



TE PŪRONGO MAHI MŌ TE HAUWHĀ TUARUA O 2020/21 2020/21 QUARTER TWO PERFORMANCE REPORT

KO Ō MĀTOU WHĀINGA RAUTAKI OUR STRATEGIC INTENTIONS

TE TAUTOKO I NGĀ ĀKONGA KATOA KIA ANGITU SUPPORTING ALL LEARNERS TO SUCCEED

We are working towards our strategic goal where success will look like: all learners have the opportunity to develop the skills and knowledge to succeed

This quarter we have included a SPOTLIGHT on our careers work (page 4). This covers: Careers guidance, Online Careers Planning Solution (Tiro Whetū), and Vocational Education and Training (VET).

We have also provided updates on:

- > Ōritetanga Learner Success Approach (page 5)
- > Investment Round (page 5)
- > Fees Free (page 5)
- > Tertiary Education Strategy (TES) (page 6)
- > Secondary Initial Teacher Education (page 6)
- > Pastoral Care (page 6)

TE WHAKAHONO KAIWHAKAAKO KI NGĀ KAIWHAKAWHIWI MAHI CONNECTING EDUCATORS & EMPLOYERS

We are working towards our strategic goal where success will look like: there are strong connections between education and employment through collaboration and sharing of knowledge among schools, TEOs and employers

This quarter we have included a SPOTLIGHT on our RoVE (pages 2-3) and careers work (page 4).

We have also provided updates on:

- > Our Careers website (page 7)
- > Inspiring the Future (page 7)
- > Career opportunities in Food and Fibre and Construction (page 8)

TE WHAKAKAHA AKE I TE ĀHEINGA KAIWHAKARATO ME TE AROTURUKI MAHI BUILDING PROVIDER CAPABILITY & MONITORING PERFORMANCE

We are working towards our strategic goal where success will look like: TEOs are well managed, financially sustainable and provide quality education services

This quarter we have included a SPOTLIGHT on the RoVE programme (page 2). This covers: stakeholder engagement, Te Pūkenga, the impact of COVID-19, TITOs, the system blueprint, TEC's operational readiness for RoVE, and updates on the progress of the other key RoVE work programmes

We have also provided updates on:

- > Monitoring TEOs (page 9)

TE WHAKARAHI AKE I TE KOUNGA O TE RANGAHAU ME TE ĀHEINGA HOKI INCREASING RESEARCH QUALITY & CAPABILITY

We are working towards our strategic goal where success will look like: research-based institutions contribute to New Zealand's success through innovation, connections and collaboration and building a world-class, innovative workforce

This quarter we have provided updates on:

- > Performance Based Research Fund (PBRF) (page 10)
- > Centres of Research Excellence (CoREs) (page 10)
- > Centres of Asia-Pacific Excellence (CAPEs) (page 10)

KO Ō MĀTOU KAIWHAKAĀHEI OUR ENABLERS

Our enablers - Tāngata People, Mōhiotanga Knowledge, Mahi Ngātahi Partnership support the delivery of our strategic intentions

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Key themes include:

- > Work is ongoing on a **Thriving TEC** plan that will grow our organisation to be culturally affirming, equity minded, and learner centric. It will bring together all the strands of our cultural capability development, as well as look at our environmental capability i.e. systems, tools, processes.
- > During quarter two we have worked to evolve our COVID-19 Strategic Response into a comprehensive organisational strategy. **Our strategy** focuses on delivering four key outcomes – equity, skills and employability, system responsiveness and internal change.

- > We continued to progress our **Cyber Security** maturity over the last quarter, with our Independent Cyber Security partner - Arua Information Security. Arua are providing us with specialist cyber security advice and capability, commencing with a comprehensive three tiered assurance.
- > The **Privacy Act 2020** came into effect on 1 December 2020. To ensure our preparedness, we conducted a review of our existing privacy practices and processes to ensure compliance with the new Privacy Act. We also rolled out mandatory training on the new Privacy Act for all TEC staff.

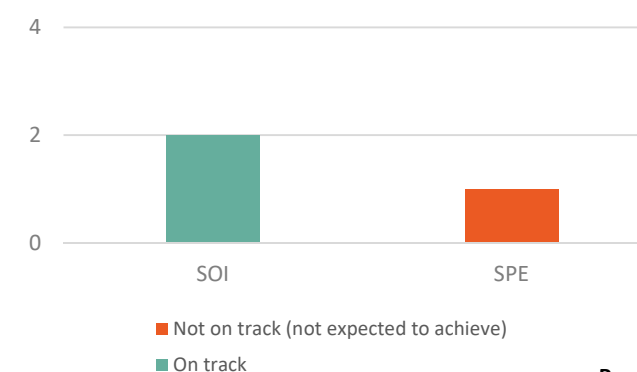
MAHINGA KORE AHUMONI NON-FINANCIAL PERFORMANCE

This quarter we only have new data for three of our non-financial SOI and SPE 2020/21 measures. The graph opposite shows how these three measures are tracking.

As at 31 December 2020 we were:

- > on track to meet two measures, and
- > not on track and not expected to achieve target by the end of the year for one measure.

The measure not on track and not expected to achieve target by the end of the year relates to payments made to tertiary education organisations.



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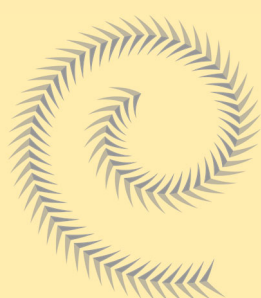
PRIORITISATION OF OUR WORK PROGRAMME AND ACTIVITIES

OUR PRIORITY WORK PROGRAMME AND DIRECTORATE BUSINESS PLANS

The TEC has a robust business planning process in place which includes the review of our Priority Work Programme (PWP) and business as usual (BAU) activities on a quarterly basis. It helps to ensure we are delivering to our priorities, identifying and acting on new opportunities/requests/sector needs, making trade-offs where needed and adjusting our business plans and funding to reflect changing needs.

During the quarter we reviewed our PWP and BAU, and we made decisions on what could be stopped, slowed down or deferred to ensure our people are focused on priority areas. In particular this includes focussing on the implications and impact of RoVE on our processes, systems and ways of working; and building our teams' capacity to deliver.

Over the coming quarters the PWP and directorate business plans will continue to be reviewed to respond to any requirements from Government.



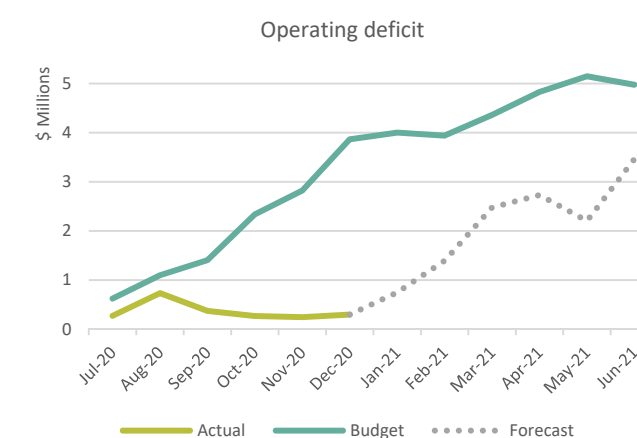
MAHINGA AHUMONI FINANCIAL PERFORMANCE

Tertiary grants baseline and spending figures are lower reflecting the guaranteeing of TEO funding for 2020 in response to COVID-19

- > Grants baseline and spend in the year to date are less than prior years, reflecting the accounting implications of guaranteeing provider funding for 2020.

Our forecast for the full year remains the same with an operating deficit of \$3.3m to \$4.3m which is favourable to our \$5.0m deficit in our 2020/21 Statement of Performance Expectation (SPE)

- > In the first half of the year we were under budget by \$3.6m. We are forecasting that we will accelerate expenditure in the second half of the year so that we end the year between \$0.7m to \$1.7m under our \$5.0m SPE budget deficit.



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Spotlight on the Reform of Vocational Education (RoVE)

The Reform of Vocational Education (RoVE) programme has adopted a three phase change approach to implement the structural changes of the reforms. We have successfully delivered Phase One: Design And Amalgamation (1 August 2019 – 30 June 2020). From 1 July 2020 the programme moved into Phase Two: Transition and Integration (1 July 2020 – 31 December 2022), which will see the operationalisation of the policy set in Phase One.

Phase Two of the RoVE programme is now well underway. During this phase, the focus is on creating new entities and transitioning existing entities to their future state. New and existing functions and systems will be integrated across and within organisations, and specifically the TEC, New Zealand Qualifications Authority (NZQA), Ministry of Business, Innovation and Employment (MBIE) and Te Pūkenga. Further detailed design work on two key enablers for the new system – the Unified Funding System (UFS) and the Te Pūkenga operating model – will continue.

A significant amount of stakeholder engagement has taken place during the quarter, and this is set to continue during the next quarter. Stakeholders continue to be engaged and overall have a good understanding of the reforms. A priority for the programme during Phase Two will be maintaining this momentum, particularly as planned implementation changes begin to take effect.

Significant milestones this quarter included:

- › all six Workforce Development Council interim Establishment Boards (WDC iEBs) completed their Orders in Council (OIC) proposals
- › the formal consultation for the WDC OIC proposals began on 16 December 2020
- › the WDC high level design work was completed in November
- › the TEC Board approved the criteria it will use to assess and ultimately approve the Transition Plans for each Transitional Industry Training Organisation (TITO)
- › all 14 of the established interim Regional Skills Leadership Groups (iRSLGs) have completed a Local Insights Report (LIR), with the majority producing two reports
- › Te Pūkenga's six Deputy Chief Executives took up their roles and work is underway developing each strand of Te Pūkenga's work programme
- › a Memorandum of Understanding between the TEC and Te Pūkenga was finalised, which sets out the principles and expectations regarding monitoring and relationship management
- › Project Initiation Documents for all projects were approved by the Programme Board
- › the Independent Quality Assurance review of the RoVE programme was completed and work is underway implementing the recommendations from the review, and
- › the Treasury Gateway Review was completed and an action plan in response to the Gateway report recommendations has been drafted.

