure	Target 2018	Estimated Actual 2017	Actual 2016
Industry Training – programme completion (Note 1)			
Percentage completing programmes			
All learners	Improve on previous year's result	69%	62%
- Industry Trainees	Improve on previous year's result	69%	61%
- Apprentices	Improve on previous year's result	59%	64%
- Māori	Improve (relative to 'non-Maori and non-Pasifika') on previous year's result	66%	58%
- Pasifika	Improve (relative to 'non-Maori and non-Pasifika') on previous year's result	74%	64%
- Non-Maori and non-Pasifika	n/a	69%	62%
Youth Guarantee			
Youth Guarantee – Percentage of Youth Guarantee learners completing qualifications at level 2 or 3	Baseline year	New measure	New measure
Gateway			
Gateway – total participants and number of schools	13,100 ±5% in up to 378 schools	13,548 in up to 378 schools	13,662 in 367 schools

Note 1 – We have moved to a new cohort-based methodology for industry training programme completion. The new methodology for the programme completion rate provides a more meaningful reflection of an industry training organisation's performance. Unlike the nominal credit-weighted programme completion rate, the cohort-based measure tracks individual enrolments in programmes. It is not susceptible to external factors, such as fluctuations in enrolment patterns throughout the year.

Fees Free Payments

This category is limited to ensuring Fees Free study for eligible students, apprentices and trainees.

This category is intended to contribute to removing barriers to participation by making tertiary education more affordable.

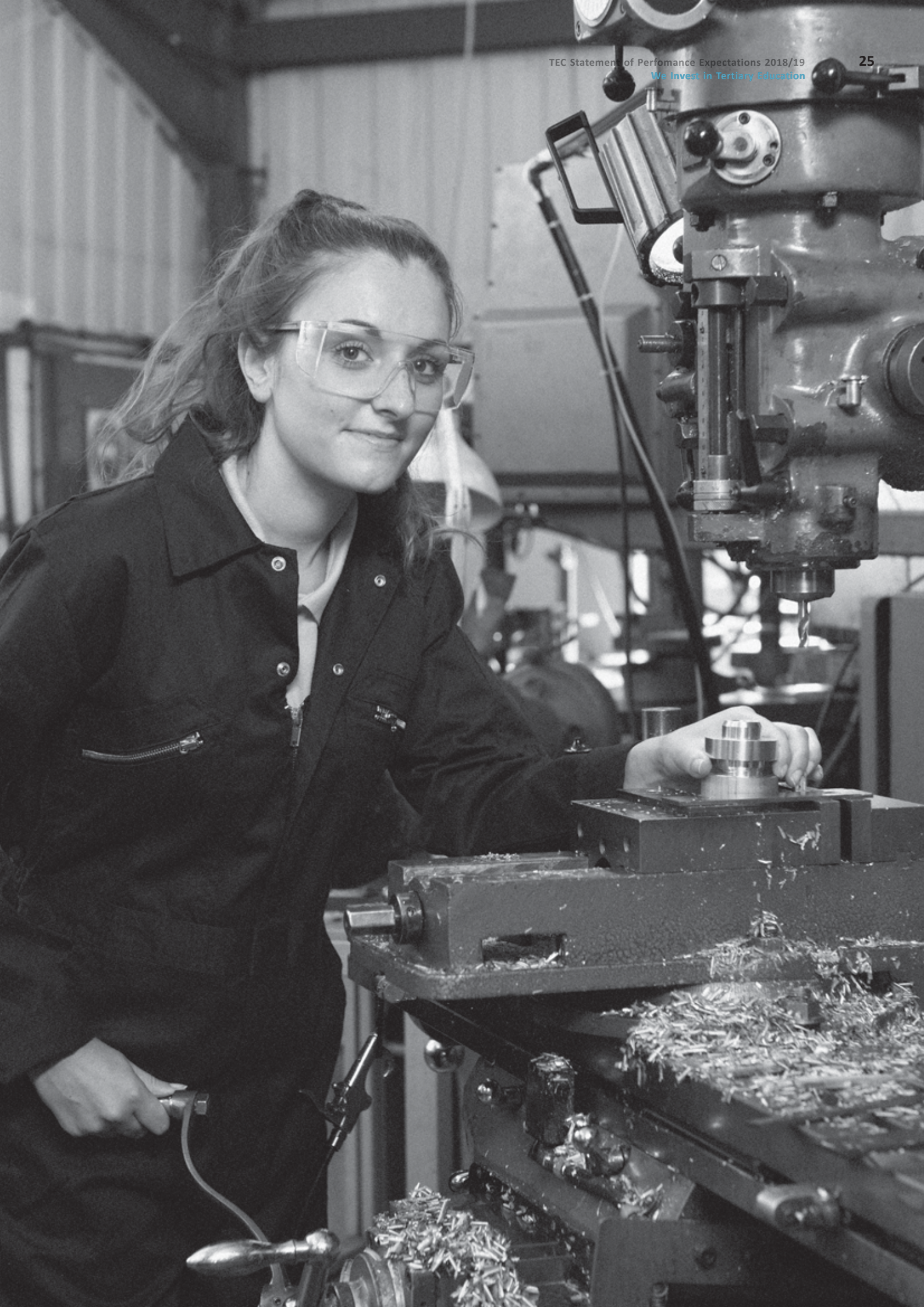
This appropriation links to our impacts			
1 Supporting all learners to succeed		2 Connecting educators and employers	
		3 Building provider capability and monitoring performance	
		4 Increasing research quality and capability	

