

**Tertiary Education Commission**  
**Annual Report**  
for the year ended 30 June 2009



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# Preamble

This Annual Report has been prepared in accordance with the requirements of the Crown Entities Act 2004.

It provides the information required in the Crown Entities Act to report against the Tertiary Education Commission's intentions, measures and standards as set out in the 2008/09 Statement of Intent.

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



David Shand

**Chair**  
**Tertiary Education Commission**

21 September 2009



Graeme Fraser

**Chair**  
**Audit and Risk Committee**  
**Tertiary Education Commission**

21 September 2009

## Chair's foreword

It has been a challenging year for the Tertiary Education Commission (TEC) with significant progress made in embedding the new system of funding tertiary education organisations and in moving to a highly accountable and quality tertiary education system. The fundamentals of this system which began in 2008 are:

- capped or managed funding, under which tertiary education organisations receive a fixed budget for the year, rather than have funding expand as enrolments increase, and
- three-year investment plans for each institution, agreed with the TEC, setting out an agreed mix of provision and other key performance indicators to give effect to the shifts required by the Tertiary Education Strategy.

Implementing the changes required for tertiary education organisations to become self managing and performance focused is a major challenge. To encourage greater accountability from tertiary education organisations themselves, the TEC has placed priority on working closely with those organisations in need of extra support, while taking a more 'hands off' approach with those that are managing well.

The development of good performance measures, while difficult in the tertiary education sector, is a shared responsibility of the TEC and individual tertiary education organisations. While considerable progress has been made on developing a more transparent and simplified tertiary funding system, further work remains to be done in building in the performance focus. This will be a feature of next year's work programme.

The year saw a further significant restructuring of the TEC, involving the closure of three regional offices, staff redundancies and cessation or re-engineering of some work processes. Following the appointment of the new chief executive Dr Roy Sharp in July 2008, the Board of Commissioners requested a top-to-bottom review of all TEC activities to remove areas of duplication and low-value work. As a result, the TEC was able to respond quickly and positively to the reductions in operating expenditures requested by the new government. This realignment of TEC activities was carried out carefully and in consultation with affected staff, in accordance with good personnel practices.


The TEC has also had a major role in managing the funding for literacy and numeracy programs and in developing new government initiatives, such as Youth Guarantee, responding to the economic recession.

Managing enrolment pressures created by the economic recession in a tight funding environment has created challenges for many tertiary education organisations. This has also highlighted the financial risk to the Crown in some tertiary education organisations and has placed greater emphasis on the TEC's responsibility to advise the Minister on these risks as they arise.

The appointment of a Director of Māori Strategy and a Principal Advisor, Pacific has enabled the TEC to work more deeply on the important issue of increasing participation and achievement of Māori and Pacific peoples in tertiary education.

Looking forward, I believe the TEC is well placed to implement the new Tertiary Education Strategy which will take effect from 2010. We will continue to have a key role in optimising the tertiary education system to ensure that New Zealanders are able to acquire skills not only for their personal development but also for the benefit of New Zealand's economy and society.

I am grateful to my fellow commissioners, and to all TEC staff, for their work and for the progress made during the year.



David Shand

**Chair**  
**Tertiary Education Commission**

21 September 2009

# Chief Executive's overview

The past year, my first as Chief Executive, has provided me with an excellent insight into the challenges and opportunities needed to make sound investment decisions in the tertiary education sector, including how the TEC can support tertiary education organisations to further the aspirations of students, businesses and communities. The TEC's aim is to ensure better value for money for each tertiary education dollar invested.

The TEC has operated during 2008/09 in an environment where participation in tertiary education continues to grow. At the same time, the current fiscal situation has placed greater constraints on funding. The TEC has provided the government with advice on managing the trade-offs between access, quality and cost.

The quality and relevance of the student experience remains at the heart of what we do. We want to see the right incentives for high performance in the sector and as much information as possible made available to enable students to make informed choices. We know that having good quality information will be vital in making sound tertiary education investments.

During the year, the TEC has revised the way we interact with tertiary education organisations and adjusted its resources to reflect this as well as the government's new strategic priorities. We will continue to seek transparent and robust ways of making investment decisions which ensure that money is being spent to achieve government priorities. Our new way of operating recognises that tertiary education organisations need to be independent, self-improving, self-monitoring and accountable. We can add value by supporting tertiary education organisations to manage themselves effectively. The TEC is increasingly prioritising its efforts on the few organisations that require additional support while offering streamlined services to those that are managing well.

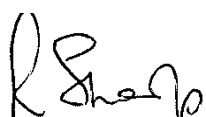
The TEC is a funding agency—but it does not just make payments to tertiary education organisations. Its roles in the tertiary education system are in understanding the system, optimising the system and providing stewardship of the system.

The TEC first has to understand the whole tertiary education system. This includes having insights into the demand for tertiary education created by the needs of students, businesses, the wider community, and the government. It also includes knowing what tertiary education is available: where, how and for what cost. The TEC aims to understand the value of provision, the drivers and dynamics of the system—how the system responds to change.

Optimising the tertiary system involves considering where that system could be improved and providing evidence-based advice which could lead to improvements. The TEC recommends policy settings for the government, and provides facilitation, support and guidance for tertiary education organisations. In working with the sector, the TEC aims to incentivise good performance and address system problems and issues.

Providing stewardship means monitoring the performance of tertiary education institutions and the wider system, and intervening where necessary to manage the risks of poor quality education or a loss of system capability.

Over the past year, there have been some good examples of how tertiary education organisations are responding to new ways of working. Our economic success as a country is dependent on increased productivity, which in turn depends on fully developing the skills and unlocking the potential of all New Zealanders.



Dr Roy Sharp

**Chief Executive**

**Tertiary Education Commission**

21 September 2009

# The Tertiary Education Commission

The Tertiary Education Commission Te Amorangi Mātauranga Matua (TEC) is governed by a Board of Commissioners which is appointed by, and responsible to, the Minister for Tertiary Education. The TEC operates within strategic and policy frameworks set by the government under Part 13A of the Education Act 1989. Under the Crown Entities Act 2004, the TEC is a Crown Agent which must give effect to government policy when directed by the Minister for Tertiary Education.

The functions of the TEC are stated in section 159F of the Education Act 1989. The TEC's principal function is to give effect to the tertiary education strategy. The TEC is also required to:

- operate the tertiary funding system generally
- monitor the performance of tertiary education organisations
- provide policy advice to the Minister for Tertiary Education.

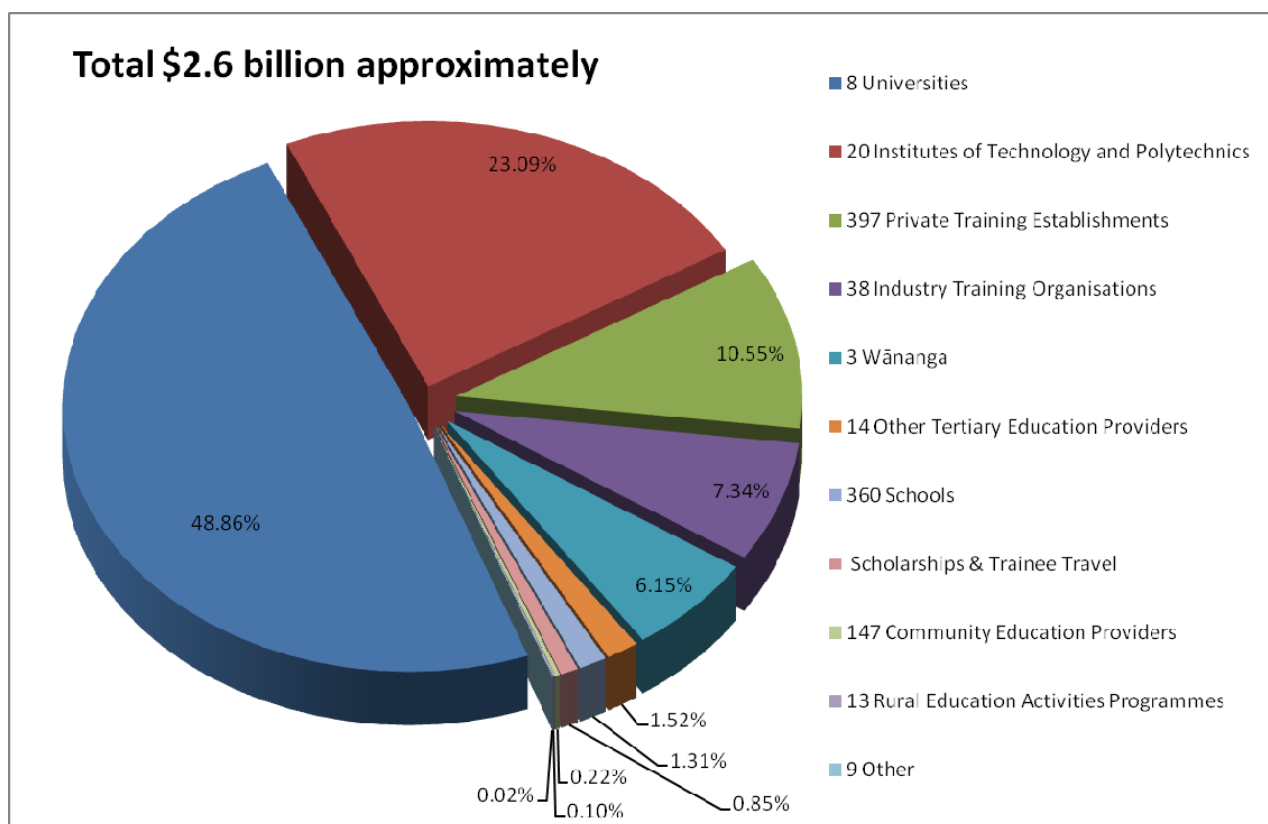
Under the Crown Entities Act, the Minister may direct the TEC to undertake any tasks that are consistent with the TEC's functions. The Minister may not direct the TEC to provide or deny funding to any specified organisation.

The Chief Executive of the TEC has an independent function under the Education Act 1989 to monitor tertiary education institutions for risks related to financial or operational viability and to report directly to the Minister.