Engagement

Active stakeholder engagement and management is fundamental to successfully achieving the objectives of RoVE and delivering on the aspirations of Māori across the reform programme. Consultation and engagement approaches continue to evolve as Phase Two progresses. Two RoVE newsletters, reporting on programme progress and highlights were published during the quarter. A third 'special edition' was published in December to launch the formal consultation for the WDC OIC proposals.

In November, a RoVE Stakeholder Survey was distributed to approximately 3,000 stakeholders. The survey results are being collated. Early indications are that approximately 70% of respondents understand RoVE well or very well.

Project-specific engagement during the quarter is highlighted as part of the update.

Impact of COVID-19

The RoVE programme continued to adapt to changing priorities as a result of the COVID-19 pandemic and economic recovery response. The establishment of WDCs and RSLGs has proceeded more quickly than originally planned, with six iEBs and 14 iRSLGs now in place.

Te Pūkenga

We have worked closely with Te Pūkenga over the quarter as it progresses its transformation and integration programme, and operating model design. A series of employer experience workshops began in December. The information gathered at these workshops will feed into Te Pūkenga's co-design process. Key insights and themes gathered from the Learner Journey engagements carried out through the quarter are being collated, and will contribute to Te Pūkenga's operating model. Te Pūkenga subsidiaries and the Te Pūkenga Academic Board have participated in stakeholder engagements on simplifying qualifications design for vocational education.

Te Pūkenga Crown-side

During the quarter the TEC continued to engage with Te Pūkenga on monitoring and relationship management arrangements. We also continue to work with Te Pūkenga to agree the targets and milestones as part of the Crown funding agreement which the TEC will use to monitor Te Pūkenga's performance.

Following consultation with Te Pūkenga, risk assessment criteria for Te Pūkenga were gazetted in October. On 6 November 2020, a Memorandum of Understanding between the TEC and Te Pūkenga was signed.

The remaining appointment to Te Pūkenga's Council has been agreed with the Minister. The appointment is subject to Cabinet endorsement and draft Cabinet papers are at the Minister's office. The induction of the Te Pūkenga Council will take place once the final member and the representatives of staff, students and Māori have been appointed.

Transitional Industry Training Organisations (TITOs)

Significant progress has been made on transition planning through the October to December period. We have worked closely with Te Pūkenga, and Te Pūkenga has had one-to-one conversations with each Transitional ITO Chief Executive to work out how they can best progress together. Interactions and conversations between Transitional ITOs and Te Pūkenga have been positive.

Engagement with qualifying PTEs, as agreed jointly by Transitional ITOs and TEC, will commence in January 2021. Discussions have also taken place with wānanga to understand their intentions regarding the transition of arranging training from Transitional ITOs.

Approval criteria developed to guide assessment of the transition plans, has been signed off by the TEC Board. We are targeting having all transition plans submitted by September 2021 and approved by the TEC Board by December 2021.

Detailed planning continues for progressing the three Transitional ITOs, who, in their initial plans, expressed a preference to have fully transitioned by around mid-2021.

During the quarter, a number of workshops were held with Transitional ITO CEs to identify what is required to support a good transition from the Transitional ITOs to the WDCs.

Workforce Development Councils (WDCs)

A key focus for the project this quarter has been working with the iEBs to ensure the OIC proposal documents are fit for purpose, reflecting the intent of the iEBs and appropriately incorporating the WDCs' responsibility to honour Te Tiriti o Waitangi into the OIC proposals.

Consultation started on 16 December 2020, and will close on 5 February 2021. The WDC project and Communications and Engagement team have been focused on ensuring the consultation process meets the needs of a range of stakeholder groups.

Activities are underway to set up a single WDC Establishment Unit to support the fast-start of the six WDCs, including the recruitment of a Head of WDC Establishment. The expectation is that the Unit will be operational by early February 2021.

Preparation is also underway for the appointment of members to the Board of each WDC. Some of these appointments will be Ministerial appointments.

The project team held a series of 'Bringing it Together' workshops with stakeholders in October as part of the process to develop the high level functional design for WDCs. The high level design work was completed in November and will inform establishment activities being led by the Establishment Unit and TEC change management processes.

Unified Funding System (UFS)

The UFS project team continues to engage with a wide range of stakeholders to inform and test the detailed policy and high level operational policy design of the UFS. The project is focusing on three new funding components: the Funding Category Component, the Learner Component and the Strategic Component.

UFS stakeholder engagement this quarter has included further discussions with representatives from transitional ITOs, and engagement with stakeholders in the disability and tertiary education sectors. An approach for future engagement with Māori and Pacific stakeholders is being developed.

Following feedback from the Minister work is underway to develop a Budget bid for Budget 2021, to support the transition to the UFS from 1 January 2023.

Centres of Vocational Excellence (CoVEs)

Following the formal announcement of the two consortia confirmed to establish the Primary and Construction sector CoVEs last quarter, the project has moved into a TEC business as usual construct. Both CoVEs have submitted their Establishment Reports and received their initial funding.

Te Taumata Aronui

The RoVE programme continues to work with Te Taumata Aronui to ensure the design and implementation of the reforms meets the needs of Māori learners, communities and employers, and embeds success for Māori into the new system.

In December 2020, RoVE discussed lessons learned from the OIC process at Te Taumata Aronui's hui.

Te Taumata Aronui met with Ministers in December to discuss their paper *Māori Success and Tertiary Education: Towards a Comprehensive Vision*.

Spotlight on the Reform of Vocational Education (RoVE)

Regional Skills Leadership Groups (RSLG)

In response to the economic impact of COVID-19, the decision was made to fast track the establishment of 15 interim RSLGs, with a mandate to gather local intelligence that supports the COVID-19 recovery. Fourteen iRSLGs have been established. The Tairāwhiti RSLG will be stood up in mid-2021 when the full-state RSLGs are established. Until then, it has been agreed that the existing Tairāwhiti CARE (Community, Action and Reciprocity that Results in sustainable Employment) Forum will be used to provide intelligence to MBIE and the wider region.

Regular meetings of the 14 iRSLGs continue. All 14 of the established iRSLGs have delivered at least one LIR, with the majority producing two reports. LIRs are intended to provide timely, qualitative, on-the-ground regional labour market information, which is not currently collected systematically by central government.

Cross iRSLG collaboration continues, and in November, the first in-person iRSLG Chair meeting was held and was well received. Bi-monthly Chairs' meetings are scheduled (rotating between in-person and virtual meetings).

Work is underway developing the process for transitioning interim RSLGs to full-state RSLGs in mid-2021, including designing ongoing relationships and feedback loops.

Re-designing vocational qualifications and quality assurance for RoVE

During this period NZQA has continued to engage with a broad range of stakeholders on simplifying the qualifications system and the design of vocational qualifications. Stakeholders include: student organisations, the tertiary education organisations, Transitional ITOs, and Te Taumata Aronui. In December, meetings were held with the 16 Te Pūkenga subsidiaries, the Tertiary Education Union and Quality Tertiary Institutions. The feedback received from these engagements will inform the development of options for formal consultation.

Outcomes framework and mapping

The RoVE Outcomes Framework has been approved by the Programme Board. The outcomes have been mapped vertically to each of the projects and across the Programme. This means that projects can now track deliverables and drive the required outcomes as their projects progress.

At its December Board meeting, it discussed the first report on activities and progress towards the achievement of the outcomes. The next report to the Programme Board due in April.

RoVE system blueprint

The Blueprint provides operational guidance at a system-wide level, describing how all entities interact and operate across a range of functions. In this quarter work has progressed on ensuring that the Blueprint is accurately describing how the system will operate for Iwi and Māori. A third workshop to describe what has been designed to be better or different in the new system for Māori learners and employers was postponed and will now be held in February 2021. The blueprint will be finalised after this date.

Independent Quality Assurance

An Independent Quality Assurance review of the programme was completed in September 2020 and work is underway implementing the recommendations from the review.

The IQA concluded that delivery of Phase 2 appears feasible but risks or issues require close management attention. Financial, resource and end-to-end integration risks and issues exist which will impact the programme's ability to deliver full scope within time and budget.

Since the review was concluded, the RoVE Programme Board has approved drawdowns from the programme's small contingency fund to ensure work progresses on the RoVE benefits and outcomes in line with Treasury methods, and on the integrated planning, and communications and engagement functions to support momentum and manage risk.

Treasury Gateway Review

A Treasury Gateway Review was undertaken in late November 2020 by independent experts to give high-level, action-orientated recommendations to the Senior Responsible Officer, and focusing on the issues that are important to the continuing success of the project.

The review team found:

- › strong commitment from all stakeholders to the Programme intent, and to its successful delivery
- › strong alignment and understanding of expected outcomes
- › good confidence that outcomes can ultimately be delivered, with a plan to achieve that, and
- › good evidence of delivery progress to plan so far.

The review identified some significant issues requiring attention and these include:

- › managing and supporting transformational change with a complex matrix of stakeholders over a sustained period to ensure outcomes are achieved, and
- › a serious funding risk associated with no appropriation for core implementation and integration activities post June 2021.

An action plan in response to the Gateway report recommendations is underway, including the development of a Budget bid.

TEC's operational readiness for RoVE

The Change team remains focused on facilitating the TEC operational readiness for RoVE, particularly the key transitional RoVE changes targeted for mid to late 2021.

Operational readiness is being delivered in three stages: Scoping, Design and Delivery.

The RoVE/TEC change working groups (WG) have now completed the scoping stage and will be looking to transition to the design stage starting in January-February 2021, subject to ELT approval. Urgent work continues to be addressed outside of the change project planning process and part of BAU.

The scoping stage defined what needed to be done at a mid-high level, but not how it will be done. The opportunities and challenges will become more evident as we move into the design stage, by taking the opportunity to select design options that better support RoVE outcomes, assuming time and resource allows.

As part of the TEC Change Management process a communications plan is being prepared to ensure all TEC staff are on-board the RoVE change journey.