Fees Free Payments	Budget 2018/19 \$000
REVENUE	
Crown revenue	354,700
Total revenue	354,700
Total expenses	354,700
Surplus/(deficit)	-

How we will assess performance

Measure	Target 2018	Actual 2017	Actual 2016
Percentage increase in first-time (Note 1) domestic learners (including industry training) at level 3 and above			
All first-time learners (Note 1)	Baseline year	New measure	New measure
- Māori (relative to non-Māori and non-Pasifika)	Baseline year	New measure	New measure
- Pasifika (relative to non-Māori and non-Pasifika)	Baseline year	New measure	New measure
- Non-Māori and non-Pasifika	n/a	New measure	New measure





Note 1 – First-time learners as defined by current learner eligibility criteria for Fees Free <https://www.feesfree.govt.nz/faqs/>



Access to Tertiary Education

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

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

This appropriation links to our impacts			
1 Supporting all learners to succeed 	2 Connecting educators and employers 	3 Building provider capability and monitoring performance 	4 Increasing research quality and capability 

Access to Tertiary Education	Budget 2018/19 \$000
REVENUE	
Crown revenue	
Equity Loading	17,149
Māori and Pasifika Trades Training Top Up	8,400
Total revenue	25,549
EXPENSES	
Equity Loading	17,149
Māori and Pasifika Trades Training Top Up	8,400
Total expenses	25,549
Surplus/(deficit)	-




How we will assess performance

Measure	Target 2018	Estimated Actual 2017	Actual 2016
Percentage of learners per calendar year progressing from Māori and Pasifika Trades Training to trades-related employment via New Zealand Apprenticeships and managed apprenticeships, other industry training at level 3 and above or further study at New Zealand Qualifications Framework level 4 and above	Improve on previous year's result	39%	New measure

Centres of Research Excellence

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

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

This appropriation links to our impacts			
1 Supporting all learners to succeed 	2 Connecting educators and employers 	3 Building provider capability and monitoring performance 	4 Increasing research quality and capability 

Centres of Research Excellence	Budget 2018/19 \$000
REVENUE	
Crown revenue	49,800
Total revenue	49,800
Total expenses	49,800
Surplus/(deficit)	-

How we will assess performance





Measure	Target 2018	Actual 2017	Actual 2016
Centres of Research Excellence annual reports are reviewed and appropriate action is taken (Note 1)	Achieved	Achieved	Achieved

Note 1 – Plans are reviewed against milestones and key performance indicators set in research plans. Review looks at progress on delivery towards policy objectives and long-term outcomes.

Tertiary Sector / Industry Collaboration Projects

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

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

This appropriation links to our impacts			
1 Supporting all learners to succeed		2 Connecting educators and employers	
		3 Building provider capability and monitoring performance	
		4 Increasing research quality and capability	

Tertiary Sector / Industry Collaboration Projects	Budget 2018/19 \$000
REVENUE	
Crown revenue	
National Centre for Tertiary Teaching Excellence	3,556
Industry Training Organisation Strategic Leadership Fund	1,000
Information and Communications Technology Graduate Schools (Development and Delivery)	2,005
Engineering Education to Employment	1,449
Māori and Pasifika Trades Training (Brokerage)	3,009
Māori and Pasifika Trades Training (Consortium)	2,000
Section 321 Taranaki Futures Trust	62
Centres of Asia-Pacific Excellence	10,000
Quality Teaching Agenda (Ministry of Education administered)	2,520
Total revenue	25,601
EXPENSES	
National Centre for Tertiary Teaching Excellence	3,556
Industry Training Organisation Strategic Leadership Fund	1,000
Information and Communications Technology Graduate Schools (Development and Delivery)	2,005
Engineering Education to Employment	1,449
Māori and Pasifika Trades Training (Brokerage)	3,009
Māori and Pasifika Trades Training (Consortium)	2,000
Section 321 Taranaki Futures Trust	62
Centres of Asia-Pacific Excellence	10,000
Quality Teaching Agenda (Ministry of Education administered)	2,520
Total expenses	25,601
Surplus/(deficit)	-