The TEC also has specified functions under two other Acts:

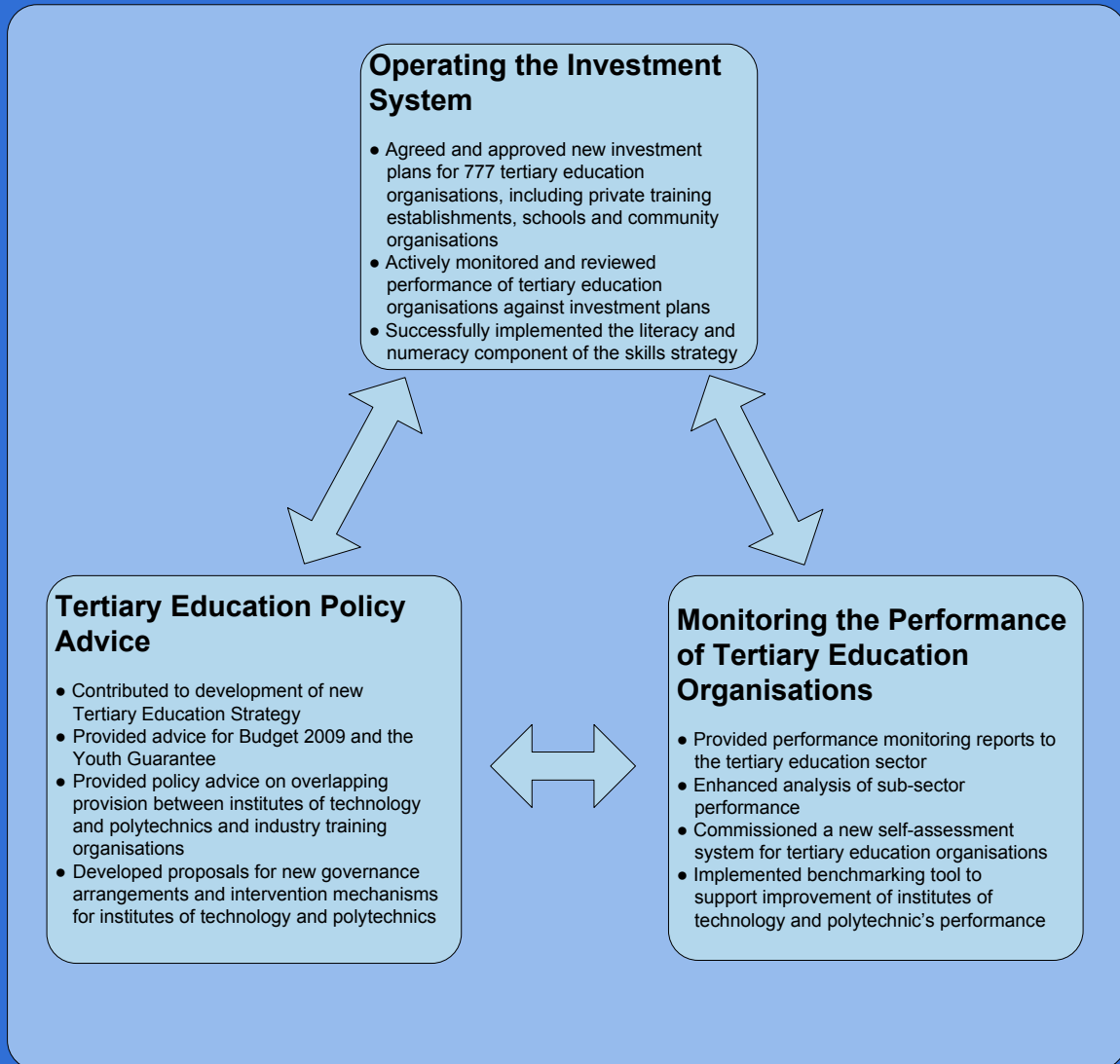
- Industry Training Act 1992, and
- Modern Apprenticeship Training Act 2000.

Graph 1: Total TEC investment 2008/09



The TEC has investment commitments of over \$2.6 billion each year in over 1,000 tertiary education organisations, including schools.

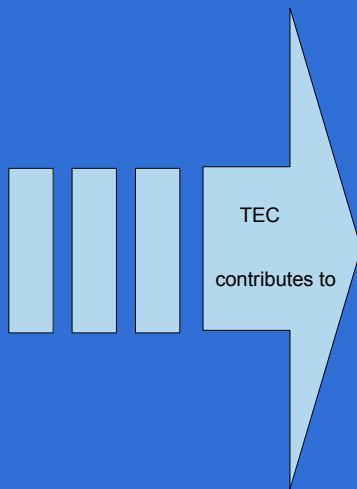
# TEC Achievements 2008/09



1 – Organisations that receive Student Achievement Component (SAC) funding  
 2 – Includes Other Tertiary Education Providers (OTEPs)  
 3 – PBRF Annual Report 2008



# Sector Achievements



## Tertiary Education Strategy Priorities

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

## Learner outcomes

Course completion rates<sup>1</sup>:

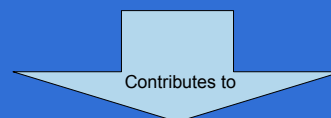
- tertiary education sector 74%
- by sub-sector:
  - universities – 82%
  - ITP – 69%
  - PTEs – 75%
  - wānanga – 72%

Highlighted results against priority objectives:

- Participation of Māori 19% and Pacific peoples 8%
- Participation of Māori by sub-sector:
  - universities – 9%
  - ITPs – 19%
  - PTEs<sup>2</sup> – 27%
  - wānanga – 58%
- Participation of Pacific peoples by sub-sector:
  - universities – 6%
  - ITPs – 7%
  - PTEs<sup>2</sup> – 14%
  - wānanga – 8%

Programme highlights:

- Research degree completions: 2,575 in 2007<sup>3</sup>
- Modern apprenticeships completions: 5,827 in 2008
- Industry training qualifications: 35,958 in 2008
- Total tertiary qualifications: 93,671 in 2008



## Economic and social outcomes

High income, knowledge-based economy which is innovative and creative and which provides a high quality of life to all New Zealanders

# Annual achievements

The investment system is dynamic and interconnected. Policy frameworks are driven by government priorities, sector performance and international best practice in order to ensure the best possible outcomes.

## Operating the investment system

### Approved Investment Plans

By August 2008, new Investment Plans had been agreed and approved for 777 private training establishments, schools and community organisations. These organisations had agreed Investment Plans with the TEC for the first time for delivery from the 2009 calendar year.

As at 30 June 2009, the TEC had entered into agreements with tertiary education organisations committing over \$4 billion for tertiary education and training, for periods of up to five years.

### Monitored performance of Investment Plans

Data on sector outcomes and the quality and relevance of the student experience underpin effective investment decisions. TEC investment managers established and maintained strong relationships with tertiary education organisations. Investment managers used performance information and provided it to tertiary education organisations with relevant analysis. They also managed processes to allocate funding which included the management of individual funding contracts.

### Implemented literacy and numeracy—Skills Strategy

During the year there has been a strong focus on implementing the priority areas in the Literacy, Language and Numeracy Action Plan that was launched in August 2008 as part of the Skills Strategy.

The TEC developed structures and frameworks for 24,000 additional literacy and numeracy opportunities to be provided by tertiary education organisations in the 2009 calendar year.

The TEC commissioned development of the Adult Literacy and Numeracy Assessment Tool which helps educators identify the strengths and weaknesses of learners' literacy and numeracy skills, and helps educators develop programmes for learners that match their needs. The first trial of the tool took place in November 2008 and the complete tool will be available in 2010.

## Monitoring the performance of tertiary education organisations

### Provided performance monitoring reports

Having good quality information is vital to making sound tertiary education investment decisions. In March 2009 all tertiary education organisations that were on an Investment Plan in 2008 received a full-year report on their performance for the 2008 year. Similarly, during June, performance reports were produced for all PTEs going on to Investment Plans in 2010, providing all tertiary education organisations with high quality and timely information.

### Improved information on sub-sector performance

Assessment of the quality of data reported by tertiary education organisations into the main tertiary data collections (eg, the single data return) continued during the year. Through their investment managers and advisors, tertiary education organisations received feedback about the accuracy of the data they reported. Through this ongoing work, general levels of data accuracy improved. This continuous improvement of the data quality allows the TEC to provide a better picture of sector performance against agreed commitments, which in turn informs future investment decisions.

The TEC reports to the Minister for Tertiary Education on the financial and educational performance of each tertiary education institution. A new monitoring framework that includes financial and educational performance is under development. The TEC also provided tertiary education institutions with feedback on their financial performance.

As part of monitoring the Crown's ownership interest in tertiary education institutions, governance standards were monitored through the ministerial appointments process and action taken as necessary. Monitoring of the financial performance of tertiary education institutions was ongoing.

## Cross-agency work to improve tertiary information

The main tertiary information collections are used by the Ministry of Education and the New Zealand Qualifications Authority (NZQA), as well as by the TEC. Substantial progress was made during the year on improving information collection, management and governance across these three agencies. A new governance group, was established with senior management membership from NZQA, Career Services, the Ministry of Education and the TEC. These same agencies formed a new Data Management Group, which is responsible for driving work to improve the tertiary information collections and their management. These groups are also progressing a significant programme to rebuild fit-for-purpose shared tertiary data collection that will improve accuracy and reduce compliance costs for the tertiary sector.

## Implemented benchmarking

The TEC developed and implemented a benchmarking tool to help institutes of technology and polytechnics compare their efficiency and effectiveness to improve student outcomes. All institutes of technology and polytechnics are involved in the benchmarking programme to understand how well they are performing and where they can improve the way they operate and deliver better education and training. In June 2009, three wānanga opted to use the benchmarking tool to help in their self-assessment process.

## Tertiary education policy advice

The TEC contributed significantly to the provision of policy advice, information and analysis on a wide range of tertiary education related issues. This included the following matters.

### Development of the Tertiary Education Strategy

The TEC worked closely with the Ministry of Education on the development of the government's new Tertiary Education Strategy and the draft Tertiary Education Strategy consultation document. The consultation document will be released in late September 2009.

### Budget 2009

The TEC worked with the Ministry of Education on the development of Budget 2009. This included providing extensive information to support Budget decision making.

### Youth Guarantee

The TEC and the Ministry of Education provided advice on the policy framework and parameters for the Youth Guarantee. The TEC also provided information and advice on the design of the Youth Guarantee for 2010. This included advice on the key design parameters including funding mechanisms, allocation methodologies and performance requirements.

### New governance arrangements and intervention mechanisms

The TEC worked closely with the Ministry of Education on policy proposals to strengthen governance arrangements and the intervention frameworks for institutes of technology and polytechnics. Legislation was introduced into Parliament in August 2009.

### Overlapping provision

The TEC provided the Minister with advice on options for addressing overlapping provision between institutes of technology and polytechnics and industry training organisations. The TEC will be consulting with the sector on proposals to implement the Minister's preferred approach during August and September 2009.

# Capability and organisational development

## Organisational change

In 2008 the Board of Commissioners requested a review of the TEC's structure and operations to ensure the organisation continued to be fit for purpose. The structural reforms of 2007 had matured to the point where new gains could be made. Two other factors influenced the realignment process: the government signalled that its priorities included a smaller and more focused TEC; and, in responding to the economic situation, the TEC needed to deliver better and smarter services with less funding.

The TEC retains a commitment to working with the sector to enhance tertiary education outcomes, with a clear focus on quality and relevance underpinning investment decisions. In preparing its 2009–2012 Statement of Intent, the TEC developed five organisational priorities to focus its efforts for the medium-term.

- Simplifying the funding system
- Streamlining the TEC
- Lowering compliance costs
- Enhancing public accountability
- Enhancing tertiary education sector outcomes.

The direction of the realignment included a clear focus on strengthening areas where the TEC adds the most value; reducing compliance costs for the sector; supporting tertiary education organisations to be accountable, self-managing and self-improving entities; and freeing up resources to target areas of risk within tertiary education.

The government has an expectation that building strong relationships with communities, iwi, employers, industry, students and others forms part of the core business of tertiary education organisations themselves. The realignment reduced the TEC's level of direct involvement in these activities while reinforcing the independent role of tertiary education organisations to be responsive to, and provide high-quality relevant programmes for, their community, business, iwi and student stakeholders.

An important underlying theme of the changes to the TEC's operations and structure was to recognise and reinforce the independent role that tertiary education organisations play in their own planning and performance management. To support this, some roles in the areas of monitoring organisational performance became more focused on intelligence and analysis. The activities of the TEC's investment managers were aligned to ensure that contact with tertiary education organisations is rich in detail and analysis.

The TEC streamlined the processes and contact points between itself and tertiary education organisations. A new business model for engaging with private training providers now involves less face-to-face contact with the TEC. Now, the provision of support is through increased access to consistent, high-quality and timely information. The new business model reduces duplication of effort between education agencies and also removes unnecessary requirements for providers.

## Good employer

To fulfil its investment role within the tertiary sector, the TEC must be able to recruit, develop and retain a talented and diverse workforce. During the year, work was carried out on improving individual and organisational performance.

As part of organisational development, the TEC focused on leadership, accountability and culture, recruitment, selection and induction, and employment development and promotion strategies.

### Leadership, accountability and culture

Leadership and management development continued during the year and included an innovative business immersion programme and a situational leadership programme. TEC culture statements were revised and socialised.