Spotlight on Careers

An Online Career Planning Solution (Tiro Whetū)

- › In 2020 Cabinet approved the budget bid for Tiro Whetū, a core part of the Careers System Strategy, allocating \$15m of capex over two years for its development and \$11.48M opex to sustain the solution in future years.
- › Tiro Whetū (working title) gives people a line of sight and career pathway to different careers. It will connect employers, government agencies, learners and their whānau, schools and tertiary providers, making it easier to work towards common goals. New Zealanders of all ages will be helped choosing a pathway through education, training and employment.
- › A strong consortium of three vendors were selected from a robust RFP process: Springload, IDIA and Nicholson Consulting. As a group, they showed their understanding and ability to create a customer-centric, inclusive and data-driven product, with complementary skills in human-centred website design, data science and indigenous design.
- › The first stage roll out, expected early 2021 is a job to job matching tool called Skill Net, which will help displaced workers understand their current skills and experience and how that can relate to current demand and transferable industries.
- › Skill Net will be a 'soft-launch' to allow selected third party user groups such as career practitioners, MSD case workers and other organisations offering careers services such as Whānau Ora to use the tool directly with their clients. This will ensure that 'next steps' advice can be given to end users to provide value to these clients whilst also trialling and providing feedback to TEC to inform future releases.
- › A series of progressive releases will occur throughout 2021 and 2022. Once the suite of tools is complete, all visitors will be diverted from careers.govt.nz and that website will be retired.

Team structure (Tiro Whetū)

During the quarter the project team was established running under two work streams. One of these is focussed on planning the roadmap of tools and features that will be delivered by the project to meet the business case outcomes and the other is designing and building the initial tool (Skill Net) to be used as a COVID-19 Response to enable people who have been displaced to explore career opportunities.

The Change Management function will include a benefit management approach where we can track and measure outcomes, both to the project and as a broader part of the wider TEC strategy. The transition plan from the existing careers website to the new one is also included within the Change Management workstream.

The Skill Net team have completed requirements, prototyping and user testing, technical setup of the environment, brand design and technical build of the Skill net tool. The first major milestone of having a release candidate ready for user acceptance testing before the end of the quarter was achieved. This will now pass into final testing ready for rollout in late February. The initial rollout will be to a closed user group of career practitioners who are testing the tool with displaced workers, as well as their own feedback, which will be useful for future versions.

A support model has been developed that initially has the project team providing level 3 application support for a period of 6 months whilst the TEC support team is upskilled in the new technologies used.

A lot of the work that has gone into development of Skill Net is also re-usable through the remaining project, for example the development of the brand and the setup of the technical environment and processes.

Agreement has been reached with both TradeMe and SEEK to incorporate information from their job boards into the solution (via API) and enable people to link out to pre-populated pages of interest on those websites. Other job sites such as jobs.govt.nz will also be listed as options.

For the planning work stream, called Futures, the team initially reviewed all of the existing research that has been produced. A full business case was produced that included a definition of the outcomes for the project and these have been used as the basis for developing the strategy for delivery.

As the solution is aimed at all New Zealanders aged 7 to 70+ it is important to focus design on particular segments rather than trying to design for everyone. Therefore audience definition and prioritisation has been completed with the primary audience being 10 to 19 year olds and with a priority audience that includes Māori, Pasifika, women and people with disability. This priority audience is referred to as our resilient groups ('Resilient groups' is a term to replace 'vulnerable groups' or 'disadvantaged groups'. Groups such as Māori and Pasifika are vulnerable because of systems and are resilient within them. This terminology is therefore more empowering.)

Following on from the audience segmentation work has commenced on identifying the areas of capability and data that will be required in order for individuals to build a lifelong career plan. These include values, interests, NCEA subjects, courses and qualifications, skills, occupations, jobs and employers. Data vaults are being analysed to build resources in each of these areas.

User testing has been completed with people from the primary audience who are representative of the priority groups. This has enabled us to understand what they view as important and therefore how we should prioritise our designs. For example, it was common against all participants that they consider the values and interests as important ahead of making career choices.

The research completed allows the project team to now build a roadmap and plan for delivery over the remaining period of the project (through to Sept 2022).

The project team continue to build relationships with other agencies and industry groups such as MOE, MBIE, Stats, MSD, NZQA, PICA, CATE, CDANZ, SEEK and TradeMe and these will be strengthened further in the months to come.

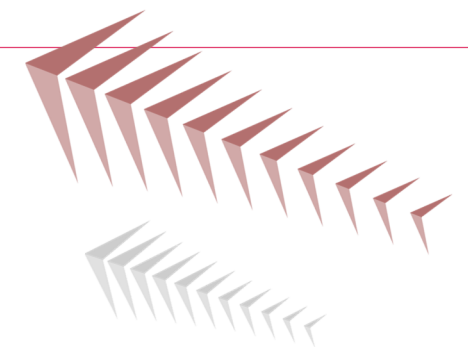
Vocational Education and Training (VET)

- › In 2019, Cabinet approved funding of \$4.05 million for a four-year campaign to shift the perception and raise the profile of VET.
- › There are three main objectives of the campaign: to improve the perception of VET, increase participation in VET and target COVID-19 impacted audiences to highlight that VET provides an opportunity to upskill or retrain.
- › The marketing campaign was initially meant to launch in June 2020, but shifted due to COVID-19, which then put it into the pre-election period causing another delay. The first phase of the campaign began in November 2020.
- › A related four-week public information campaign launched on 21 September with a focus on TTAF and initiatives within the Apprenticeship Support Programme, particularly the Apprenticeship Boost.
- › The first phase of the campaign launched on 15th November 2020, to seed the message and start a conversation about VET in the community. This phase was targeted at the youth market and used social media influencers (such as Jazz Thornton and Clint Roberts) as the primary media channel. Collectively the Social Influencer activity reached 155,000 people and outperformed industry averages for engagement and click through (4.7% industry average, VET was 6.7%).
- › From 6 December 2020, the TEC launched the second phase of the campaign utilising mass communication channels such as TV, video on demand and radio in addition to targeted communications including digital, social and search advertising.
- › The marketing campaign directs people to a landing page called vocationnation.govt.nz on the careers.govt.nz website for more information.
- › The digital campaign has reached over 3.3m people to date through online video, social media, digital banner ads and Google search ads.
- › The videos have been watched to completion over 2.8m times which suggests a compelling message and creative approach. They are shown in premium online video environments which includes YouTube, Stuff, NZ Herald, TVNZ On Demand and 3NOW On Demand, as well as Facebook.
- › The campaign has driven 50,588 onsite engagements which includes people who have stayed on site for longer than 30 seconds. 63% of these engagements have been with 'Learner' related content and resources on the page.
- › After just two weeks on air in December the TV advertisement achieved incremental reach of more than half (56%) of our audience who on average have seen the TV advertisement 8.7 times.

Free Careers Guidance

Two time limited services were approved by Cabinet on 3 August 2020 for people who have been displaced or are looking for career advice.

- › Over the phone services and regional Pop-up services went live on the 19th October 2020 and will run until 25th June 2021 (extended from 12 March due to under-spend).
- › An interim report from December 2020 has shown that a higher proportion of people are accessing the regional pop-up services (approximately 2,000 people) vs the telephone service (approximately 400)
- › There is a very high satisfaction rating by clients across both services (4.8 out of 5).
- › Feedback is also showing that customers using these services are experiencing positive outcomes such as improved knowledge and confidence of where to get help, making work and learning decisions and taking action on the next step for getting back to work.
- › Note that the provision for direct careers guidance was disestablished with the merge between Careers NZ and TEC in 2017, so TEC has contracted an external supplier (CDANZ – Career Development Association of New Zealand) to provide this service. Any longer term provision of free careers guidance (outside of school/tertiary environments) will be considered as part of the benefits and evaluation plan of this short term service.



We are working towards our strategic goal of **SUPPORTING ALL LEARNERS TO SUCCEED**.

Over the next four years, success will look like: all learners have the opportunity to develop the skills & knowledge to succeed.

Over the quarter we have focused on the following:

Learner Success

Developing TEO capability

Our Learner Success pilot projects continued with Te Wānanga o Raukawa and Manukau Institute of Technology (MIT), with both projects making progress after earlier COVID-19 related delays. In particular we have worked closely with MIT to undertake a project reset, and have revised timeframes for deliverables. Following an early project review, MIT have now engaged a dedicated project manager and applied additional resource to the project.

With the finalisation of the pilot at the University of Waikato, we have completed an evaluation exercise; undertaking intensive interviews with relevant project team members, University governance and management teams as well as teaching and support staff. While still early, initial findings have confirmed and validated our learner success framework and approach. Waikato have developed a business case for the next phase of their learner success programme, including rollout of an integrated student advising and support model.

Wider engagement with the sector

As our work on the pilot projects comes to an end and has confirmed we're heading in the right direction, we have been working on an approach to roll out learner success more broadly across the tertiary system. We have had deep engagements with the University of Canterbury, Victoria University of Wellington and Te Wānanga o Aotearoa – all of whom are keen to partner with us to further their learner success work.

Te Pūkenga - Ākonga at the Centre

A key part of the development of Te Pūkenga's new operating model is the work they're undertaking on embedding a learner-centric approach. Towards the end of 2020 we were intensively involved in the Ākonga at the Centre project. The project kicked off with a series of more than 75 engagements across the country, with ITP subsidiaries, staff, learners, ITOs, trainees and community stakeholders (including employers).

Disabled learners

The Redevelopment and Expansion of *Kia Ōrite – Toolkit for Achieving Equity: Implementation of the NZ Code of Practice to Achieve an Inclusive And Equitable Environment For Disabled Learners* progressed as planned, with extensive sector input and consultation led by the Governance Group. The base version of this resource will be available in April 2021, with accessible and web enabled materials to be developed through 2021.

We analysed TEI's reporting on their use of the 2019 Equity Funding for Disabled learners, to support our understanding of the use of the funding, developments across the sector and to inform work around the Unified Funding System and broader learner success developments. Reporting is confirming shortfalls in capacity in many TEI's, with significantly increasing numbers of disabled and neurodiverse learners succeeding in compulsory education and moving into tertiary.

Investment Round

Investment decisions for 2021 were concluded in December

We continued to assess the TEO Investment Plans for 2021 and progressed these through to final decision. Historical performance was a key consideration in determining funding volumes. We also considered the impact of the pandemic on the TEO and how our investment can continue to support economic recovery priorities and expected changes to learner demand. Additional funding requests for 2021 were then prioritised accordingly.