How we will assess performance





Measure	Target 2018	Estimated Actual 2017	Actual 2016
Number of domestic equivalent full-time students in Information and Communications Technology (ICT) Graduate Schools per calendar year	300 ±5%	223	60
Centres of Asia-Pacific Excellence annual reports are reviewed and appropriate action is taken (Note 1)	Achieved	New measure	New measure

Note 1 – Plans are reviewed against milestones and key performance indicators set in research plans. Review looks at progress on delivery towards policy objectives and long-term outcomes.

Tertiary Education Research and Research-Based Teaching

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

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

This appropriation links to our impacts			
1 Supporting all learners to succeed		2 Connecting educators and employers	
		3 Building provider capability and monitoring performance	
		4 Increasing research quality and capability	

Tertiary Education Research and Research-Based Teaching		Budget 2018/19 \$000
REVENUE		
Crown revenue		
Wānanga Research Capability Fund		1,500
Performance-Based Research Fund		315,000
-	Quality Evaluation element	173,250
-	Research Degree Completions element	78,750
-	External Research Income element	63,000
Total revenue		316,500
EXPENSES		
Wānanga Research Capability Fund		1,500
Performance-Based Research Fund		315,000
-	Quality Evaluation element	173,250
-	Research Degree Completions element	78,750
-	External Research Income element	63,000
Total expenses		316,500
Surplus/(deficit)		-

How we will assess performance

Measure	Target 2018	Actual 2016
Research degree completions (measured by Performance-Based Research Fund (PBRF)-eligible research degree completions (Note 1))	Previous year ±5%	3,934
Percentage increase in amount of external income for PBRF-eligible providers (Note 2)	2%	7.4%

2017 Performance-Based Research Fund data was not available at time of publishing.




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

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

University-led Innovation

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

This appropriation is intended to help New Zealand universities to recruit world-leading entrepreneurial academics, with a track record of working with industry to turn research into commercial innovation, with a focus on Tertiary Education Strategy priorities.

This appropriation links to our impacts			
1 Supporting all learners to succeed 	2 Connecting educators and employers 	3 Building provider capability and monitoring performance 	4 Increasing research quality and capability 

University-led Innovation	Budget 2018/19 \$000
REVENUE	
Crown revenue	10,833
Total revenue	10,833
Total expenses	10,833
Surplus/(deficit)	-

How we will assess performance

Measure	Target 2018	Actual 2017	Actual 2016
Entrepreneurial Universities' annual reports are reviewed and appropriate action is taken (Note 1)	Achieved	New measure	New measure

Note 1 – Plans are reviewed against milestones and key performance indicators set in their Programme Maps and Annual Approach to Activity. Review looks at progress on delivery towards policy objectives and long-term outcomes.

Support to Apprentices

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

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

	Budget 2018/19 \$000
Support to Apprentices	
REVENUE	
Crown revenue	2,190
Total revenue	2,190
Total expenses	2,190
Surplus/(deficit)	-

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for payments to Māori and Pasifika Trades Trainees towards the cost of tools and other training-related costs under the Education Act 1989.

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.

	Budget 2018/19 \$000
Tertiary Scholarships and Awards	
REVENUE	
Crown revenue	
Trainee Medical Intern Grant	14,288
Tertiary Teaching Awards	200
Ministry of Education administered awards	1,080
Total revenue	15,568
EXPENSES	
Trainee Medical Intern Grant	14,288
Tertiary Teaching Awards	200
Ministry of Education administered awards	1,080
Total expenses	15,568
Surplus/(deficit)	-

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

Secondary-Tertiary Interface

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

Secondary-Tertiary Interface	Budget 2018/19 \$000
REVENUE	
Crown revenue	18,225
Total revenue	18,225
Total expenses	18,225
Surplus/(deficit)	-