## Recruitment, selection and induction

Recruitment and selection have been strengthened by the launch of a new policy aimed at increasing awareness of EEO and good employer responsibilities and providing a toolkit for managers to guide them through the process. More specifically, the policy included qualification checks, virtual interview and psychometric testing options, and a review of role descriptions for clarity. Preferred supplier arrangements were also set up with recruitment agencies to ensure an increased understanding of the TEC business model and consistent levels of service as well as a reduction in fees. Finally, an induction package for managers was introduced and the package for new staff revised.

## Employee development, promotion and exit

A new employee development policy was introduced with the aim of increasing awareness of the range of opportunities available and supporting staff engagement through an increased focus on individual development plans. Improvements in gathering and reporting on exit data have also been implemented.

## An information organisation

Information—its collection, analysis, sharing, reporting and publishing—is at the heart of the TEC’s operations and drives all core business processes. Information is used to:

- form an evidence-base about national and regional tertiary education needs and patterns of provision
- advise and brief government
- develop policy
- develop investment strategies and make investment decisions
- monitor tertiary education organisation performance.

During the year, the Board of Commissioners approved the 2009 – 2013 Information Systems Strategic Plan. This plan will enable the TEC to:

- share data that is collected once and used in multiple ways, with the sector and other government agencies
- use information to increase tertiary education organisations’ capability to plan and manage their own performance
- focus on our analysis, advice and value-adding roles to continually improve sector outcomes
- use information more effectively to drive policy development, advice to government and investment decisions
- use shared information in order to work more effectively with other agencies and the sector to optimise tertiary education outcomes.

The TEC received a direction from the Minister of State Services and the Minister of Finance on all-of-government shared authentication services. This whole-of-government direction, made under section 107 of the Crown Entities Act 2004, is reported here in accordance with section 151(1)(f) of the Crown Entities Act 2004.

## Risk

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

The TEC, through this risk management culture, has adopted a systematic approach to identify, communicate, analyse, evaluate, treat and monitor key risks to the TEC. The Board and Executive Team assessed the risks faced by the TEC, captured the most critical high-level risks and formed a matrix to facilitate the assessment and monitoring of these risks.

The TEC is also undertaking work to strengthen the collective approach of education sector agencies to managing sector strategic and operational risks.

# Report against strategic objectives

The TEC identified three key strategic objectives for 2008/09.

Strategic objectives	2008/09 Performance measures	Result	Comment
<b>Ensure effective investment decisions achieve quality outcomes for students and value for money</b>	Investment system promotes tertiary education organisations working together to share best practice and to meet stakeholder need	Achieved	Discussions have continued with peak bodies during this quarter. Discussions with ITPs about Budget changes have reinforced the need for closer collaboration. ITP/wānanga joint initiatives have also been encouraged
	Investment Plans reflect priorities outlined in the Tertiary Education Strategy and Investment Guidance for Māori	Achieved	The completion of the first annual tertiary education organisation level and sector-level monitoring reports showed participation for Māori has been maintained and there has been some improvement in successful course completion rates
	Investment Plans reflect priorities outlined in the Tertiary Education Strategy and Investment Guidance for Pacific peoples	Achieved	The completion of the first annual tertiary education organisation-level and sector-level monitoring reports showed progress for Pacific peoples against participation and achievement key performance indicators
	Monitor outputs of commissioning relationship with NZQA	Achieved	The NZQA Board has agreed to the design for the evaluative approach to quality assurance. Implementation of external evaluation and review is planned for September 2009
	Obtaining evidence of tertiary education organisation achievements from the performance management system	Achieved	Performance monitoring reports were provided to tertiary education organisations to help with 2009/10 planning. Plans have commenced in moving from a paper based reporting system to providing an electronic system that will enable tertiary education organisations to retrieve information in a self-servicing environment
	Developing a capital strategy to support the investment system	Not achieved	Work on this strategy was not completed because of the Budget 2009 decision to disestablish the Capital Investment Fund
<b>Stakeholder voice informs the investment guidance and TEC investment decisions</b>	Developing the evidence-base using existing and new tools and information sources	Achieved	Most ITPs focused regional facilitation on the needs of people likely to become unemployed as a result of the recession, building on information coming from local job summits. The TEC distributed regional employment, economic and other data drawn from other government agencies, as a support for future planning

	Improving the richness of investment guidance as more information is available through research and analysis	Achieved	Guidance information for tertiary providers submitting Investment Plans in 2009 for 2010 was published. Work continued to ensure guidance information was supplemented as required. Key areas of alignment for this work included the development of the new Tertiary Education Strategy with the Ministry of Education and internal work to develop a performance improvement framework
<b>Enhance the investment system through leadership of the sector and continuous improvement of investment processes</b>	New Investment Plans in place for tertiary education organisations on one-year Investment Plans  Private training establishments (PTEs) moved on to Investment Plans	Achieved	ITPs and wānanga on one-year Investment Plans for 2008 had replacement Investment Plans approved for 2009/10. Negotiations continued with one TEI on a two-year Investment Plan for a replacement Investment Plan to be finalised during 2009 for 2010
	Further funds identified for rationalisation are allocated through the Investment Plan process	Achieved	A number of funds were disestablished as a result of Budget 2009. Significant progress was made on developing a performance-based funding and investment framework for PTEs to be implemented progressively from 2010
	Continued work to develop data quality and reach common agreed definitions of KPIs	Achieved	Work advanced on improving the quality of the data supplied by tertiary education organisations. In the future the sector will submit information once. Currently they supply different information to three different registration systems
	Further refine the TEI risk-profiling methodology, capability and capacity building of TEIs, and reporting structures	Achieved	The TEC is working to develop a revised set of measures to support risk analysis and ranking of TEIs. The revised measures will include both financial and non-financial measures and allow the impact of future changes in tertiary policy or revenue changes to be factored in to the risk analysis. Reporting will focus strongly on those institutions most at risk
	Progressing joint agency work to inform investment decisions	Achieved	Inter-agency work continued to progress in land-based and food industries.  Work progressed with NZQA and the Ministry of Education to draft Literacy and Numeracy Quality Assurance tools for education
	Implementing the TEC's organisational development programme and focusing on organisational performance indicators	Deferred	Partially deferred by the realignment process. The work that was completed included analysis of training needs and developing new recruiting arrangements and tools

# Statement of Responsibility

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the Tertiary Education Commission's financial statements and the statement of service performance, and for the judgements made in them.

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

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Tertiary Education Commission for the year ended 30 June 2009.

Signed on behalf of the Board of Commissioners:



David Shand  
**Chair**  
**Tertiary Education Commission**

21 September 2009



Graeme Fraser  
**Chair**  
**Audit and Risk Committee**  
**Tertiary Education Commission**

21 September 2009



**Audit Report**  
**To the readers of**  
**The Tertiary Educational Commission's**  
**financial statements and statement of service performance**  
**for the year ended 30 June 2009**

The Auditor-General is the auditor of The Tertiary Educational Commission (the Commission). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2009.

**Unqualified Opinion**

In our opinion:

- The financial statements of the Commission on pages 20 to 45:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Commission's financial position as at 30 June 2009; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 46 to 66:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 21 September 2009, and is the date at which our opinion is expressed.

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

## **Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Commissioners;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

## **Responsibilities of the Commissioners and the Auditor**

The Commissioners is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses

adopted at the start of the financial year. The Commissioners' responsibilities arise from the Crown Entities Act 2004 and Educational Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the area of results focused reviews of industry training organisations, which were compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Commission.

A handwritten signature in dark ink, reading "Julian Tan". The signature is written in a cursive style with a large initial 'J' and a long horizontal stroke extending to the right.

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

# Financial Statements

## Statement of Financial Performance

For the year ended 30 June 2009

	Notes	30 June 09 Actual \$000	30 June 09 Budget \$000	30 June 08 Actual \$000
<b>REVENUE</b>				
<b>Operating Revenue:</b>				
TEC Funding - Ministry of Education (MoE)		66,619	71,656	49,486
TEC Funding - Ministry of Social Development (MSD)		7,660	7,660	7,661
TEC Funding - Immigration New Zealand (INZ)		142	500	258
Sales of Property, Plant and Equipment		90	-	326
<b>Total Operating Revenue</b>		<b>74,511</b>	<b>79,816</b>	<b>57,731</b>
<b>Grants Revenue:</b>				
Grants Revenue - MoE		2,949,156	2,984,065	2,793,633
Grants Revenue - MSD		92,462	88,300	96,902
Grants Revenue - INZ		1,564	6,500	2,840
<b>Total Grants Revenue</b>		<b>3,043,182</b>	<b>3,078,865</b>	<b>2,893,375</b>
<b>Finance Revenue:</b>				
Interest Income on Bank Deposits - Operating		1,471	1,500	2,054
Interest Income on Bank Deposits - Grants		5,544	2,000	4,243
<b>Total Finance Revenue</b>		<b>7,015</b>	<b>3,500</b>	<b>6,297</b>
<b>TOTAL REVENUE</b>		<b>3,124,708</b>	<b>3,162,181</b>	<b>2,957,403</b>
<b>EXPENSES</b>				
<b>Operating Expenses:</b>				
Personnel	2	34,584	38,602	34,937
Operating	3	33,903	36,490	28,646
Depreciation	4	1,811	1,437	1,307
Amortisation and Impairment Losses	5	2,564	4,087	2,909
<b>Total Operating Expenses</b>		<b>72,862</b>	<b>80,616</b>	<b>67,799</b>
<b>Grants Expenses:</b>				
Grants Disbursed and Accrued - MoE		2,908,504	2,984,065	2,788,746
Grants Disbursed and Accrued - MSD		92,459	88,300	96,205
Grants Disbursed and Accrued - INZ		1,564	6,500	2,840
<b>Total Grants Expenses</b>		<b>3,002,527</b>	<b>3,078,865</b>	<b>2,887,791</b>
<b>TOTAL EXPENSES</b>		<b>3,075,389</b>	<b>3,159,481</b>	<b>2,955,590</b>
<b>Repayment Provisioning</b>				
Accrual for Repayment of Operating Surplus to INZ	6	(244)	(700)	(402)
<b>Total Repayment Provisioning</b>		<b>(244)</b>	<b>(700)</b>	<b>(402)</b>
<b>Operating Surplus/(Deficit)</b>				
Operating Surplus/(Deficit)		2,876	-	(8,416)
Grants Surplus		46,199	2,000	9,827
<b>Total Operating Surplus</b>		<b>49,075</b>	<b>2,000</b>	<b>1,411</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

### For the year ended 30 June 2009

	Notes	30 June 09 Actual \$000	30 June 09 Budget \$000	30 June 08 Actual \$000
<b>Equity at the Start of the Year</b>		16,299	18,000	20,630
Accrual for Repayment of Grants Surplus to MoE	6	(46,196)	(2,000)	(9,130)
Accrual for Repayment of Grants Surplus to MSD	6	(3)	-	(697)
<b>Income and Expenses Recognised Directly in Equity</b>		<b>(46,199)</b>	<b>(2,000)</b>	<b>(9,827)</b>
Net Surplus		49,075	2,000	1,411
<b>Total Recognised Revenues and Expenses for the Year</b>		<b>2,876</b>	<b>-</b>	<b>(8,416)</b>
Capital Contribution	26	1,600	1,600	4,085
<b>Equity at the End of the Year</b>		<b>20,775</b>	<b>19,600</b>	<b>16,299</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 30 June 2009