Decisions were communicated in late-December 2020. This is much later than anticipated and primarily due to changes in our process as a result of the COVID-19 pandemic. We continue to work with sector partners to resolve any outstanding issues and ensure they have what they need to deliver successfully in 2021.

Guidance for 2022 Investment has been communicated

Plan Guidance for 2022 Investment was released in December 2020, on time and ahead of the 2022 Investment Round. Plan Guidance informs tertiary education organisations about what shifts the Government wants to achieve and what we want to see in their Investment Plans for 2022. The guidance for 2022 reflects the priorities articulated in the new Tertiary Education Strategy. Our Investment Briefs will be updated to provide further detailed information to the sector.

Fees Free

During this quarter we finished updating the eligibility systems and processes for 2021, including a successful marketing campaign.

The automated validation and entitlement system was completed and is now implemented. This will see an improvement of processing times for TEOs and more reliable data integrity for learners.

The final changes were made to the Fees Free system in response to the implementation of TTAF to ensure that learners were not using their Fees Free entitlement when studying under TTAF.

Following receipt of the Delegation in December 2020, we are now focused on sending out new Fees Free contracts to TEOs early in 2021.

Tertiary Education Strategy (TES)

A new Tertiary Education Strategy (TES) was published in November 2020, and we have begun work to implement it. It has a strong emphasis on creating education environments that are learner-centred, and where more of our learners, especially our most disadvantaged learners, can succeed.

The new TES confirms that the work TEC is doing strongly supports the Government's vision for the education system. We've reviewed our work programme against the TES priorities and government actions TEC is responsible for, and there is strong alignment in the vast majority of areas. The TEC's current activities and key initiatives (including Ōritetanga Learner Success, the Review of Vocational Education (RoVE), Tiro Whetū, and Inspiring the Future) are already making significant contributions to the TES. However, new work may be required in some areas, for example work focused on increasing access to te reo Māori and Pacific language medium provision and pathways, and supporting the development of teaching capability.

To support efficient work planning, we have mapped a unified set of outcomes that covers both the TES and the TEC Strategy. By planning our work around these outcomes, we will ensure that everything we do delivers to the Government's priorities and the TEC's Vision and Purpose.

Throughout 2021, we will work with our partner agencies, including MoE and NZQA, to coordinate work to deliver on the TES, with a particular focus on implementing the action plan for government agencies.

We will start investing to give effect to the new TES through this year's Plan round (for funding from 2022). We published *Plan Guidance for Investment from 2022* in December 2020, reflecting the new TES. In it we ask for TEOs' Plans to lay out a phased approach to respond to the TES objectives and priorities in this Plan round, and to carry out relevant TES actions over the next three to five years. Our engagements with TEOs throughout the 2021 Plan round will focus on supporting them to achieve this.

Secondary Initial Teacher Education (ITE)

The number of students attending Secondary School is increasing. This will result in approximately 1,150 additional secondary teachers needed in the Secondary teacher workforce by 2025. To support this, the MoE asked us to seek enrolments from tertiary providers for secondary ITE enrolments of 1,500 equivalent full time students (EFTS) in 2020, 1,620 EFTS in 2021 and 1,725 EFTS in 2022. This includes a focus on increasing Māori, Pacific and Asian teacher graduates, as well as teacher graduates with a specialisation in science, technology, engineering and mathematics (STEM), te reo and the Māori medium.

The August single data return (SDR) provided useful indicative information on how the sector is tracking towards the enrolments targets. TEC has reviewed this data and it shows 2020 enrolments of 1351 EFTS which is 149 EFTS below the target. The August SDR is generally a reasonable predictor of full-year Secondary Initial Teacher enrolments. Final 2020 enrolments will be confirmed in the December SDR which will be available at the end of January.

In 2020, we worked with the sector and agreed an overall commitment level of 1,587 EFTS in secondary ITE for 2021. This is 33 EFTS below the target of 1620 set for 2021.

COVID-19 impacts have made it difficult for the sector to achieve secondary ITE enrolments to a level where they can meet their 2020 enrolment commitments, this has also led to commitments for 2021 being lower than desired. Meeting targets in the future will depend to an extent on New Zealand's unemployment levels over the next few years. However, the EFTS targets originally set will remain and we will continue to engage with secondary ITE providers to meet these targets.

Changes in 2020 will affect the final SDR delivery numbers. The changes involve one provider increasing the EFTS value of its secondary ITE qualification and using a different approach for course coding. We are working with the Ministry of Education to refine our approach to measuring and reporting progress against the target.

Pastoral care

We continue to maintain close links with The Ministry of Education (MoE) and the New Zealand Qualifications Authority (NZQA) teams working on the interim code and its development or refinement, including the ongoing response to COVID-19.

The MoE and NZQA lead the development of the interim code and the Government's engagement with learners, their families and whānau, providers and the wider tertiary sector to develop an ongoing code for 2021. The NZQA is the current code administrator and is in the process of delegating some university-focussed code administration functions, duties and powers to Universities New Zealand. To support this code administration work, there will be funding and appropriate accountability arrangements, including performance measures, for the work. For 2021, Universities New Zealand is likely to monitor and scrutinise university self-reviews, respond to complaints and referrals about the university sector and refer potential interim code breaches to NZQA for investigation. There will be clear performance standards and regular reviews of performance. It is proposed that the Universities New Zealand delegation will be regularly reviewed.

The TEC remains closely connected to TEOs and will provide support to the MoE and NZQA where required.

We are working towards our strategic goal of **CONNECTING EDUCATORS AND EMPLOYERS**.

Over the next four years, success will look like: there are strong connections between education and employment through collaboration and sharing of knowledge among schools, TEOs and employers.

Over the quarter we have focused on the following:

Our Careers website

Careers.govt.nz is our existing careers information channel for the public to access and critical information is already being progressively refined, transferred and adapted to the new online career planning solution.

- › This service meets our legislative requirement to provide a publicly available careers information service that includes a database of information about occupations and tertiary education and training
- › In 2020 we updated and prioritised jobs that were impacted by COVID-19, so that learners and job seekers had accurate information about the demand and pay rates for those jobs. This included updates to over 100 job profiles, a new COVID-19 hub and 87 new articles and advice pages.
- › As well as refocussed content on the website, we also ran a marketing campaign to reach new audiences, including women; Māori and Pacific people; older workers; and those who have not previously experienced job uncertainty. This achieved an additional 20,000 unique user visits to the website.
- › We developed a new Job Hunters Workbook available online, as well as printed (60,000 copies) and translated into 10 Maori and Pacific languages.
- › We created 20 new videos for the jobs database, supporting industries with shortages such as healthcare and teaching.

Inspiring the Future (ITF)

Inspiring the Future (ITF) is a programme to connect children from ages 7-13 with volunteer role models from the world of work, in a fun and inspiring event. Research shows that when students meet workers and hear about their jobs and the pathways they took to get there, it inspires them to consider new possibilities for their future.

- › ITF is planned for national launch in May 2021.
- › Trials for physical in-school events at 6 schools occurred during 2020, and all materials have been tested and updated following feedback from students, teachers and role models.
- › A new online event format has been developed and tested as a result of COVID-19 and this is due for launch in March 2021. We have had successful trials with diverse schools types, including NZ Correspondence School, Kura and teachers from a school in Fiji even dialled in!
- › A marketing campaign was launched in September 2020 with over 2 million views and so far almost 600 role models have signed up to the platform on www.inspiringthefuture.org.nz
- › We introduced a criminal record check (CRC) after role models had already begun to sign up, to add a layer of safety for our tamariki. There is now a back-log of role models to complete their CRC before they can be visible on the website for schools to access. Approximately half have completed their CRC and less than 100 have been processed by MOJ so far.
- › This programme meets our legislative requirement to facilitate and strengthen the connections between schools, employers and TEO's to ensure students are better prepared for employment and further education and training or both.
- › We have completed initial user testing of the platform and our event format with Disabled communities to ensure they are accessible. We had a lot of positive feedback on this, and improvements are in the backlog for future sprints. This is a dedicated workstream that will bring us continuous insights.
- › In 2021 we will be scoping the requirements to extend this programme into Secondary schools, to build on the work initiated by the Education to Employment brokers contracted by MSD and working with MOE.

Career opportunities in Food and Fibre and Construction

The COVID-19 disruption triggered initiatives such as the Targeted Training and Apprenticeship Fund (TTAF) and the Apprenticeships Boost Initiative (ABI) to support all apprentices and targeted industries, learners and workers. These along with the Reform of Vocational Education (RoVE) are the focus of TEC's main efforts to support the Construction and Food and Fibre sectors.

With economic recovery underway, we are now focusing on implementing RoVE, and improving careers services. The TEC has to manage the transition to the new RoVE structures while ensuring continuity in VET provision and in arranging the training.

Both the construction and food and fibre industries have struggled with the recruitment and retention needed to meet their current and future skill needs. Our responses have included work with other agencies and industries leading to the Food and Fibre Skills Action Plan 2019-2022, the Construction Skills Action Plan, better career information, and innovation in qualifications (such as micro-credentials) and in how they are delivered.

Centres of Vocational Excellence (CoVE) have now been established for both Construction and Food and Fibre. We continue to support these initiatives through funding, advice and support.

The TEC is managing consultation on the Order in Council proposals for the Workforce Development Councils (WDCs), including for the Primary Industries and Construction and Infrastructure WDCs. The WDCs will have a skills leadership role, will set standards and develop qualifications, and give advice to the TEC on the VET mix proposed for their industries.

Specific activities in addition to RoVE and COVID-19 response programme outlined above included:

- › presented the TEC's vision on a new Online Career Planning solution to the GrowingNZ Advisory Group. This group has representation from the key employers and government departments in the sector. The online career planning solution is central to our Careers Systems Strategy and a key digital enabler in providing all New Zealanders with access to quality information and support they need to build a fulfilling career. It is designed to provide learners and workers with an online tool they can use throughout their lifetime to plan and manage their careers.
- › attended the Forestry Roadshows to connect with employers and provided advice on how employers can access support through the ABI and TTAF, and
- › continued to work closely with MBIE's Job and Skills hubs across the country, which provide a free recruitment service to support huge growth in construction and infrastructure, and in response to COVID-19 have expanded their services. In particular, we have worked closely with Workforce Central Dunedin's construction industry Jobs and Skills Hub. We assisted with the establishment of the hub and a TEC representative now sits on its governance group. The hub will upskill and support more than 300 local people into work and a further 900 people will be engaged and supported into training, education, or employment.