Forecast Financial Statements

Forecast Statement of Comprehensive Revenue and Expense

For the years ended 30 June

	2018 Forecast \$000	2019 Budget \$000
REVENUE		
Operating revenue:		
Vote Tertiary Education – Ministry of Education (MoE)	69,531	63,905
Contract – Pre-purchased English Language Tuition	327	630
Contract – Migrant Futures	1,562	1,613
Other revenue	2,086	1,273
Total operating revenue	73,506	67,421
Grants revenue:		
Vote Education/Tertiary Education – MoE	3,147,914	3,290,259
Prior year recoveries	4,000	2,000
Total grants revenue	3,151,914	3,292,259
Finance revenue:		
Interest – operating	1,551	1,241
Interest – grants	380	320
Total finance revenue	1,931	1,561
Total revenue	3,227,351	3,361,241
EXPENSE		
Operating expense:		
Personnel costs	42,082	41,492
Other expenses	20,021	25,323
Capital charge	1,877	2,400
Depreciation	1,290	1,205
Amortisation	4,028	3,657
Total operating expense	69,298	74,077
Grants expense:		
Grants expense	3,143,614	3,290,559
Bad and doubtful debts	113	-
Total grants expense	3,143,727	3,290,559
Total expense	3,213,025	3,364,636
SURPLUS/(DEFICIT)		
Operating surplus/(deficit)	5,759	(5,415)
Grants surplus/(deficit)	8,567	2,020
Total comprehensive revenue and expense	14,326	(3,395)

Forecast Statement of Financial Position

As at 30 June

	2018 Forecast \$000	2019 Budget \$000
CURRENT ASSETS		
Cash and cash equivalents	59,361	48,830
Prepayments	700	711
Receivables	616,424	616,374
Total current assets	676,485	665,915
NON-CURRENT ASSETS		
Property, plant and equipment	5,415	6,201
Intangible assets	13,577	18,800
Total non-current assets	18,992	25,001
Total assets	695,477	690,916
CURRENT LIABILITIES		
Payables	520,434	521,014
GST payable	530	573
Employee entitlements	3,241	2,795
Pre-purchased English Language Tuition – fees in advance	25,341	24,194
Provisions for lease	112	112
Repayment of grants surplus	304	559
Total current liabilities	549,962	549,247
NON-CURRENT LIABILITIES		
Employee entitlements	582	590
Provisions for lease	974	835
Total non-current liabilities	1,556	1,425
Total liabilities	551,518	550,672
Net assets	143,959	140,244
EQUITY		
General funds	143,959	140,244
Total equity	143,959	140,244

Forecast Statement of Changes in Equity

For the years ended 30 June

	2018 Forecast \$000	2019 Budget \$000
Balance at 1 July	125,115	143,959
Capital contribution	-	-
Capital contribution – Careers New Zealand	4,898	-
Total comprehensive revenue and expense for the year	14,326	(3,395)
Provision for repayment of grants surplus	(380)	(320)
Balance at 30 June	143,959	140,244

Forecast Statement of Cash Flows

For the years ended 30 June

	2018 Forecast \$000	2019 Budget \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Operating – MoE	69,531	63,905
Operating – Pre-purchased English Language Tuition	327	630
Operating other	3,809	2,886
Grants – MoE	3,138,392	3,290,514
Grants – Pre-purchased English Language Tuition	2,390	5,784
Grant recoveries – prior year	4,000	2,000
	3,218,449	3,365,719
<i>Cash was applied to:</i>		
Grants payments	(3,154,324)	(3,297,489)
Payments to employees	(41,348)	(41,926)
Other operating payments	(21,103)	(24,899)
Capital charge	(1,877)	(2,400)
GST – net	22	43
	(3,218,630)	(3,366,671)
Net cash flows from operating activities	(181)	(952)
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of property, plant and equipment	-	-
Interest – operating	1,448	1,291
Interest – grants	380	320
	1,828	1,611
<i>Cash was applied to:</i>		
Purchase of intangible assets	(4,799)	(8,879)
Purchase of property, plant and equipment	(1,701)	(1,991)
	(6,500)	(10,870)
Net cash flows from investing activities	(4,672)	(9,259)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was applied to:</i>		
Repayment of grants surplus – MoE	(3,210)	(320)
Net cash flows from financing activities	(3,210)	(320)
Net increase/(decrease) in cash and cash equivalents	(8,063)	(10,531)
Cash and cash equivalents at 1 July	63,411	59,361
Careers New Zealand cash introduced	4,013	-
Cash and cash equivalents at 30 June	59,361	48,830