	Notes	30 June 09 Actual \$000	30 June 09 Budget \$000	30 June 08 Actual \$000
<b>Current Assets</b>				
Cash and Cash Equivalents	7	147,758	43,993	124,185
GST Receivable		-	-	75
Prepayments		253	-	-
Debtors and Other Receivables	8	4,091	10,400	24,999
<b>Total Current Assets</b>		<b>152,102</b>	<b>54,393</b>	<b>149,259</b>
<b>Non-Current Assets</b>				
Property, Plant and Equipment	9	5,108	4,307	6,014
Intangible Assets (Software)	10	8,746	7,049	6,183
<b>Total Non-Current Assets</b>		<b>13,854</b>	<b>11,356</b>	<b>12,197</b>
<b>Total Assets</b>		<b>165,956</b>	<b>65,749</b>	<b>161,456</b>
<b>Current Liabilities</b>				
Creditors and Other Payables	11	86,644	28,049	122,660
GST Payable		36	300	-
Employee Entitlements	12	1,810	1,600	1,891
English for Migrants - Revenue in Advance		1,745	2,500	3,055
Provision for Rent on Surplus Property	13	881	-	139
Repayment Accruals	6	46,443	2,700	10,357
<b>Total Current Liabilities</b>		<b>137,559</b>	<b>35,149</b>	<b>138,102</b>
<b>Non-Current Liabilities</b>				
English for Migrants - Revenue in Advance		7,086	10,000	6,395
Employee Entitlements	12	536	1,000	660
<b>Total Non-Current Liabilities</b>		<b>7,622</b>	<b>11,000</b>	<b>7,055</b>
<b>Total Liabilities</b>		<b>145,181</b>	<b>46,149</b>	<b>145,157</b>
<b>Net Assets</b>		<b>20,775</b>	<b>19,600</b>	<b>16,299</b>
<b>Equity</b>				
General Funds		20,775	19,600	16,299
<b>Total Equity</b>		<b>20,775</b>	<b>19,600</b>	<b>16,299</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

### For the year ended 30 June 2009

	Notes	30 June 09 Actual \$000	30 June 09 Budget \$000	30 June 08 Actual \$000
<b>Cash Flows from Operating Activities</b>				
Cash was provided from:				
- Operating MoE		66,619	71,656	49,785
- Operating MSD		7,660	7,660	7,661
- Operating INZ		142	500	258
- Grants MoE		2,977,240	2,984,065	2,787,004
- Grants MSD		92,463	88,300	96,902
- Grants INZ		1,563	6,500	2,840
		<b>3,145,687</b>	<b>3,158,681</b>	<b>2,944,450</b>
Cash was applied to:				
Grants Payments		3,048,473	3,078,865	2,856,382
Payments to Employees		34,789	28,963	38,368
Other Operating Expenses		32,647	45,236	20,836
Capital Charge		1,305	1,650	1,844
GST - Net		(111)	-	190
		<b>3,117,103</b>	<b>3,154,714</b>	<b>2,917,620</b>
<b>Net Cash Inflows from Operating Activities</b>	<b>14</b>	<b>28,584</b>	<b>3,967</b>	<b>26,830</b>
<b>Cash Flows from Investing Activities</b>				
Cash was provided from:				
Sale of Property, Plant and Equipment		90	100	325
Interest Income on Bank Deposits - Operating		1,471	800	2,054
Interest Income on Bank Deposits - Grants		5,544	2,700	4,243
		<b>7,105</b>	<b>3,600</b>	<b>6,622</b>
Cash was applied to:				
Purchase of Property, Plant and Equipment		561	7,600	1,611
Purchase of Intangible Assets (Software)		5,840	-	4,719
		<b>6,401</b>	<b>7,600</b>	<b>6,330</b>
<b>Net Cash Outflows from Investing Activities</b>		<b>704</b>	<b>(4,000)</b>	<b>292</b>
<b>Cash Flows from Financing Activities</b>				
Cash was provided from:				
Capital Contribution		6,042	1,600	8,448
		<b>6,042</b>	<b>1,600</b>	<b>8,448</b>
Cash was applied to:				
Repayment of Forfeited English for Migrant Funds		1,401	700	-
Repayment of Grants Surplus		10,356	2,000	10,249
		<b>11,757</b>	<b>2,700</b>	<b>10,249</b>
<b>Net Cash Outflows from Financing Activities</b>		<b>(5,715)</b>	<b>(1,100)</b>	<b>(1,801)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		23,573	(1,133)	25,321
Cash and Cash Equivalents at the Start of the Year		124,185	45,126	98,864
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>147,758</b>	<b>43,993</b>	<b>124,185</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## Note 1: Statement of Accounting Policies for the year ended 30 June 2009

### Reporting Entity

The Tertiary Education Commission (TEC) is a Crown Entity and was established on 1 January 2003 pursuant to section 159C of the Education Act 1989. The TEC is domiciled in New Zealand. As such the TEC's ultimate parent is the New Zealand Crown.

The TEC's principal function is to give effect to the tertiary education strategy.

The TEC is also required to:

- operate the tertiary funding system generally
- monitor the performance of tertiary education organisations
- provide policy advice to the Minister for Tertiary Education.

The TEC has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZIFRS).

The financial statements of the TEC are for the year ended 30 June 2009. The financial statements were approved by the Board of the TEC on 21 September 2009.

### Basis of preparation

#### Statement of compliance

The financial statements have been prepared in terms of the Education Act 1989, section 152 of the Crown Entities Act 2004, the Public Finance Act 1989, and in compliance with New Zealand generally accepted accounting practice. They comply with NZIFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

#### Basis of measurement

The measurement base adopted is historical cost.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency for the TEC is New Zealand dollars.

#### Standard amendments and interpretations issued that are not yet effective and have not been early adopted

NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as "owner".

The revised standard gives the TEC the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of financial performance followed by a statement of comprehensive income). The TEC intends to adopt this standard for the year ending 30 June 2010, and will prepare a single statement of comprehensive income.



## **Critical accounting estimates and assumptions**

In preparing these financial statements the TEC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual result. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Property, plant and equipment useful lives and residual value*

At each balance date the TEC reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the TEC to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the TEC, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact upon the depreciation expense recognised in the statement of financial performance, and the carrying amount of the asset in the statement of financial position.

The TEC minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes.

The TEC has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in Note 9.

### *Retirement and long service leave*

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

### *Intangible assets*

In Note 10, certain assumptions have been made about the continued useful life of intangible assets. See below for assumptions made on intangible assets.

## **Critical judgements in applying the TEC's accounting policies**

Management has exercised the following critical judgement in applying the TEC's accounting policies in the financial statements:

### *Lease classification*

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

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

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

## Significant accounting policies

The accounting policies which materially affect the measurement of financial performance and financial position are set out below. These policies have been applied consistently to all periods presented in these financial statements.

### Budget figures

Budget figures are those approved by the TEC and submitted in the Statement of Intent prior to the commencement of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and NZIFRS and are consistent with the accounting policies adopted by the TEC for the preparation of the financial statements.

### Revenue

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

#### *Revenue from the Crown*

The TEC is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the TEC meeting its objectives as specified in the Statement of Intent. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

#### *Interest*

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

### Goods and Service Tax (GST)

The financial statements are stated exclusive of GST, with the exception of debtors and other receivables and creditors and other payables which are stated with GST included. Net GST receivable or payable at the end of the financial year is included in the Statement of Financial Position. The TEC is not required to account for GST on its grants revenue and expense. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

### Income tax

The TEC is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

### Cash and cash equivalents

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

### Debtors and other receivables

Debtors and other receivables are initially measured at fair value. Debtors and other receivables are recorded at their expected realisable value after providing for impairment (doubtful and uncollectible debts).

Impairment of a receivable is established when there is objective evidence that the TEC will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

### Provisions

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

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

## **Financial instruments**

### *Non-derivative financial instruments*

The TEC is party to non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and other receivables and creditors and other payables. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

All financial instruments are shown at their carrying value which approximates their fair value. Cash and cash equivalents comprise cash balances and call deposits. Debtors and other receivables are recognised at fair value and subsequently at amortised cost.

## **Property, plant and equipment**

### *Recognition and measurement*

Property, plant and equipment consists of leasehold improvements, furniture and office equipment, computer equipment, and motor vehicles.

Property, plant and equipment are recorded at historical cost, less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to NZIFRS was determined by reference to its fair value at that date.

### *Additions*

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

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance.

### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the TEC and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as they are incurred.

### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. Items under construction are not depreciated. The total cost of a capital project is transferred to the appropriate asset class on its completion and then depreciated.

The useful lives and associated depreciation rates of major classes of assets were estimated as follows:

Computer equipment	4 years	25%	straight line
Office equipment	5 years	20%	straight line
Furniture & fittings	10 years	10%	straight line
Leasehold improvements	4-10 years	10-25%	straight line
Motor vehicles	5 years	20%	straight line

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

## **Intangible assets**

### *Software acquisition*

Intangible assets consist of items of acquired and developed software. These are capitalised on the basis of the costs incurred to acquire and to bring to use. Costs that are directly associated with the development of software for internal use by the TEC are recognised as an intangible asset. Direct costs include the software development and employee costs directly related to enabling the item of software. Other staff training costs are recognised as an expense when incurred.

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

Costs associated with the development and maintenance of the TEC's website are recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance. The useful life and associated amortisation rates were estimated as follows:

Computer software	4 years	25%	straight line
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## **Impairment of non-financial assets**

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The TEC currently has no assets carried at a revalued value. For assets not carried at a revalued amount, the total impairment loss or the amount of any reversal of impairment loss is recognised in the Statement of Financial Performance.

## **Employee entitlements**

Provision is made in respect of the TEC's liability for annual, long service, retirement and sick leave. Fair value is determined from the market-based evidence by an independent actuary.

### *Short-term employee entitlements*

Employee entitlements that the TEC expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken, at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

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

### *Long-term employee entitlements*

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave have been calculated on an actuarial basis.

The calculations are based on:

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

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

### **Superannuation scheme**

#### *Defined contribution scheme*

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

### **Lease payments**

The TEC leases all its office premises and where prudent, office equipment. As all risks of ownership are retained by the lessor, these leases are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Financial Performance.

### **Contingent liabilities**

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

### **Commitments**

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into on, or before, balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

### **Statement of cash flows**

Cash means cash balances on hand, held in bank accounts, and demand deposits.

Operating activities include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support the TEC's operating and distribution activities. Cash outflows include payments made to employees, suppliers, and for distribution expenses and taxes.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities and other non-current assets.

Financing activities are those activities relating to changes in equity and debt capital structure of the TEC.

### **Cost of service statements**

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

## **Cost allocation**

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

### *Cost allocation policy*

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

"Direct costs" are those costs directly attributable to a significant activity.

"Indirect costs" are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

The cost of internal services not directly charged to activities is allocated as overheads using appropriate cost drivers such as full-time equivalents (FTE's) and direct labour hours.

For the year ended 30 June 2009, indirect costs accounted for 41% (2008: 60%) of the TEC's total costs.

## **Creditors and other payables**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

## **Changes in accounting policies**

There has been no change in accounting policy during the course of the financial year covered by these statements.

## Note 2: Personnel Expenses

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Salaries	25,451	23,136
Contributions to Defined Benefit and Contribution Plans*	205	104
Increase/(Decrease) in Employee Entitlements	(182)	16
Training and Development	360	530
Other Personnel Expenses	8,750	11,151
<b>Total Personnel Expenses</b>	<b>34,584</b>	<b>34,937</b>

\* Contributions to Defined Benefit and Contribution Plans include contributions to KiwiSaver and Government Superannuation Fund.

## Note 3: Operating Expenses

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Property Rental	1,966	1,677
Motor Vehicles	76	78
Computer Operations	2,768	3,369
Consultants and Professional Services	4,490	4,076
Audit Fees for Financial Statements Audit	130	125
Audit Fees for IFRS Audit	-	15
Other Fees Paid to External Auditors*	95	37
Restructuring	3,348	4,490
Travel	2,229	2,874
Insurance	122	126
Legal Fees	551	641
Capital Charge	1,305	1,844
Managing Third Party Contracts	13,171	6,024
Bank Fees	51	57
Telephone, Tolls and Postage	466	581
Other Supplies and Services	2,676	2,252
Commissioners Fees	214	168
Panel Members Fees and Honoraria	71	42
(Gain)/Loss on Disposal of Fixed Assets	174	170
<b>Total Operating Expenses</b>	<b>33,903</b>	<b>28,646</b>

\* The other audit related fees were for review of Industry Training Organisations.