We are working towards our strategic goal of **BUILDING PROVIDER CAPABILITY AND MONITORING PERFORMANCE**.

Over the next four years, success will look like: TEOs are well managed, financially sustainable and provide quality education services.

Over the quarter we have focused on the following:

Monitoring TEOs

Our monitoring role provides assurance that government funding is being used by TEOs in accordance with funding rules to support learner success, as well as providing oversight of risks at both TEO and system level. Intelligence from our monitoring activities informs guidance to the sector to strengthen TEO capability, as well as identifying opportunities to improve funding settings to further support TEC's vision and purpose. We also advise the MoE and ministers on tertiary institutions' governance and exercise of certain powers, due to the Crown's ownership interest. This will continue to be a key focus given the impacts of COVID-19 and the Reform of Vocational Education (RoVE).

Over the quarter we focused on the following:

- › We continue to work closely with the RoVE programme, in particular to support the establishment of Te Pūkenga. We are currently working with Te Pūkenga to develop targets and milestones as part of the Crown funding agreement, which we will then monitor Te Pūkenga's performance against on a quarterly basis. We are also working with the WDC project team to support recruitment of the council members as soon as consultation on the Orders in Council is complete. We intend to put in place monitoring arrangements once WDC are established, which is now expected to be by June 2021
- › We provided input to the inter-agency assessment of applications for the PTE Targeted Assistance Fund, and reviewed requests for funding from other COVID-19 funds. Our monitoring of COVID-19 fund interim-reporting helped shape the revised funding conditions for the Hardship Fund for Learners (HAFL) extension. We also supported the HAFL review and implementation of HAFL 2021.
- › We continue to monitor all Tertiary Education Institutions (TEIs) assessed as extreme or high risk closely. On 1 April 2020, all interventions in the ITP sector (eg. Commissioners, Crown Managers) came to an end as the ITPs became subsidiaries of Te Pūkenga (Subsidiaries). However, we continue to monitor these high-risk subsidiaries particularly closely as part of our wider monitoring of Te Pūkenga.
- › We provided advice to a number of stakeholders, including:
 - The Secretary for Education on five Subsidiaries' borrowing consent amendments and one new University borrowing consent, four requests from Universities to grant easements, and two requests from Subsidiaries to dispose of assets.
 - The Crown Infrastructure Partners (Treasury) on TEIs' applications for the Government's shovel-ready funding (two were successful).
 - Minister of Finance (via Treasury) on an application by a Wānanga to invest in managed funds
 - two briefings to joint Ministers of Education and Finance on two asset transfer applications
- › Our monitoring of Fees Free has so far resulted in charges being laid against three individuals for making false representations of their eligibility for Fees Free tertiary education. In this quarter, the final case went before the courts and the individual was found guilty and is currently awaiting sentencing. Our monitoring of Fees Free is also informing the ongoing improvement of the TEC processes and operational policy.
- › As at December 2020, we have three investigations of TEOs underway. In December 2020 we published two investigation reports on the Manukau Institute of Technology (MIT) and the Manaaki Ora Trust. The MIT investigation resulted in a funding recovery of \$65,200 due to the under-delivery of approved learning hours, while the investigation of Manaaki Ora outlined some recommendations for the TEO to implement with no funding recovery.
- › As part of our education of the sector, we released a monitoring update in November. The update provided information around the correct use of funding codes when reporting, an update on the Privacy Act 2020 and information around the intended monitoring we will be doing in the Targeted Training and Apprenticeship Fund (TTAF).
- › The intelligence-led system review of repeated qualifications and recognition of prior learning continued and we engaged with a number of TEOs to identify issues. Several TEOs amended their reporting in their single data return (SDR) and we will finalise the review after analysis of the December SDR.



TE WHAKARAHI AKE I TE KOUNGA O TE RANGAHAU ME TE ĀHEINGA HOKI INCREASING RESEARCH QUALITY & CAPABILITY

We are working towards our strategic goal of INCREASING RESEARCH QUALITY AND CAPABILITY. Over the next four years, success will look like: research-based institutions contribute to New Zealand's success through innovation, connections and collaboration and building a world-class, innovative workforce

Over the quarter we have focused on the following:

Performance Based Research Fund (PBRF)

The Performance Based Research Fund (PBRF) is our second-largest fund, at \$315m a year. It supports research capability in TEOs. The PBRF has three components: Quality Evaluation at 55% of the Fund, Research Degree Completions at 25% and External Research Income at 20%.

TEOs were informed of their indicative 2021 PBRF allocation in December 2020 with payments commencing 1 January 2021. The total PBRF allocation will be finalised when all the data is available in September 2021.

The MoE's review of the Fund continued. The consultation on the proposed changes and options to strengthen the PBRF, closed on 6 November 2020. MoE has since completed an analysis of the sector feedback received, and is currently developing further advice for the Minister. MoE has continued to work closely with TEC throughout this process, particularly on implementation issues.

Planning has also continued to set up the Sector Reference Group which will support the implementation of any changes to the Fund.

Centres of Asia-Pacific Excellence (CAPEs)

The three Centres of Asia-Pacific Excellence (CAPEs), focusing on North Asia, South-East Asia, and Latin America, aim to build awareness and understanding, to improve international relationships, and to develop New Zealanders' skills in language, culture and business.

Following the recommendations from the 2020 mid-term review, the CAPEs have developed a new Strategic Plan, have streamlined their offerings in accordance with the Strategic Plan, and are appointing key personnel to enhance their strategic engagement with the sector. To support this process, the TEC has been in regular contact with the Management Committee and the three CAPE directors.

Annual Plans for 2021, which reflect the changes, have been submitted by the CAPEs and are being assessed by the TEC.

Centres of Research Excellence (CoREs)

As reported previously, the Royal Society Te Apārangi recommended eight existing CoREs and two new CoREs for approval to fund. On 9 October 2020, the formal public announcement of the CoREs selection for July 2021 to December 2028 was made. Reasonable press coverage was received with the highlight being a segment on Radio NZ with the co-director of the MacDiarmid Institute, Professor Justin Hodgkiss, talking to Kathryn Ryan.

The ten approved and funded CoREs are:

- › **Bio-Protection Aotearoa** (hosted by Lincoln University)
- › **Coastal People: Southern Skies** (hosted by University of Otago)
- › **Dodd-Walls Centre for Photonic and Quantum Technologies** (existing; hosted by University of Otago)
- › **Healthy Hearts for Aotearoa New Zealand – Manaaki Mānawa** (hosted by University of Auckland)
- › **Ngā Pae o te Māramatanga; New Zealand's Māori Centre of Research Excellence** (hosted by University of Auckland)
- › **Riddet Institute** (hosted by Massey University)
- › **Te Hiranga Rū QuakeCoRE: Aotearoa New Zealand Centre for Earthquake Resilience** (hosted by University of Canterbury)
- › **Te Pūnaha Matatini – Aotearoa New Zealand Centre of Research Excellence for Complex Systems** (hosted by University of Auckland)
- › **The MacDiarmid Institute for Advanced Materials and Nanotechnology** (hosted by Victoria University of Wellington)
- › **The Maurice Wilkins Centre** (hosted by University of Auckland).

Agreements and funding have been finalised with the CoREs; the detailed research programmes for the first 3.5 years will be submitted by the CoREs for approval in the next quarter.

Our enablers - Tāngata **PEOPLE**, Mōhiotanga **KNOWLEDGE**, Mahi Ngātahi **PARTNERSHIP** support the delivery of our strategic intentions

Over the quarter we have focused on the following:

Cultivating a Thriving TEC

We are committed to growing our cultural capability

Work is ongoing on a plan that will grow our organisation to be culturally affirming, equity minded, and learner centric. It will bring together all the strands of our cultural capability development, as well as look at our environmental capability, i.e. systems, tools, processes.

Our Board and Executive Leadership Team attended a two-day workshop on how organisations can contribute to a more equitable and inclusive Aotearoa New Zealand under Te Tiriti o Waitangi. It is a starting point for us to build this understanding into our wider capability development.

Developing a connected and collaborative culture

Our work programme to develop a connected and collaborative culture, with simple and effective tools and processes that grows and empowers passionate, skilled people who deliver great service for all New Zealanders has four work streams:

Leadership alignment, connection and development

Leadership meetings have been redeveloped based on the experience of this year and what has been most valuable. Some senior managers have taken up the offer of individual coaching to give them the opportunity for targeted growth and development.

Interviews with senior managers on workforce capability were completed. This will be aligned with the strategy and shape our people development priorities for the next one-two years.

Gallup Coaching and Clifton Strengths Finder workshops that were postponed last year due to COVID-19 have been rescheduled for February and March 2021.

Values and behaviours

Following the launch in quarter one, our values and behaviours have been explored through a series of staff videos where people talk about what they mean to them. They are now a core part of our strategy, and more work will be done in 2021 to explore and apply these values and behaviours every day. A project is begin designed to develop a recognition programme, which will be linked to the values.

Reviewing our performance development system and approach

Coaching Kōrero, our new performance development approach, was launched this quarter. It focuses on quality goal setting and coaching, with flexibility to support different types of work and ways of working. Staff had input into the design of the new system and approach. This has generated positive feedback from a number of staff and managers about how well it's working.

Working alongside the PSA, we have developed a draft more simplified remuneration system. The new system will be discussed as part of bargaining for a new collective agreement expiring on 30 June 2021. The new system proposed one rating scale but still retains a link to performance.

Delivering great customer service

To help us lift the quality, consistency and accuracy of our customer service, we have developed our *TEC Service Commitments*. These expand on how we will put our new TEC value – *Service Matters* into practice. The Service Commitments reinforce the importance of customer service throughout our organisation, and set clear expectations for our staff and for our customers.