Forecast Statement of Cash Flows (continued)

For the years ended 30 June

	2018 Forecast \$000	2019 Budget \$000
Total comprehensive revenue and expenses	14,326	(3,395)
Add non-cash items – depreciation and amortisation	5,318	4,862
Add/(deduct) net movements in working capital	(17,997)	(808)
Deduct interest income classified as investing activities	(1,828)	(1,611)
Net cash flows from operating activities	(181)	(952)

Movement of Forecast Intangible Assets

	Software \$000	Work in progress \$000	Total \$000
Cost			
Balance at 1 July 2017	33,802	4,028	37,830
Additions	6,694	(1,032)	5,662
Careers New Zealand assets introduced	3,702	-	3,702
Balance at 30 June 2018	44,198	2,996	47,194
Balance at 1 July 2018	44,198	2,996	47,194
Additions	6,180	2,700	8,880
Balance at 30 June 2019	50,378	5,696	56,074
Accumulated amortisation			
Balance at 1 July 2017	27,687	-	27,687
Amortisation expenses	4,028	-	4,028
Careers New Zealand assets introduced	1,902	-	1,902
Balance at 30 June 2018	33,617	-	33,617
Balance at 1 July 2018	33,617	-	33,617
Amortisation expenses	3,657	-	3,657
Balance at 30 June 2019	37,274	-	37,274
Carrying amounts			
At 1 July 2017	6,115	4,028	10,143
At 30 June and 1 July 2018	10,581	2,996	13,577
At 30 June and 1 July 2019	13,104	5,696	18,800

Movement of Forecast Property, Plant and Equipment

	Leasehold improvements \$000	Computer equipment \$000	Office equipment \$000	Furniture and fittings \$000	Motor vehicles \$000	Work in progress \$000	Total \$000
Cost							
Balance at 1 July 2017	3,404	6,556	128	742	-	846	11,676
Additions	978	664	20	20	-	(846)	836
Careers New Zealand assets introduced	199	1,234	243	-	427	-	2,103
Balance at 30 June 2018	4,581	8,454	391	762	427	-	14,615
Balance at 1 July 2018	4,581	8,454	391	762	427	-	14,615
Additions	-	1,951	20	20	-	-	1,991
Balance at 30 June 2019	4,581	10,405	411	782	427	-	16,606
Accumulated depreciation							
Balance at 1 July 2017	390	5,390	44	288	-	-	6,112
Depreciation expenses	396	694	80	73	47	-	1,290
Careers New Zealand assets introduced	174	1,051	211	-	362	-	1,798
Balance at 30 June 2018	960	7,135	335	361	409	-	9,200
Balance at 1 July 2018	960	7,135	335	361	409	-	9,200
Depreciation expenses	380	705	30	72	18	-	1,205
Balance at 30 June 2019	1,340	7,840	365	433	427	-	10,405
Carrying amounts							
At 1 July 2017	3,014	1,166	84	454	-	846	5,564
At 30 June and 1 July 2018	3,621	1,319	56	401	18	-	5,415
At 30 June and 1 July 2019	3,241	2,565	46	349	-	-	6,201

Forecast Grants Revenue from the Crown and Planned Grants Expenses

For the year ended 30 June 2019

	Revenue \$000	Expenses \$000
Vote Tertiary Education:		
Non-Departmental Output Expenses		
Tertiary Tuition and Training multi-category appropriation (MCA)		
Community Education	73,258	73,258
Tertiary Education: Student Achievement Component	2,086,474	2,086,474
Training for Designated Groups	315,161	315,161
Fees Free Payments	354,700	354,700
Access to Tertiary Education	25,549	25,549
Centres of Research Excellence	49,800	49,800
Tertiary Sector / Industry Collaboration Projects	25,601	25,601
Tertiary Education Research and Research-Based Training	316,500	316,500
University-led Innovation	10,833	10,833
Total Non-Departmental Output Expenses	3,257,876	3,257,876
Benefits and Other Unrequited Expenses		
Support to Apprentices	2,190	2,190
Tertiary Scholarships and Awards	15,568	15,568
Total Benefits and Other Unrequited Expenses	17,758	17,758
Vote Education:		
Non-Departmental Output Expenses		
Secondary-Tertiary Interface	18,225	18,225
Non-Departmental Output Expenses Total	18,225	18,225
Total revenue/expenses	3,293,859	3,293,859
Administered by Ministry of Education		
Quality Teaching Agenda	2,520	2,520
Scholarships and Awards	1,080	1,080
Administered by Tertiary Education Commission	3,290,259	3,290,259
Total revenue/expenses	3,293,859	3,293,859
Prior year items	2,000	300
Administered by Tertiary Education Commission	3,290,259	3,290,259
Total grants revenue/expenses	3,292,259	3,290,559