## Note 4: Depreciation

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Computer Equipment	1,003	892
Office Equipment	31	69
Furniture and Fittings	133	121
Leasehold Improvements	559	110
Motor Vehicles	85	115
<b>Total Depreciation</b>	<b>1,811</b>	<b>1,307</b>

## Note 5: Amortisation and Impairment Losses

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Intangible Amortisation (Software)	2,535	2,418
Impairment Losses	29	491
<b>Total Amortisation and Impairment Losses</b>	<b>2,564</b>	<b>2,909</b>

## Note 6: Repayment Accruals

	Grants MoE Surplus \$000	Grants MSD Surplus \$000	Operating INZ Surplus \$000	Total \$000
Balance at 30 June 2007	5,814	3,413	1,150	10,377
Surplus Accumulated During 2008	3,316	(2,716)	(620)	(20)
<b>Balance at 30 June 2008</b>	<b>9,130</b>	<b>697</b>	<b>530</b>	<b>10,357</b>
Surplus Repaid During the Period	(9,130)	(697)	(530)	(10,357)
Surplus Accumulated During the Period	46,196	3	244	46,443
<b>Balance at 30 June 2009</b>	<b>46,196</b>	<b>3</b>	<b>244</b>	<b>46,443</b>

## Note 7: Cash and Cash Equivalents

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Cash on Hand	1	2
Bank Accounts	133,257	106,183
Trading Bank Deposits - On Call	14,500	18,000
<b>Total Cash and Cash Equivalents</b>	<b>147,758</b>	<b>124,185</b>
Weighted Average Effective Interest Rates		
Short-Term Deposits	6.05%	8.47%

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.



## Note 8: Debtors and Other Receivables

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Tertiary Operations	6,143	26,719
Other Accounts Receivable	303	635
Provision for Impairment (Doubtful Debts)	(2,355)	(2,355)
<b>Total Debtors and Other Receivables</b>	<b>4,091</b>	<b>24,999</b>

The carrying value of receivables approximates their fair value.

As at 30 June 2009 and 2008, all overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	Gross	Impairment	Net
<b>As at 30 June 2009</b>			
Not Past Due	3,860	-	3,860
Past Due 1-30 days	8	-	8
Past Due 31-60 days	-	-	-
Past Due 61-90 days	-	-	-
Past Due > 91 days	2,578	2,355	223
<b>Total</b>	<b>6,446</b>	<b>2,355</b>	<b>4,091</b>

<b>As at 30 June 2008</b>			
Not Past Due	23,339	-	23,339
Past Due 1-30 days	45	-	45
Past Due 31-60 days	-	-	-
Past Due 61-90 days	-	-	-
Past Due > 91 days	3,970	2,355	1,615
<b>Total</b>	<b>27,354</b>	<b>2,355</b>	<b>24,999</b>

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

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

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Balance at 1 July	2,355	2,211
Additional Provision Made During the Year	-	144
Receivables Written Off During the Year	-	-
<b>Balance at 30 June</b>	<b>2,355</b>	<b>2,355</b>

## Note 9: Property, Plant and Equipment

The cost, accumulated depreciation and carrying amounts of the various classes of Property, Plant and Equipment are as follows:

### As at 30 June 2009

	Balance at 1 July 08 \$000	Additions for the year \$000	Disposals \$000	Balance at 30 June 09 \$000
<b>Cost</b>				
Furniture and Fittings	1,828	14	232	1,610
Office Equipment	653	-	193	460
Computer Equipment	5,604	964	465	6,103
Leasehold Improvements	3,935	118	998	3,055
Motor Vehicles	458	-	232	226
Work in Progress	601	1,262	1,097	766
<b>Total Cost</b>	<b>13,079</b>	<b>2,358</b>	<b>3,217</b>	<b>12,220</b>
	Balance at 1 July 08 \$000	Depreciation for the year \$000	Disposals \$000	Balance at 30 June 09 \$000
<b>Accumulated Depreciation</b>				
Furniture and Fittings	938	133	201	870
Office Equipment	570	31	181	420
Computer Equipment	3,662	1,003	445	4,220
Leasehold Improvements	1,607	559	750	1,416
Motor Vehicles	288	85	187	186
Work in Progress	-	-	-	-
<b>Total Depreciation</b>	<b>7,065</b>	<b>1,811</b>	<b>1,764</b>	<b>7,112</b>
	Balance at 1 July 08 \$000			Balance at 30 June 09 \$000
<b>Carrying Amounts</b>				
Furniture and Fittings	890			740
Office Equipment	83			40
Computer Equipment	1,942			1,883
Leasehold Improvements	2,328			1,639
Motor Vehicles	170			40
Work in Progress	601			766
<b>Total Carrying Amounts</b>	<b>6,014</b>			<b>5,108</b>

Assets disposed relate to restructuring of the TEC during the year and are comprised of Office Equipment, Furniture and Fittings and Motor Vehicles.

## Note 9: Property, Plant and Equipment (continued)

As at 30 June 2008

	Balance at 1 July 07 \$000	Additions for the year \$000	Disposals \$000	Balance at 30 June 08 \$000
<b>Cost</b>				
Furniture and Fittings	1,409	484	65	1,828
Office Equipment	712	109	168	653
Computer Equipment	6,516	1,528	2,440	5,604
Leasehold Improvements	2,434	1,734	233	3,935
Motor Vehicles	1,017	-	559	458
Work in Progress	1,732	2,536	3,667	601
<b>Total Cost</b>	<b>13,820</b>	<b>6,391</b>	<b>7,132</b>	<b>13,079</b>

	Balance at 1 July 07 \$000	Depreciation for the year \$000	Disposals \$000	Balance at 30 June 08 \$000
<b>Accumulated Depreciation</b>				
Furniture and Fittings	878	121	61	938
Office Equipment	572	69	71	570
Computer Equipment	5,179	892	2,409	3,662
Leasehold Improvements	1,697	110	200	1,607
Motor Vehicles	712	115	539	288
Work in Progress	-	-	-	-
<b>Total Depreciation</b>	<b>9,038</b>	<b>1,307</b>	<b>3,280</b>	<b>7,065</b>

	Balance at 1 July 07 \$000	Balance at 30 June 08 \$000
<b>Carrying Amounts</b>		
Furniture and Fittings	531	890
Office Equipment	140	83
Computer Equipment	1,337	1,942
Leasehold Improvements	737	2,328
Motor Vehicles	305	170
Work in Progress	1,732	601
<b>Total Carrying Amounts</b>	<b>4,782</b>	<b>6,014</b>

## Note 10: Intangible Assets (Software)

### As at 30 June 2009

	Balance at 1 July 08	Additions	Disposals	Impairment	Balance at 30 June 09
	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>					
Computer Software	12,649	4,932	1,826	29	15,726
Work in Progress	2,037	6,115	5,819	-	2,333
	<b>14,686</b>	<b>11,047</b>	<b>7,645</b>	<b>29</b>	<b>18,059</b>
<b>Accumulated Amortisation</b>					
Computer Software	8,503	2,564	1,754	-	9,313
	<b>8,503</b>	<b>2,564</b>	<b>1,754</b>	<b>-</b>	<b>9,313</b>
<b>Carrying Value</b>					
Computer Software	4,146				6,413
Work in Progress	2,037				2,333
	<b>6,183</b>				<b>8,746</b>

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

### As at 30 June 2008

	Balance at 1 July 07	Additions	Disposals	Impairment	Balance at 30 June 08
	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>					
Computer Software	13,163	3,619	3,642	491	12,649
Work in Progress	1,792	3,859	3,614	-	2,037
	<b>14,955</b>	<b>7,478</b>	<b>7,256</b>	<b>491</b>	<b>14,686</b>
<b>Accumulated Amortisation</b>					
Computer Software	9,484	2,909	3,890	-	8,503
	<b>9,484</b>	<b>2,909</b>	<b>3,890</b>	<b>-</b>	<b>8,503</b>
<b>Carrying Amounts</b>					
Computer Software	3,679				4,146
Work in Progress	1,792				2,037
	<b>5,471</b>				<b>6,183</b>

## Note 11: Creditors and Other Payables

	Year ended 30 June 09 \$000	Year ended 30 June 08 \$000
<b>Grants</b>		
Creditors and Other Payables	2,805	4,478
Accrued Expenses	77,681	111,110
Redirects Payable*	30	66
	80,516	115,654
<b>Operations</b>		
Creditors and Other Payables	981	1,136
Accrued Expenses	5,117	5,864
Withholding Tax Payable	30	6
	6,128	7,006
<b>Total Creditors and Other Payables</b>	<b>86,644</b>	<b>122,660</b>

\* Redirects payable represent Training Opportunities and Youth Training trainee allowances returned and unclaimed.

### Maturity Grouping

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

## Note 12: Employee Entitlements

	Year ended 30 June 09 \$000	Year ended 30 June 08 \$000
Accrued Salaries and Wages	327	354
Annual Leave	1,260	1,305
Sick Leave	81	90
Long Service Leave	328	335
Retiring Allowance	350	467
<b>Total Employee Entitlements</b>	<b>2,346</b>	<b>2,551</b>
Current	1,810	1,891
Non-Current	536	660
<b>Total Employee Entitlements</b>	<b>2,346</b>	<b>2,551</b>

The TEC has engaged the service of an external actuary to calculate long service leave and retiring allowance liabilities. The valuation result is most sensitive to the difference between the assumed rates of interest and salary escalation, and assumed resignation rates. The table below shows the impact on the valuation result of varying the assumed rates of salary growth and resignation rates leaving all other assumptions unaltered:

Change in Assumptions	Long Service	Retiring	Total
No Change	328	350	678
Salary Growth: 2.0% per year	312	325	637
Salary Growth: 4.0% per year	345	379	724
Resignation Rates: 150% of Assumed	311	345	656
Resignation Rates: 50% of Assumed	348	356	704

## Note 13: Provision for Rent on Surplus Property

The TEC leases office facilities in Auckland, Rotorua, Christchurch, Palmerston North and Wellington which contain floor space in excess of current requirements. This provision recognises the value of the rental payable in relation to this space over the remaining lease term. In all cases the remaining term is 4 years or less.