The Service Commitments were launched internally in quarter two, alongside the launch of the new TEC Values and Behaviours. We communicated the Service Commitments across the TEC, including information sessions with a wide range of leadership groups. We will conclude these information sessions in quarter three and will provide materials to assist leaders and their teams to apply the Service Commitments in their day-to-day work. In quarter four, we intend introducing the Service Commitments to the diverse range of individuals, TEOs and partners that we work with. This will provide them with the minimum standards of service they can expect when interacting with us.

We have also invested in the technology our Customer Contact Group need to provide great customer service. Our new telephony and knowledge platform will be live by the end of quarter three and will enable our staff to communicate with our customers more efficiently and effectively, including a self-serve option.



Our strategy

During quarter two we have worked to evolve our COVID-19 Strategic Response into a comprehensive organisational strategy. Our key focuses have been on a) identifying and developing the strategic outcomes we wish to achieve; b) working to align our business planning and prioritisation to the strategy; and c) engaging our people on what the new strategy means for them.

Outcomes

Our strategy focuses on delivering four key outcomes – equity, skills and employability, system responsiveness and internal change:

- › **Equity:** Underpinning all of what we do is sustaining an unrelenting focus on achieving equity and ensuring that the tertiary education and careers system helps shape an equitable society.
- › **Skills and employability:** We're committed to shaping a system that equips New Zealanders with the skills and experience they need to find sustainable work and that employers and communities need to recover and thrive
- › **System responsiveness:** We'll work with our partners to create an accessible, resilient and connected system that meets the needs of New Zealand & New Zealanders, now and in the future.
- › **Internal Change:** We plan to evolve TEC to create a data-savvy organisation that uses convening power, insight and deep system knowledge to shape a system that serves every New Zealander

After consultation with MoE, we believe that achieving these outcomes will allow us to deliver on the elements of the TES we are responsible for, and on the priorities set by our Board. Over the rest of financial year we will develop measures to track our progress against these outcomes. It is our intent that these outcomes and the associated measures will flow through into our next Statement of Intent and Statement of Performance Expectations.

Planning and Prioritisation

We are working to ensure that as much of our resources as possible are working on our strategic priorities and delivering on our outcomes. This has involved enhancing our planning and prioritisation processes and aligning them to our new strategy, which will help ensure we are well positioned to accelerate implementation of our strategy in FY 21/22.

Internal Engagement

We have begun an internal communications campaign to help our people to help understanding our strategy and what it means for the work. This has included presentations from our Executive Leadership Team, articles on our intranet and new collateral.

Data 2020

The TEC, in partnership with the MoE and NZQA, is creating a new platform to exchange data across the tertiary education sector. It will introduce modern, fit-for-purpose technology that will reduce the cost and risk of our current data collection platforms.

The first phase will mitigate risk and costs of our current data collection platforms by upgrading Workspace2 and STEO (including the Single Data Return). This will be delivered in quarter two of the 2021/22 financial year. During the quarter we have been working on establishing the new technology to support the data exchange platform and upgrading the Workspace2 functionality to the new platform. We are also finalising our sector engagement plans. This includes specific sector-wide communications and briefing sessions for our first release (Workspace2), and a broader communications plan to support the ongoing programme.

The second phase, which has been delayed due to the impact of COVID-19 on the sector, will deliver set of public application programming interfaces, making it easier for providers to submit data. Timing for this is being determined.

We continue to engage closely with the MoE and NZQA through inter-agency forums to co-govern the project and co-design the solution.

Information security

We continued to progress our Cyber Security maturity over the last quarter, with our Independent Cyber Security partner - Arua Information Security. Arua are providing us with specialist cyber security advice and capability, commencing with a comprehensive three tiered assurance:

1. Implementation of a robust cyber security framework to supplement the Government mandated Protective Security Requirements. A review of our current maturity against this framework has recently been undertaken with a gap analysis and recommendations report provided to the TEC. A work plan is now being generated to implement these recommendations
2. Technical audit lifecycle. We continue to progress this area with a Local Area Network penetration test being completed and a comprehensive report with recommendations
3. Staff Awareness. We undertook a "phishing" campaign late in Q2 to assess our response to a phishing email attack, as well as an assessment of our password management. The results of these two exercise are now with the business and the recommendations are being added to our work plan.

Our security by design approach continued to improve over the last period with ongoing maturity of our security design approach for new initiatives, by including security reviews and risk assessments at each point of the design process, as well as penetration testing as appropriate. We are also following an improved certification and accreditation process using the Government Chief Digital Officer (GCDO) Cloud Service Risk Assessment tools to provide further risk mitigation.

Managing risk

We have a risk management framework that provides for the regular identification, review and management of risk at a strategic and operational level. The framework is aligned to the International Standards Organisation (ISO) standard in Risk Management (ISO 31,000).

Strategic risk

We define strategic risks as the events which would result in significant long-term harm to the TEC. Our Executive Leadership team met in August 2020 to review and update the key strategic risks we face. Our new strategy was used as the main reference, ensuring a direct line of sight between the strategy and our main strategic risks:

- › **COVID-19 resurgence:** potential impacts on providers and learners, TEC's ongoing support role
- › **RoVE:** ensuring we continue to provide the right support (size and structure of support, and consequent spend)
- › **People:** addressing capacity constraints, single points of dependency and supporting new joiners
- › **People:** supporting the continued mental health and well-being of our people
- › **Unconscious biases:** removing unconscious biases to ensure we deliver equity and parity for all learners, and
- › **Sustainability of institutions:** impacts on the provision of tertiary education and TEC's role in supporting learners.

These are reviewed twice annually and reported to our Risk and Assurance Committee.

Operational risk

We define operational risk as the events which may prevent the achievement of operational objectives as defined through our business planning process. We continue to align the identification and management of our operational risks to the business planning process for each directorate. Risk reviews are held quarterly for each directorate.

The Risk and Assurance Committee receives regular reporting on both our strategic and operational risks.

Outside of the risk management activity for this quarter, the main focus has been on maintaining our business continuity preparedness, including our ongoing response to COVID-19. We have held two business continuity tests in the quarter:

- › One focussed on our emergency and business continuity response following a major earthquake
- › The other focussed on our remote working capability, our most critical enabler during the previous COVID-19 lockdown.

We continue to support the welfare of our people as a central theme to our ongoing business continuity preparedness.

Privacy

In the last financial year we focused on developing a solid basis for privacy throughout the organisation. Delivery of an updated Personal Information Policy provided a framework to continue to develop our privacy maturity. To support the policy we developed key processes to enable our people to do the right thing when working with personal information. This quarter we have continued to embed good privacy practice by reinforcing the policy, processes and key privacy messaging with our people.

The Privacy Act 2020 came into effect on 1 December 2020. To ensure our preparedness, we conducted a review of our existing privacy practices and processes to ensure compliance with the new Privacy Act. We also rolled out mandatory training on the new Privacy Act for all TEC staff.

We continue to assess new initiatives and tools using our Privacy Impact Assessment processes. These are working well alongside our Security Risk Assessment processes.

Our ethics panel and processes are established and operating well. We continue to engage with the business to ensure the panel delivers useful and relevant feedback, enabling an ethical approach to our work. Alongside this, we continue to develop a code of ethics for the TEC.



Quarter two 2020/21 performance measure results summary

We only report progress on measures where we have new data. This quarter we report on three of our measures.

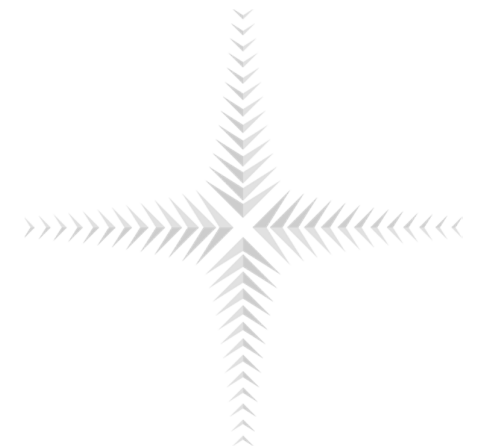
Total measures reported in quarter one		Achieved	On track to achieve target by end of year	Not on track – but expected to achieve target by end of year	Not on track – not expected to achieve target by end of year
SOI measures	2	0	2	0	0
SPE measures	1	0	0	0	1
Total measures	3	0	2	0	1

The measure not on track, and not expected to achieve target by the end of the year, relates to payments made to Tertiary Education Organisations (see note 3 below).

TEC output measures

Document	Measure	Actual as at 30/03/20	Target 2020/21	Actual 2019/20
Statement of Intent (SOI)	At least three system-wide reviews completed each year and results shared with tertiary education organisations	1.00 (Note 1)	Achieve	1
	At least three educational activities undertaken each year to support the capability of tertiary education organisations and provide information and guidance on their obligations	1.00 (Note 2)	Achieve	3
Statement of Performance Expectations (SPE)	Percentage of payments the TEC makes to tertiary education organisations that are made within agreed timeframes	99.89% (Note 3)	100%	99.8%

- Note 1:** One system review (on repeated qualifications and recognition of prior learning) is nearing completion. System reviews are planned on the Pre-purchased English language Tuition, Gateway, and Intensive Literacy and Numeracy funds. Completion of three system reviews will depend on business planning prioritisation, especially given the priority of ROVE implementation work and additional monitoring arising from new COVID-19 funds, especially TTAF.
- Note 2:** We published a Monitoring Update in August 2020 that provided the sector with guidance on reporting requirements related to COVID-19 response funds, compulsory student service fees reporting, and the resumption (following lockdown) of audits and investigations. COVID-19 restrictions have affected our ability to provide any all-day events in Wellington. The Governance Guide for TEI council members has been updated and a review is planned of other governance material on the TEC website. Covid-19 restrictions meant we were unable to provide any all-day events in Wellington in 2020. The briefing for the new Te Pukenga council will take place when the remaining Ministerial appointment is made and the elected representatives join the council, which we expect to be in the first quarter of 2021. We intend to resume our annual programme of briefings in early 2021 and planning is underway for a briefing/induction for university council members who joined in 2020
- Note 3:** 14 out of 12,654 payments were not made within agreed timelines.