Revenue to Fund the Tertiary Education Commission's Operations

For the year ended 30 June 2019

	Revenue \$000
Vote Tertiary Education:	
Non-Departmental Output Expenses	
Administration of and Support for the Tertiary Education and Careers systems	63,905
Total Non-Departmental Output Expenses (Operating Appropriations Revenue)	63,905
Other revenue	
Māori Education Trust	109
Contract – Pre-purchased English Language Tuition	630
Contract – Migrant Futures	1,613
Interest	1,241
Other revenue	1,273
Total operating revenue	68,771

Notes to the Forecast Financial Statements

Statement of accounting policies

Reporting entity

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

Our primary objective is to provide services to the New Zealand public, rather than make a financial return.

Accordingly, we have designated ourselves as a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

Statement of compliance

The forecast financial statements have been prepared in accordance with the Education Act 1989 and Crown Entities Act 2004, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

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

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

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

Presentation currency and rounding

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

Summary of significant accounting policies

Revenue

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

Revenue from Crown

We are primarily funded from the Crown. This funding is restricted in its use for the purpose of us meeting our performance measures as specified in the *Statement of Intent 2018/19-2021/22* and *Statement of Performance Expectations 2018/19*. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period it relates to.

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

Contract – Pre-purchased English Language Tuition

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

Interest – operating

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

Interest – grants

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

Personnel costs**Superannuation schemes – defined contribution schemes**

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

Operating leases

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

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

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

Capital charge

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

Grants expenses

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

Cash and cash equivalents

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

Receivables

Short-term receivables are recorded at the amount due, less any provision for uncollectable debts.

A receivable is considered uncollectable when there is evidence the amount due will not be fully collected.

The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Intangible assets**Software acquisition and development**

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 are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

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

Amortisation

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

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

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

Non-cash-generating assets

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

Value in use is determined using 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.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: computer equipment, office equipment, furniture and fittings, leasehold improvements 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 us and the cost of the item can be measured reliably.

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

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

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

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

Disposals

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

Depreciation

Depreciation is 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	Life of lease	
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.

Payables

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

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

- › Where we have committed to provide funding based on a multi-year contract, we recognise commitments for a further 12 months. Our contracts with tertiary education organisations state our ability to provide funding depends on the Government continuing to appropriate sufficient funding for us to fund the tertiary education organisation. At 30 June 2019, our funding has only been confirmed up until 30 June 2020.
- › Where we have committed to provide funding to tertiary education organisations to the end of the current calendar year, we recognise commitments up to then.

Exceptions are as follows:

- › Volume-based funding: the majority of our funding is paid based on the number of valid student enrolments. We obtain the number of students enrolled in courses at each tertiary education organisation as at 30 June and compare this to what we have funded the tertiary education organisation for to 30 June. We record an asset or liability based on these student numbers and whether the funding we provided to the tertiary education organisation is higher or lower than what they are entitled.
- › Deliverable-based funding: some of our funding is paid once a tertiary education organisation completes a piece of research or meets a milestone. We do not record a liability unless the tertiary education organisation has met the milestone at 30 June.

Goods and services tax (GST)

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

The net 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.

Employee entitlements

Short-term employee entitlements

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

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

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

Long-term employee entitlements

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

The calculations are based on:

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

Presentation of employee entitlements

The current portion of sick leave, annual leave and vested long service leave 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.

Provisions for lease

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 an outflow of future economic benefits or service potential will be required to settle the obligation
- › a reliable estimate can be made of the amount of the obligation.

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.

Repayment of grants surplus

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

Equity

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

Capital management

Our capital is our equity, which comprises accumulated funds. Equity is represented by net assets. We are subject to financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

We have complied with the financial management requirements of the Crown Entities Act 2004 during the year.

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

Income tax

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

Critical accounting estimates and assumptions

In preparing these financial statements we have 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 and intangible assets

At each balance date, the useful lives and residual values of property, plant and equipment and intangible assets 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 and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the amortisation and depreciation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position.

We minimise the risk of this estimation uncertainty by:

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

We have not made significant changes to past assumptions concerning useful lives and residual values.

Measuring retirement and long service leave obligations

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

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

Critical judgements in applying accounting policies

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

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