Movements for the provision are as follows:

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Balance at 1 July	139	18
Additional provisions made	863	121
Amount used	(121)	-
<b>Balance at 30 June</b>	<b>881</b>	<b>139</b>

## Note 14: Reconciliation of the Net Surplus/(Deficit) from Operations with the Net Cash Flows from Operating Activities

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Net Surplus/(Deficit) after tax	49,075	1,813
<b>Add/(Less) Non-Cash Items:</b>		
Depreciation of Property, Plant and Equipment	1,811	1,307
Amortisation of Intangibles	2,564	2,909
(Gain)/Loss on Disposal of Property, Plant and Equipment	174	170
	53,624	6,199
<b>Add/(Less) Movements in Working Capital Items:</b>		
Debtors and Other Receivables	16,613	(6,472)
GST Payable/(Receivable)	111	(190)
Creditors and Other Payables	(35,690)	34,660
Redirects Payable	(36)	12
Accrued Salaries and Wages	(205)	155
English for Migrants	783	(1,192)
Prepayment	(253)	-
Provisions	742	139
	(17,935)	27,112
<b>(Subtract) Investing Income</b>	<b>(7,105)</b>	<b>(6,481)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>28,584</b>	<b>26,830</b>

## Note 15: Statement of Material Variances

	30 June 09 Actual \$000	30 June 09 Budget \$000	30 June 08 Actual \$000
<b>Statement of Financial Performance</b>			
<b>Operating Revenue</b>	74,511	79,816	57,731
Revenue was less than budget primarily due to the transfer of the Skills Strategy funding to the Department of Labour and an expense transfer for ITP Benchmarking support services into 2009/10.			
<b>Grants Revenue</b>	3,043,182	3,078,865	2,893,375
The main impact of these movements was in the Student Achievement Component and Tertiary Education Organisation Component appropriations. This includes the net effects of transfers of funding from 2007/08 and transfers of funding from 2008/09 to out years.			
<b>Interest Received - Operating and Grants</b>	7,015	3,500	6,297
This revenue was higher than budget due to higher than anticipated cash holdings during the year.			
<b>Grants Expenses</b>	3,002,527	3,078,865	2,887,791
Expenses were lower than the budget reflecting lower than forecast participation in Modern Apprenticeships, Gateway and Industry Training. Student Achievement Component and Tertiary Education Organisation Component were also lower than budget.			
<b>Statement of Financial Position</b>			
<b>Cash and Cash Equivalents</b>	147,758	43,993	124,185
The level of cash holding was above budget in order to meet payments due to be made immediately after balance date and the repayment of the Grants surplus to the MoE.			
<b>Creditors and Other Payables</b>	86,644	28,049	122,660
The level of creditors and other payables was above budget due to higher than forecast obligations at balance date. Many of these were due for payment immediately after balance date.			
<b>English for Migrants Liabilities</b>	8,831	12,500	9,450
This reflects the lower than forecast number of inbound migrants participating in this scheme.			

## Note 16: Related Party Disclosure

The TEC is a Crown Entity. The Crown significantly influences the role of the TEC as well as being its major source of income.

The TEC undertook to purchase education, training and research on behalf of the Crown and entered into contracts with universities, institutes of technology and polytechnics, wānanga, private training establishments, industry training organisations and schools. These contracts were negotiated following normal commercial enterprise conditions.

### Key management personnel

Key management personnel are Commissioners, the Chief Executive, Deputy Chief Executive and seven Directors.

### Commission members

Commission Chair David Shand's brother-in-law is a consultant to the Agriculture Industry Training Organisation. For the year ended 30 June 2009 an amount of \$19,823,585 (2008: \$19,358,028) was paid to this organisation for the provision of training and other services.

Commissioner John Blakey is the Chief Executive Officer and board member at Competenz. For the year ended 30 June 2009, an amount of \$24,048,729 (2008: \$24,326,669) has been paid to this organisation for the provision of training and other services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Commissioner Kaye Turner is the Chair of Career Services. For the year ended 30 June 2009, an amount of \$5,833 (2008: \$3,139) has been paid to this organisation for the provision of staff support services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Commissioner Robin Hapi is a Crown-appointed member of the Governing Council of Te Wānanga o Raukawa and chairman of the Finance Audit and Risk Sub-Committee for this organisation from January 2008. For the year ended 30 June 2009, an amount of \$15,978,247 (2008: \$13,902,564) has been paid to this organisation for the provision of training and other services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Robin Hapi was also an elected member of the New Zealand Seafood Industry Council until July 2008 and from February 2009 has held a strategic advisory position with the Seafood Industry Training Organisation. For the year ended 30 June 2009, an amount of \$5,049,516 (2008: \$5,137,610) has been paid to this organisation for the provision of training and other services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Commissioner Bill Rosenberg is the Policy Director for the Council of Trade Unions since 11 May 2009. For the year ended 30 June 2009, an amount of \$900,000 (2008: \$525,535) has been paid to this organisation for provision of training and other services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Commissioner Bill Rosenberg's brother-in-law is the Chief Executive at Career Services. For the year ended 30 June 2009, an amount of \$5,833 (2008: \$3,139) has been paid to this organisation for the provision of training and other services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Commissioner Deirdre Dale is the member of Mana Whakahaere Council for Te Wānanga o Aotearoa. For the year ended 30 June 2009, an amount of \$143,015,028 (2007: \$131,417,737) has been paid to this organisation for the provision of training and other services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Commissioner Graeme Fraser is the owner of 444 Limited. For the year ended 30 June 2009, an amount of \$16,425 (2008: Nil) has been paid to this organisation for professional service for the Land-Based Review Steering Group. The amount outstanding at 30 June 2009 was nil (2008: Nil).

### Other key management personnel

Director Tertiary Network, David Nicholson's partner is the principal of Pacific Perspective Limited. For the year ended 30 June 2009, an amount of \$87,985 (2008: \$35,545) has been paid to this company for the provision of contractual services. The amount outstanding at 30 June 2009 was nil (2008: \$16,982).



Director Strategic Information and Evidence, Barbara Tebbs's partner is a Director of Virtual Interview. For the year ended 30 June 2009, an amount of \$4,781 (2008: Nil) has been paid to Virtual Interview for the provision of contractual services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Director Chief Executive's Office, Grant Klinkum's partner is the CEO of English Language Partners NZ (formerly ESOL Home Tutor), a TEC funded OTEP. For the year ended 30 June 2009, an amount of \$5,215,050 (2008: \$3,238,841) has been paid to English Language Partners NZ for the provision of training services. The amount outstanding at 30 June 2009 was nil (2008: Nil).

Director Māori Strategy, Brendon Puketapu is convenor of Roopu Taumata - Māori Research Advisory Group to NZCER. For the year ended 30 June 2009, an amount of \$3,619,345 (2008: Nil) has been paid to NZCER to develop a literacy and numeracy assessment tool. The amount outstanding at 30 June 2009 was \$112,500 (2008: Nil).

The above mentioned Directors did not participate in the engagement or decision making that resulted in these arrangements.

## Note 17: Commission Fees

Commission members earned the following fees during the twelve months:

Member	Fees	Fees
	Year ended	Year ended
	30 Jun 09	30 Jun 08
	\$	\$
David Shand (Chair)	49,000	41,492
Kaye Turner (Deputy Chair)	24,427	18,125
John Blakey	19,542	14,500
Deirdre Dale	16,667	-
Jim Donovan	19,542	17,260
Graeme Fraser	19,542	14,500
Edna Tait	19,542	14,500
Brian Rhoades	-	14,500
William Rosenberg	19,542	14,500
Robin Hapi	19,542	8,025
	207,346	157,402
Liz Hawes	3,395	3,360
Joey Randall	-	7,245
Sophia Blair	3,395	-
<b>Total Fees</b>	<b>214,136</b>	<b>168,007</b>

Brian Rhoades retired on 30 June 2008.

Deirdre Dale was appointed from 1 September 2008.

Joey Randall was a non-voting participant with a learner's perspective until 17 December 2007.

Liz Hawes succeeded him from January 2008 to December 2008.

Sophia Blair succeeded her in this role in January 2009.

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

## Note 18: Employee Remuneration

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

	Remuneration	2009	Number of Employees 2008
Chief Executive	480,001 to 490,000	-	1
Chief Executive	400,001 to 410,000	1	-
Other Personnel	250,000 to 260,000	1	-
	230,001 to 240,000	1	-
	220,001 to 230,000	1	1
	210,001 to 220,000	3	2
	200,001 to 210,000	-	2
	190,001 to 200,000	3	1
	180,001 to 190,000	1	-
	170,001 to 180,000	2	3
	160,001 to 170,000	2	2
	150,001 to 160,000	5	1
	140,001 to 150,000	9	7
	130,001 to 140,000	8	5
	120,001 to 130,000	9	6
	110,001 to 120,000	14	4
	100,000 to 110,000	15	11
<b>Total employees</b>		<b>75</b>	<b>46</b>

A total of \$1,332,899 (2008: \$230,584) was incurred for compensation or other benefits paid or payable to persons who ceased to be employees during the financial year in relation to that cessation.

This covers 53 (2008:10) individuals.

	30 June 09 Actual \$000	30 June 08 Actual \$000
<b>Key Management Personnel Compensation</b>		
Salaries and Other Short Term Benefits	2,369	2,109
Post Employment Benefits	-	-
Other Long Term Benefits	11	10
Termination Benefits	-	-
<b>Total Key Management Personnel Compensation</b>	<b>2,380</b>	<b>2,119</b>

Key management personnel include all Commissioners, the Chief Executive, Deputy Chief Executive and seven Directors.

## Note 19: Financial Instruments

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

### Market risk

#### *Fair value interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There were no interest rate options or interest rate swap options in place as at 30 June 2009. TEC bank deposits are all on call. The interest rates on bank deposits are shown in Note 7.

#### *Currency risk*

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

### Liquidity risk

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

### Credit risk

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

## Note 20: Operating Leases

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
<b>Non Cancellable Operating Leases (Rental Agreements)</b>		
Not Later Than One Year	2,171	2,345
Later Than One Year and Not Later Than Two Years	1,846	2,142
Later Than Two Years and Not Later Than Five Years	1,853	3,360
Later Than Five Years	395	710
<b>Total Operating Leases</b>	<b>6,265</b>	<b>8,557</b>

The TEC leases a number of office facilities under operating leases. Leases are subject to regular rent review to reflect market rates.

A significant portion of the non-cancellable operating lease expense relates to the lease of accommodation for the Wellington office and the Auckland office.

The leases for the Wellington office have expiry dates between of 30 September 2010 and 31 March 2018 with 3 yearly rights of renewal in the interim.

The lease for the Auckland office has an expiry date of 1 October 2027 with 6 yearly rights of renewal in the interim.

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

For the year ended 30 June 2009 \$2,733,356.25 (2008: \$2,089,922) was recognised as an expense in the income statement in respect of operating leases.

## Note 21: Capital Commitments

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Capital expenditure contracted for at balance date but not provided for:		
Intangible assets	100	20
<b>Total Capital Commitments</b>	<b>100</b>	<b>20</b>

## Note 22: Non-Cancellable Contracts

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
At 30 June 2009 the TEC had entered into contracts for the provision of education, training and research services.		
Commitments under these contracts are:		
Not Later Than One Year	2,677,622	2,563,572
Later Than One Year and Not Later Than Two Years	1,322,313	2,371,198
Later Than Two Years and Not Later Than Five Years	17,949	1,195,247
<b>Total Non-Cancellable Contracts</b>	<b>4,017,884</b>	<b>6,130,017</b>

The decrease in non-cancellable contracts reflects the fact that many providers are part-way through their investment plan periods.

## Note 23: Other Operating Commitments

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Contract for Services	285	11,500
<b>Total Other Operating Commitments</b>	<b>285</b>	<b>11,500</b>

## Note 24: Categories of Financial Assets and Liabilities

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
The carrying amounts of financial assets and liabilities in each of the NZIAS 39 categories are as follows:		
<b>Financial Assets</b>		
Cash and Cash Equivalents	147,758	124,185
Debtors and Other Receivables	4,091	24,999
<b>Total Financial Assets</b>	<b>151,849</b>	<b>149,184</b>
<b>Financial Liabilities Measured at Amortised Cost</b>		
Creditors and Other Payables	86,644	122,660
<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>86,644</b>	<b>122,660</b>

## Note 25: Operating Financial Ratios

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Net Surplus/(Deficit) for TEC Operations (excludes grants)	2,876	(8,416)
Working Capital Ratio	1.84:1	1.77:1
Personnel/Total Expenses	52%	52%
Proprietary Ratio (Operating Assets only)	67%	60%

## Note 26: Capital Contribution

	30 June 09	30 June 08
	Actual	Actual
	\$000	\$000
Contributions were made by the Crown for:		
Capital Requirements for the TEC	1,600	4,085
<b>Total Capital Contribution</b>	<b>1,600</b>	<b>4,085</b>

## Note 27: Contingent Liabilities

The TEC had an outstanding legal claim with an estimated maximum liability of \$12,000 at 30 June 2009 (2008: Nil)

## Note 28: Events after the balance date

There were no significant events after the balance date.