Progress summary for key new Budget 2020 COVID-19 Response and Recovery Funds

Fund	2020/21 quarter two progress	Financial information (Note 1)		
		Actual as at 31/12/20 \$000	Budget 31/12/20 \$000	Budget 2020/21 \$000
Targeted Training and Apprenticeship Fund	74,770 learners have become eligible for TTAF since 1 July 2020, 23% of which started on or after this date. 56% of these learners are engaged in an apprenticeship programme. Funding of \$72.1 million has been paid in relation to 2020, with this amount expected to increase as part of year end wash-ups. Funding allocations of \$204.7 million for 2021 were made during December 2020, with payments to commence in Q3.	72,142	78,811	160,000
Group Training Schemes Support Fund	Funding applications for the period 1 July 2020 to 30 June 2021 were received at the end of quarter one. These were assessed and funding recommendations made in quarter two for a total of \$15.97m, with payments commencing during quarter two. The first milestone reports were received during December and show support continues to focus on wage and employer subsidies.	10,519	8,065	16,130
Workforce Development Council And Transitional Industry Training Organisation Covid-19 Response Projects Fund	As of quarter two, 15 Projects have been commissioned across nine Transitional Industry Training Organisations (TITOs). Projects commissioned through this fund comprise three Phases: 1) Scoping, 2) Investigation, and 3) Design. Currently, ten projects are in Phase 1, and five projects have proceeded to Phase 2. We expect Q3 to see many of these Projects proceed to Phase 2 and several to proceed to Phase 3. Phases are typically planned to run over 3-6 months depending on the complexity of each project. Outputs will be the development of workforce strategies, learner pathways or qualification development.	1,131	5,000	10,000
Workforce Development Councils Establishment Fund	Significant programme effort has been focused on supporting the formal consultation for the six Workforce Development Council (WDC) Order in Council (OiC) proposals which commenced on 16 December 2020 and will close on 5 February 2021. This intensity will continue until the OiCs are enacted. The budget for establishment activities for 2020/21 has increased by \$1.7m (from \$4.0m to \$5.7m) since the start of the year.	1,700	2,000	4,000
Workforce Development Councils Fund	High level design outputs for the WDC Design Process have been completed. The design work will also inform establishment activities being led by the Establishment Unit (once established) and TEC RoVE change management processes. The programme is also progressing the creation of a single WDC Establishment Unit to support the fast-start of the six WDCs. This will assist in mitigating the impact of the extension to the OiC proposal consultation timelines on WDC establishment. The recruitment process for the Head of the Establishment Unit is underway and an appointment is expected to be made shortly. The \$42m will start to be released when the WDCs are established and the councils are in place and their plans and activities are agreed by TEC.	0	21,000	42,000
Careers System Online – Tiro Whetū	In quarter two we completed contract negotiations and commenced work with our preferred consortium under lead vendor Springload. Sprint 0 with the full team (including TEC leadership) kicked things off with a whakatau and a whakawhanaungatanga and then four subsequent two-week planning and development sprints across two Agile teams. These were concluded before the end of the quarter and the Christmas break. Across the two teams this included: <ul style="list-style-type: none"> › The base technical design, user testing and build of our Minimum Viable Product – A skills transferability tool showing displaced workers other jobs and industries that they have transferable skills to. This is due for initial release in February 2021 (staged release). › Prioritisation of audiences and the start of user workshops with key audiences to understand user needs. › Progressing design across all teams – experience, data and technical work streams. › Improvement of data sets and search algorithms. 	2,392	3,196	8,500
Tertiary Tuition and Training	The <i>Meeting Increased Learner Need for Tertiary Education</i> initiative provides funding to manage the cost of funding additional tertiary education enrolments from 1 January 2021 to 31 December 2023.	0	0	79,450

Note 1: The financial information in this table relates to grants and capital appropriations only. The operational money appropriated through the Administration of and Support for the Tertiary Education and Careers Systems (total \$1.460m) is not included in this table.

We are forecasting a lower grants spend in 2020/21

Overall grant spend is forecast to be \$2.565b. This is less than last year's grant spend of \$4.421b. The majority of the decreased spend is due to the accounting implications of guaranteeing Tertiary Education Organisation funding for 2020 in response to COVID-19, which resulted in us recognising the full 2020 calendar year expenses at 30 June 2020. This was a technical accounting issue that required the transfer of funding from 2020/21 to 2019/20 to resolve the issue. This decrease is partially offset by an increase of \$281m of new funding in the baseline in response to COVID-19. Note that forecasting is challenging this financial year for both providers and the TEC. Relatively high unemployment and high student demand is expected but is difficult to forecast regionally and by course type at this stage. We will keep a close watch on this as the financial year progresses.

We currently have \$108m in our grants Balance Sheet Mechanism (made up of \$92m receivable from the MoE, plus funds held in our equity of \$16m). We are currently expecting to draw from our Balance Sheet Mechanism in 2020/21 as student demand is forecast to be higher than the previous year and we expect providers to be able to deliver 102% of allocated funds. A forecast of the likely drawdown on the Balance Sheet Mechanism will be available in subsequent reports.

During Budget 2020, in addition to increasing the Student Achievement Component funding significantly, we reduced the Industry Training Fund (ITF) baseline in 2020/21 by \$17.5m. We now expect in-work training demand to be at least as high as previous years, and given government support for this type of training, we plan to keep allocations to providers consistent with 2020. Ministers have approved a \$17.5m transfer within the multi-category appropriation to ensure funding is available for this priority provision.

Our \$0.3m operating deficit is better than the budgeted deficit of \$3.9m by \$3.6m after the first half of 2020/21

We were under budget because of lower depreciation and amortisation, travel and personnel costs. Our expenditure on internal work programmes is also below the levels outlined in the SPE budget by \$2.6m in the first half of the year. We are forecasting this expenditure will accelerate in the second half of the year so that we end the year between \$0.7m to \$1.7m under our \$5.0m SPE budget deficit.

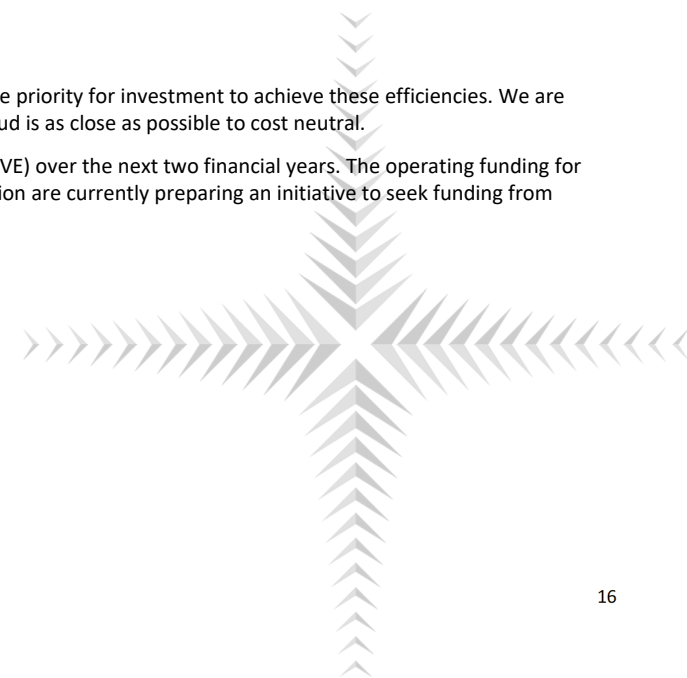
Our five year operating forecast shows increasing costs of people and software will need to be managed in the medium-term

We continue to review our five year forecast to ensure we are operating in a financially sustainable manner, we are expecting to produce a budget deficit for 2021/22. We have three main operating pressures to be addressed:

- › increasing personnel costs,
- › increasing software costs as we look to transition to the cloud, and
- › higher capital spend as we renew and upgrade our core platforms.

In the short-term we have the cash reserves to meet these requirements. In the medium-term we will need to achieve efficiencies and will give priority for investment to achieve these efficiencies. We are continuing the process of right-sizing our work programme and improving our core processes, and we will need to ensure the move to the cloud is as close as possible to cost neutral.

In addition to the above, we will need new operating funding to ensure we are resourced to complete the Review of Vocational Education (RoVE) over the next two financial years. The operating funding for RoVE runs out at the end of this financial year and a significant work programme will remain to be completed. The TEC and Ministry of Education are currently preparing an initiative to seek funding from Budget 2021.



Financial Statements

Grants revenue and expenses

For the period ended 31 December 2020

	2021 6 months actual \$000	2021 6 months SPE Budget \$000	2021 Full Year SPE budget \$000	2021 Full year forecast \$000	2020 Full year actual \$000
REVENUE					
Crown revenue	338,497	396,025	2,511,303	2,546,249	4,432,011
Prior year recoveries	240	1,000	2,000	4,400	1,242
Interest	17	150	300	35	152
Total revenue	338,754	397,175	2,513,603	2,550,684	4,433,405
Less revenue administered by Ministry of Education	(2,092)	(2,317)	(7,584)	(8,641)	(11,274)
Total revenue administered by TEC	336,662	394,858	2,506,019	2,542,043	4,422,131
EXPENSES					
Tertiary Tuition and Training multi-category appropriation					
<i>Community Education</i>	6,049	6,137	47,609	51,368	106,772
<i>Tertiary Education: Student Achievement Component</i>	15,446	9,211	1,395,239	1,474,958	3,007,361
<i>Training for Designated Groups</i>	1,737	11,604	148,390	157,029	427,079
<i>Fees-free Payments</i>	70,354	123,668	428,413	347,224	370,087
Total Tertiary Tuition and Training multi-category appropriation	93,586	150,620	2,019,651	2,030,579	3,911,299
Access to Tertiary Education	10,568	10,204	39,022	39,684	53,277
Tertiary Sector / Industry Collaboration Projects	12,869	20,038	46,430	54,473	26,098
Establishment of a Single National Vocational Educational Institute	17,900	-	-	31,640	-
Secondary-Tertiary Interface (Vote Education)	(52)	223	14,331	15,723	37,957
Centres of Research Excellence	24,900	24,900	49,800	49,800	49,800
Support for PTEs of Strategic Importance	3,995	-	-	8,083	-
Support Te Wānanga O Raukawa	5,000	-	-	5,000	-
Tertiary Education Research and Research-Based Teaching	159,750	159,000	321,000	321,000	331,000
University-led Innovation	4,984	5,000	10,000	9,198	7,526
Workforce Development Councils	-	21,000	42,000	12,000	-
Support to Apprentices	-	-	-	-	-
Tertiary Scholarships and Awards	4,997	5,039	19,868	19,868	15,054
Total expenses	338,497	396,025	2,562,102	2,597,048	4,432,011
Less expenses administered by Ministry of Education	(2,092)	(2,317)	(7,584)	(8,641)	(11,274)
Total expenses administered by TEC	336,405	393,708	2,554,518	2,588,407	4,420,737
Surplus/(deficit)	257	1,150	(48,499)	(46,364)	1,394