## Note 29: Professional Indemnity Insurance

The TEC has effected a policy of Directors and Officers Liability Insurance which indemnifies directors and officers for their legal liability to pay claims made against them that arise by reason of wrongful act committed by them in the course of their duties. The premium for this policy is \$8,350.

## Note 30: Capital Management

The TEC's capital is its equity, which comprises accumulated funds. Equity is represented by net assets. The TEC is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

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

# Statement of Service Performance for the year ended 30 June 2009

The Statement of Service Performance reports against the performance measures and standards set out in the 2008–2011 Statement of Intent.

## Tertiary Education Student Achievement Component

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

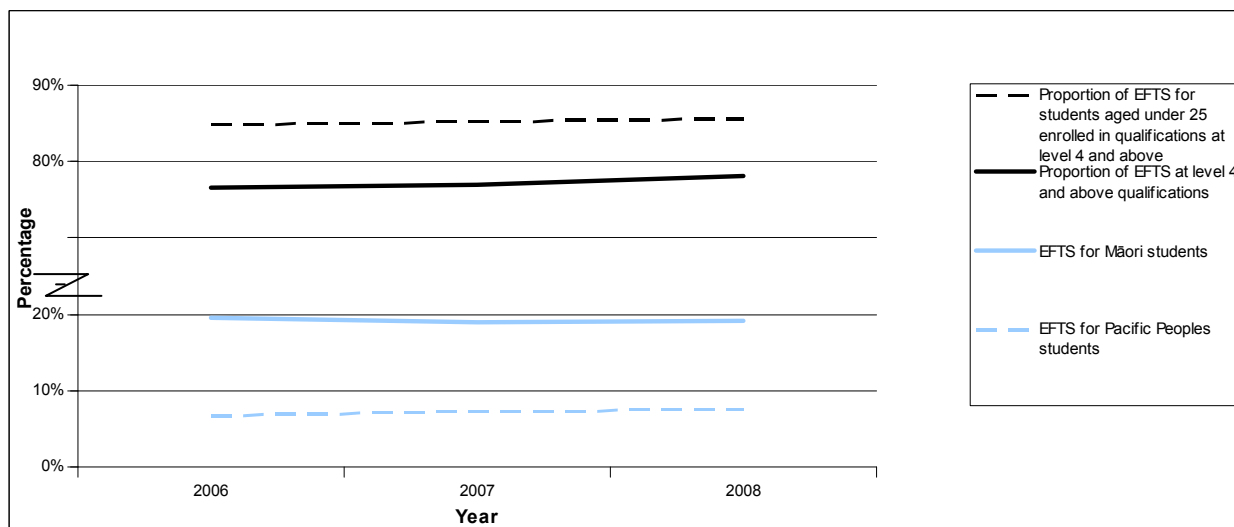
The government contribution to the costs of teaching is the core funding mechanism for the delivery of tertiary education. Investment Plans set out student numbers and the target levels of qualification completions to be achieved for each tertiary education organisation. Progress against the Investment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

Performance measures	2008/09 target	2008/09 result
<b>Quantity</b> Number of Domestic Equivalent Full-Time Students (EFTS) by significant sub-sector:		
• Universities	102,000-126,000	113,448
• Institutes of technology and polytechnics	60,000-75,000	64,996
• Wānanga	22,000-28,000	24,093
• Private training establishments	17,500-22,000	26,393
• Other tertiary education providers	2,500-3,500	3,175
• <b>Total EFTS</b>	<b>204,000-254,500</b>	<b>232,105</b>
<b>Quality</b> Funded courses with quality assurance from New Zealand Qualifications Authority or New Zealand Vice-Chancellors' Committee, as appropriate	100%	100%

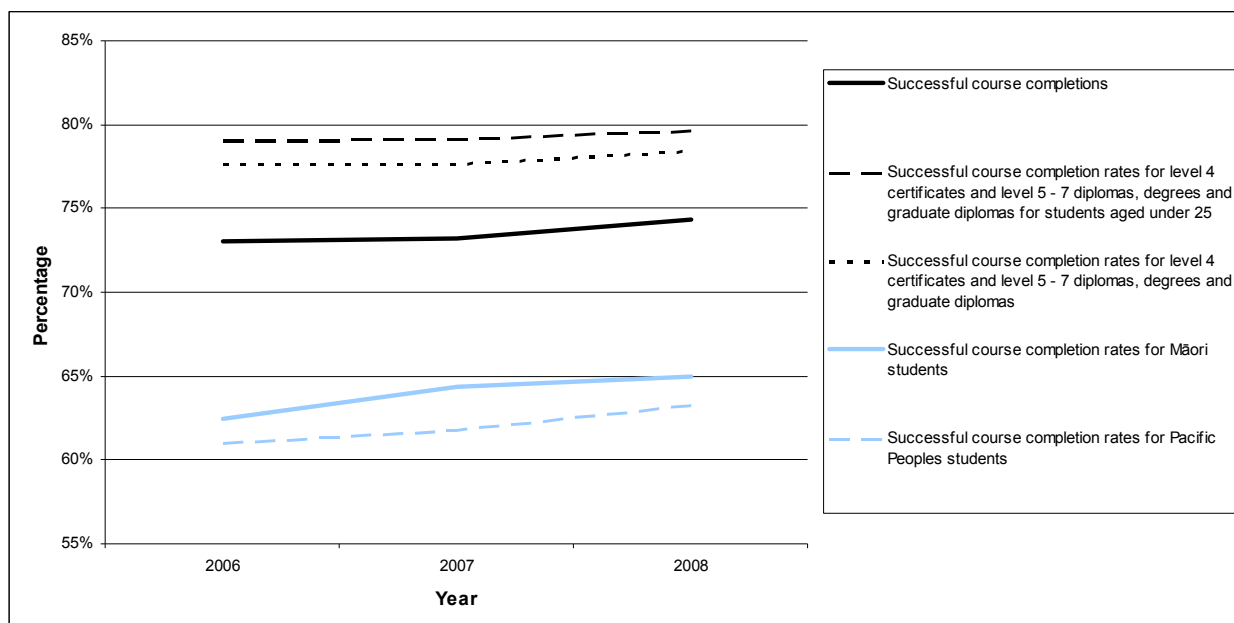
## Participation, progression and completion by sub-sector

The following four tables summarise participation, progression and completion rates in tertiary education, by sub-sector.

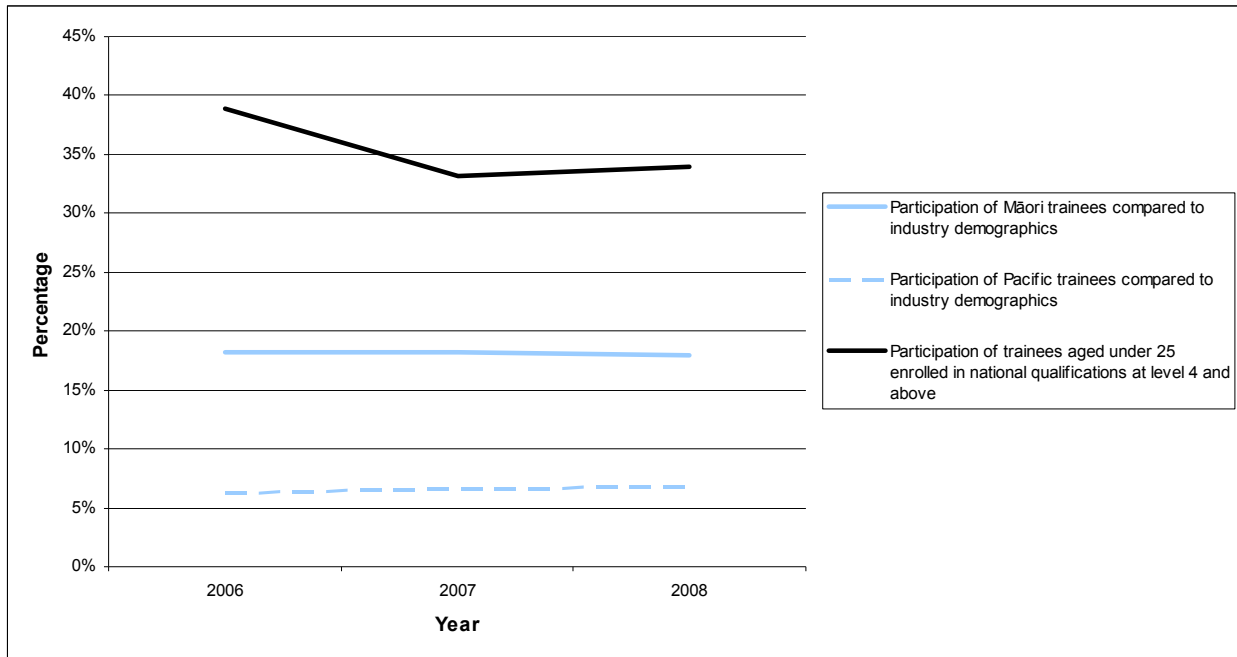
**Graph 2: TEI and PTE participation rates**



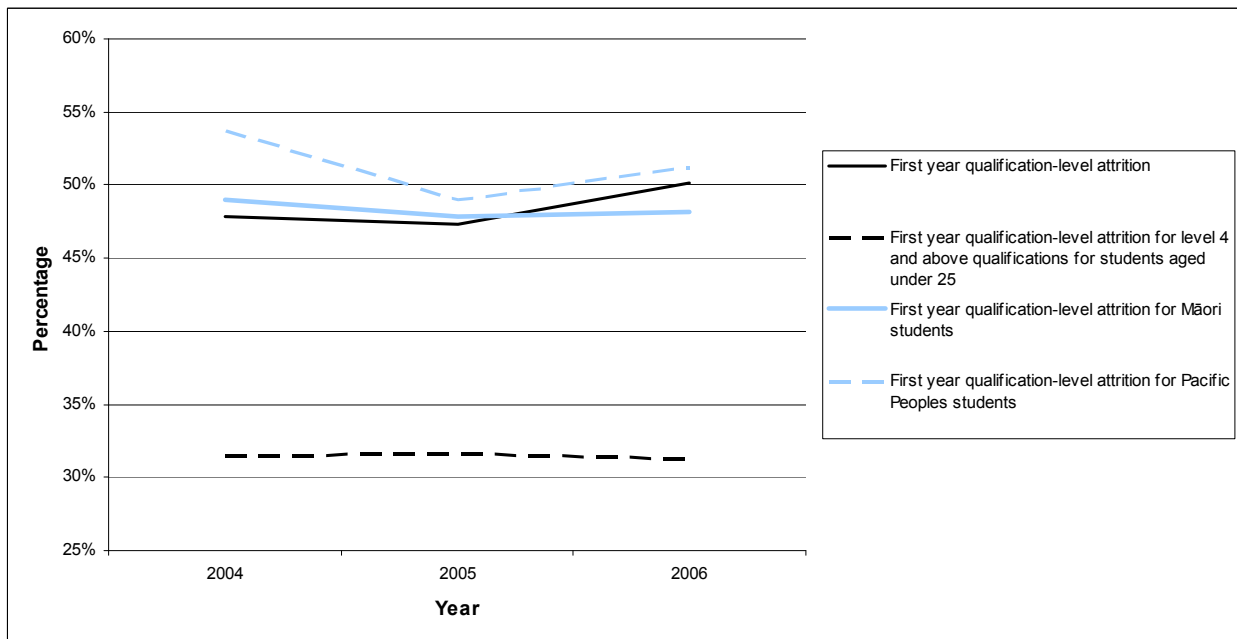
**Graph 3: Successful course completion rates – Māori, Pacific peoples and students aged under 25**



**Graph 4: ITO participation rates**



**Graph 5: ITO attrition rates**





## Managing the government's investment in the tertiary sector

The Tertiary Education Commission is responsible for developing, implementing and managing an investment system that aligns planning, funding, monitoring and quality assurance of tertiary education in accordance with the provisions of the Education Act 1989.