Operational revenue and expenses

For the period ended 31 December 2020

	2021 6 months actual \$000	2021 6 months SPE Budget \$000	2021 Full Year SPE budget \$000	2021 Full year forecast \$000	2020 Full year actual \$000
REVENUE					
Crown revenue					
– Tertiary Education Commission	39,128	37,311	75,258	82,440	69,918
– Māori Education Trust (Ministry of Education-administered)	55	55	109	109	109
Contract – Pre-purchased English Language Tuition	277	125	560	655	608
Contract – Migrant Futures	779	807	1,613	1,592	1,708
Interest	192	468	936	287	991
Other	689	756	1,512	1,366	1,846
Total revenue	41,120	39,522	79,988	86,449	75,180
EXPENSES					
Tertiary Education Commission	41,365	43,328	84,855	90,090	77,560
Māori Education Trust (Ministry of Education-administered)	55	55	109	109	109
Total expenses	41,420	43,383	84,964	90,199	77,669
Surplus/(deficit)	(300)	(3,861)	(4,976)	(3,750)	(2,489)

Statement of Comprehensive Revenue and Expense

For the period ended 31 December 2020

	2021 6 months actual \$000	2021 6 months SPE Budget \$000	2021 Full Year SPE budget \$000	2021 Full year forecast \$000	2020 Full year actual \$000
REVENUE					
Grants revenue:					
Vote Education/Tertiary Education – Ministry of Education (MoE)	336,405	393,708	2,503,719	2,537,608	4,420,737
Prior year recoveries – net	240	1,000	2,000	4,400	1,242
Total grants revenue	336,645	394,708	2,505,719	2,542,008	4,421,979
Operating revenue:					
Vote Tertiary Education – MoE	39,128	37,311	75,258	82,440	69,918
Contract – Migrant Futures	779	807	1,613	1,592	1,708
Contract – Pre-purchased English Language Tuition	277	125	560	655	608
Other revenue	689	756	1,512	1,366	1,846
Total operating revenue	40,873	38,999	78,943	86,053	74,080
Finance revenue:					
Interest – grants	17	150	300	35	152
Interest – operating	192	468	936	287	991
Total finance revenue	209	618	1,236	322	1,143
Total revenue	377,727	434,325	2,585,898	2,628,383	4,497,202
EXPENSE					
Grants expense:					
Grants expense	336,542	393,458	2,554,018	2,588,857	4,422,486
Bad and doubtful debts	(137)	250	500	(450)	(1,749)
Total grants expense	336,405	393,708	2,554,518	2,588,407	4,420,737
Operating expense:					
Personnel costs	26,594	27,480	54,109	56,759	49,154
Amortisation	1,696	1,991	4,107	3,296	4,841
Depreciation	532	565	1,090	1,087	1,200
Other expenses	12,543	13,292	25,549	28,948	22,365
Total operating expense	41,365	43,328	84,855	90,090	77,560
Total expense	377,770	437,036	2,639,373	2,678,497	4,498,297
SURPLUS/(DEFICIT)					
Grants surplus/(deficit)	257	1,150	(48,499)	(46,364)	1,394
Operating surplus/(deficit)	(300)	(3,861)	(4,976)	(3,750)	(2,489)
Total comprehensive revenue and expense	(43)	(2,711)	(53,475)	(50,114)	(1,095)

Statement of Financial Position

As at 31 December 2020

	2021 6 months actual \$000	2021 6 months SPE Budget \$000	2021 Full Year SPE budget \$000	2021 Full year forecast \$000	2020 Full year actual \$000
CURRENT ASSETS					
Receivables	348,893	412,294	493,897	481,670	1,696,156
Cash and cash equivalents	78,294	64,925	58,665	51,214	92,655
Prepayments	1,509	1,020	1,020	1,020	1,170
Total current assets	428,696	478,239	553,582	533,904	1,789,981
NON-CURRENT ASSETS					
Intangible assets	15,205	16,201	22,252	21,969	12,289
Property, plant and equipment	3,922	3,831	3,307	3,695	4,267
Total non-current assets	19,127	20,032	25,559	25,664	16,556
Total assets	447,823	498,271	579,141	559,568	1,806,537
CURRENT LIABILITIES					
Payables	244,329	327,663	458,297	443,720	1,606,239
Pre-purchased English Language Tuition – fees in advance	19,321	20,597	17,508	16,998	20,578
Repayment of grants funding – MoE	32,810	150	300	35	32,788
Employee entitlements	3,902	3,166	2,957	3,598	3,280
GST payable	3,380	4,152	2,858	(4,400)	2,268
Provision for lease	150	150	150	150	150
Total current liabilities	303,892	355,878	482,070	460,101	1,665,303
NON-CURRENT LIABILITIES					
Provision for lease	913	943	868	868	989
Employee entitlements	711	867	867	714	711
Total non-current liabilities	1,624	1,810	1,735	1,582	1,700
Total liabilities	305,516	357,688	483,805	461,683	1,667,003
Net assets	142,307	140,583	95,336	97,885	139,534
EQUITY					
General funds	142,307	140,583	95,336	97,885	139,534
Total equity	142,307	140,583	95,336	97,885	139,534

Included in the Receivables and Payables balances above is our grants Public Benefit Entity (PBE) accounting adjustment. This is the difference between the cash we pay to providers and what we owe them for delivery.

The guaranteeing of tertiary education organisations funding for 2020 meant that we had an obligation for the full amount of 2020 funding at 30 June 2020. We recognised a further \$1.112b of revenue, expenditure and PBE accounting adjustment at 30 June 2020 leading to a 30 June 2020 PBE accounting adjustment of \$1.579b. This extra \$1.112b adjustment fully reversed out over the first two quarters leading to a forecast 30 June 2021 PBE accounting adjustment of \$419m compared to our original budget of \$434m.

The actual PBE accounting adjustment is \$223m compared to a budget of \$302m. The movement of \$1,356m from last year also reduces grants revenue and expenses.

Statement of Changes in Equity

For the period ended 31 December 2020

	2021 6 months actual \$000	2021 6 months SPE Budget \$000	2021 Full Year SPE budget \$000	2021 Full year forecast \$000	2020 Full year actual \$000
Balance at 1 July	139,534	140,611	140,611	139,534	140,781
Total comprehensive revenue and expense for the year	(43)	(2,711)	(53,475)	(50,114)	(1,095)
Capital contribution	2,833	2,833	8,500	8,500	-
Repayment of grants interest – MoE	(17)	(150)	(300)	(35)	(152)
Balance at 31 December	142,307	140,583	95,336	97,885	139,534

Breakdown of Cash Balances

As at 31 December 2020

	2021 6 months actual \$000	2021 6 months SPE Budget \$000	2021 Full Year SPE budget \$000	2021 Full year forecast \$000	2020 Full year actual \$000
Operations cash	25,355	22,560	20,290	21,320	24,319
Grants cash	35,539	24,116	22,935	14,817	50,006
Pre-purchased English Language Tuition cash	17,400	18,249	15,440	15,077	18,330
Cash and cash equivalents at 31 December 2020	78,294	64,925	58,665	51,214	92,655

Statement of Cash Flows

For the period ended 31 December 2020

	2021 6 months Actual \$000	2021 6 months SPE Budget \$000	2021 Full Year SPE Budget \$000	2021 Full Year Forecast \$000	2020 Full Year Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Grants – MoE	1,692,708	1,749,010	3,777,418	3,734,701	3,259,807
Grant recoveries – prior year	240	1,000	2,000	4,400	1,365
Grants – Pre-purchased English Language Tuition	1,636	-	1,191	(3,254)	2,773
Operating – MoE	37,173	37,311	75,258	82,440	69,659
Operating – Pre-purchased English Language Tuition	163	125	279	330	276
Operating – other	2,276	2,369	3,125	3,263	3,509
	1,734,196	1,789,815	3,859,271	3,821,880	3,337,389
<i>Cash was applied to:</i>					
Grants payments	(1,686,934)	(1,749,610)	(3,783,018)	(3,734,466)	(3,232,865)
Payments to employees	(25,988)	(26,952)	(53,751)	(56,458)	(48,408)
Other operating payments	(12,236)	(13,303)	(25,636)	(28,135)	(23,768)
GST – net	1,112	1,622	328	(6,668)	6,964
	(1,724,046)	(1,788,243)	(3,862,077)	(3,825,727)	(3,298,077)
Net cash flows from operating activities	10,150	1,572	(2,806)	(3,847)	39,312
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Interest – operating	231	468	936	252	1,020
Sale of property, plant and equipment	-	-	-	-	16
	231	468	936	252	1,036
<i>Cash was applied to:</i>					
Purchase of intangible assets	(4,091)	(5,333)	(13,500)	(13,127)	(2,727)
Purchase of property, plant and equipment	(189)	-	-	(466)	(546)
	(4,280)	(5,333)	(13,500)	(13,593)	(3,273)
Net cash flows from investing activities	(4,049)	(4,865)	(12,564)	(13,341)	(2,237)
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
Capital contribution - MoE	2,833	2,833	8,500	8,500	-
<i>Cash was applied to:</i>					
Repayment of grants funding – MoE	(23,295)	(50)	100	(32,753)	(7,804)
Net cash flows from financing activities	(20,462)	2,783	8,600	(24,253)	(7,804)
Net increase/(decrease) in cash and cash equivalents	(14,361)	(510)	(6,770)	(41,441)	29,271
Cash and cash equivalents at 1 July	92,655	65,435	65,435	92,655	63,384
Cash and cash equivalents at 31 December	78,294	64,925	58,665	51,214	92,655