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

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

Investment Plans are in place for all tertiary education organisations. Those with plans approved for less than three years will be realigned to come within the three-year investment cycle. All Investment Plans demonstrated how they respond to identified national and regional needs.

Plan performance for tertiary education organisations was monitored using Single Data Return information for delivery commitments, and a mix of engagements and annual reports for other measures of performance.

The TEC distributed regional employment, economic and other data drawn from other government agencies to support future planning. Work continued to ensure appropriate guidance information was available to support tertiary education organisations for the 2010 round of Investment Plans.

**Output cost**

Managing the government's investment in the tertiary sector	Forecast for the year ended 30 June 2009 \$000	Actual for the year ended 30 June 2009 \$000
Operating Revenue	58,660	53,623
Interest Revenue	655	763
Total Revenue	59,315	54,386
Total Expenses	59,315	54,079
Surplus/(Deficit)	0	307

## Ownership monitoring of tertiary education institutions

The Tertiary Education Commission provides monitoring and advisory services—including interventions—on the government's ownership interest in tertiary education institutions.

Performance measures	2008/09 target	2008/09 result
Governance performance of the tertiary education institutions is monitored and appropriate action taken	Measure achieved	Achieved
Advice to ministers on tertiary education institutions' governance and ownership is appropriate, accurate and timely	Measure achieved	Achieved
Monitoring reports on tertiary education institutions are completed within required time frames and to required standards	Measure achieved	Partially achieved

Governance standards were monitored through the ministerial appointments process and action taken as necessary. A programme of capability development workshops was provided to governors and senior managers of tertiary education institutions throughout the year.

Timely, accurate and balanced advice was provided to the Minister on tertiary education institutions ownership issues. Monitoring of the financial performance of tertiary education institutions was ongoing. A new monitoring framework, that includes financial and educational performance, was under development at the end of the year.

## Output cost

Ownership monitoring of tertiary education institutions	Forecast for the year ended 30 June 2009 \$000	Actual for the year ended 30 June 2009 \$000
Operating Revenue	4,975	4,975
Interest Revenue	56	65
Total Revenue	5,031	5,040
Total Expenses	5,031	4,305
Surplus/(Deficit)	0	735

## Tertiary education policy advice

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

Performance measures	2008/09 target	2008/09 result
Policy advice delivered in accordance with work programme	Measure achieved	Measure achieved
Ministerial satisfaction with the appropriateness and effectiveness of the information or advice	Measure achieved	Measure achieved
Draft responses for ministerial correspondence, parliamentary questions and Official information Act requests acceptable to the Minister in terms of content and technical accuracy	Measure achieved	See table below
Percentage of ministerial, Select Committee and inter agency correspondence prepared within required time frames	Measure achieved	See Table 1 below

The TEC worked with the Ministry of Education to develop a joint work programme to implement the government's policy objectives. Particular emphasis was given to developing a draft Tertiary Education Strategy and on legislation to strengthen governance arrangements at institutes of technology and polytechnics.

<b>Table 1: Ministerial servicing performance measures</b>	<b>2008/09 target</b>	<b>2008/09 result</b>
<b>Quantity</b>		
Draft ministerial letters	320-350	714
Draft responses to parliamentary questions	575-600	197
Responses to ad hoc requests for information from the Minister for Tertiary Education's office	120-140	104
Media requests	60-80	50
Briefings for the Minister for Tertiary Education	260-290	268
Submissions for the Minister for Tertiary Education	100-120	89
Draft Cabinet papers	20-40	22
Ombudsmen, Privacy Act, and select committee related items		16
Official information requests	80-100	69
Total		1,529
<b>Quality</b>		
Percentage of draft items provided to the office of the Minister for Tertiary Education returned for redrafting	No more than 5%	2.9% (44 out of 1,529 items were returned)
Percentage of draft replies to parliamentary questions provided to the office of the Minister for Tertiary Education within the required time frames	100%	97.5% (192 out of 197 items were on time)
Percentage of all other ministerial-related items provided to the office of the Minister for Tertiary Education within the required time frames	95%	92% (1,222 out of 1,332 items were on time)

There were a significant number of briefings prepared for Budget 2009. There was a significant increase in the number of draft ministerial letters in the final quarter of the year about the impact of Budget 2009, particularly on changes to Adult and Community Education.

#### **Output cost**

<b>Tertiary education policy advice</b>	<b>Forecast for the year ended 30 June 2009 \$000</b>	<b>Actual for the year ended 30 June 2009 \$000</b>
Operating Revenue	8,021	8,021
Interest Revenue	89	102
Total Revenue	8,110	8,123
Total Expenses	8,110	6,642
Surplus/(Deficit)	0	1,481

## Training for designated groups

The Tertiary Education Commission purchases training linked to the National Qualifications Framework and both on-job and off-job training places including delivery of fully or partially funded training places.

### Industry training

Industry training is systematic training in skills characteristic of, or likely to be valuable to an industry. It is delivered to people employed in that industry.

Performance measures—Industry Training	2008/09 target	2008/09 result
<b>Quantity</b>		
Number of industry trainees	149,000	133,343 <sup>1</sup>
Number of standard training measures	56,000	31,132 <sup>2</sup>
Number of ITOs receiving funding through the Industry Training Fund	38	38
Number of industry trainees by ethnicity, gender and age	As reported	See Tables 2 and 3 below
Number of trainees by ITO and NQF level	As reported	See Table 4 below
<b>Quality</b>		
Average number of NQF credits achieved per trainee	20	19.3 <sup>3</sup>
Number of qualifications achieved in 2008	As reported	35,958

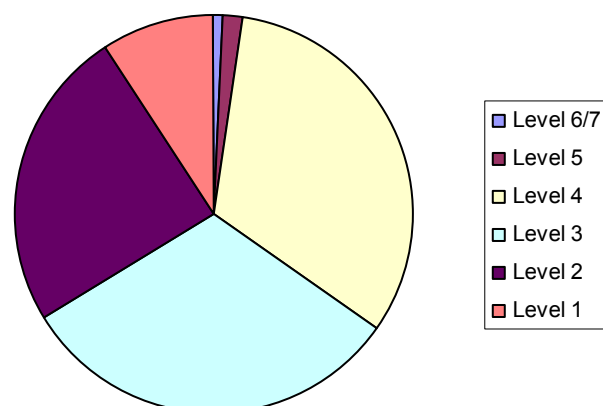
**Table 2: Number of trainees in training by ethnicity and gender as at 30 June 2009**

Ethnicity	Female	Male
European	21,082	59,254
Māori	7,504	15,893
Pacific	3,467	5,797
Other	4,623	8,824
Not specified	1,342	5,557
<b>Total</b>	<b>38,018</b>	<b>95,325</b>

**Table 3: Number of trainees in training by age as at 30 June 2009**

Age	Number
15-19	13,322
20-29	43,050
30-39	28,420
40-49	26,558
50+	21,993
<b>Total</b>	<b>133,343</b>

**Trainees by qualification levels**



<sup>1</sup> As at 30 June 2009.

<sup>2</sup> As at 30 June 2009.

<sup>3</sup> For calendar year ending 31 December 2008.

Table 4: Number of trainees by ITO and NQF level (1 January 2009 to 31 March 2009)							
Industry training organisation	Level 6/7	Level 5	Level 4	Level 3	Level 2	Level 1	Total trainees
Agriculture ITO	-	823	2,805	3,806	4,600	-	12,034
Apparel & Textile	-	32	125	453	827	82	1,519
Aviation (ATTTO)	476	32	1,526	2,623	249	-	4,906
Building & Construction ITO	-	-	8,263	564	130	-	8,957
Boating Industries Training	-	-	630	81	32	-	743
BSCITO	-	-	-	21	1,181	-	1,202
COMPETENZ	-	103	4,438	1,382	4,101	7,275	17,299
Creative Trades Industry	-	12	431	474	-	-	917
CSSITO	-	-	1,143	5,160	2,762	17	9,082
Equine ITO	-	-	178	60	-	-	238
ESITO	56	200	1,597	348	251	-	2,452
ETITO	-	16	6,362	4,176	829	-	11,383
EXITO	-	124	436	4,126	805	25	5,516
FITEC	-	538	4,278	3,201	4,828	17	12,862
Flooring ITO	-	-	632	-	-	-	632
FRSITO	1	171	249	568	1,737	-	2,726
Hairdressers ITO	-	10	1,553	17	-	-	1,580
Horticulture ITO	1	-	2,092	-	858	-	2,951
Hospitality Standards Institute	-	445	2,143	2,780	6,724	1	12,093
Infratrain New Zealand	304	4	523	1,539	1,747	286	4,403
Joinery ITO	-	-	566	210	397	-	1,173
Local Government New Zealand	-	10	130	246	175	-	561
MITO	-	137	4,586	283	1,893	-	6,899
NZITO	3	26	6,177	14,721	6,976	8,861	36,764
Opportunity Training	-	-	8	1,280	-	-	1,288
PAMPITO	-	3	174	116	259	450	1,002
Pharmacy ITO	-	92	-	14	-	-	106
Plumbers ITO	-	-	2,720	1,104	-	-	3,824
Printing and Allied Industries	-	34	426	49	104	-	613
PSITO	16	253	3,074	646	17	-	4,006
Real Estate ITO	-	8	73	-	-	-	81
Retail ITO	-	-	130	1,124	677	-	1,931
Retail Meat ITO	-	-	410	-	46	-	456
SITO	9	3	916	878	2,153	-	3,959
Sport, Fitness and Rec ITO	-	263	1,101	1,951	901	-	4,216
Sports Turf ITO	13	-	251	118	-	-	382
Te Kaiawhina Ahumahi	470	-	222	48	-	-	740
Tranzqual ITO	-	-	430	5,118	1,791	73	7,412
<b>Grand total</b>	<b>1,349</b>	<b>3,339</b>	<b>60,798</b>	<b>59,285</b>	<b>47,050</b>	<b>17,087</b>	<b>188,908</b>

## Modern Apprenticeships

Modern apprenticeships are a work-based education initiative for young people available through industries leading to nationally recognised qualifications.

Performance measures—Modern Apprenticeships	2008/09 target	2008/09 result
<b>Quantity</b>		
Number of Modern Apprenticeships	14,000 by December 2008	12,933 as at 30 June 2009
Number of Modern Apprenticeships co-ordinators	51	52
Number of trainees in training by ethnicity, gender and age	As reported	See tables 6 and 8 below
<b>Quality</b>		
Modern Apprenticeships by NQF level	As reported	See table 5 below
Average credits achieved by gender and ethnicity	As reported	See Table 7 below
Number of Modern Apprenticeships completions	As reported	5,827 to 31 December 2008

Table 5: Number of apprentices by NQF level		
NQF level	Number	% of total
Level 2	-	-
Level 3	1,491	11.5%
Level 4	11,441	88.5%
Level 5	-	-
Level 6	1	-
<b>Total</b>	<b>12,933</b>	<b>100%</b>

Table 6: Number of apprentices in training by age	
Age	Number
15	75
16	1,411
17	2,854
18	2,947
19	2,073
20	1,434
21	1,088
22+	1,051
<b>Total</b>	<b>12,933</b>

Table 7: Average credits achieved by gender and ethnicity	
Ethnic group and gender	Average number of credits
<i>Male</i>	
European/pākehā	22
Māori	19
Pacific peoples	18
Other	22
Not specified	48
<b>Sub total</b>	<b>22</b>
<i>Female</i>	
European/pākehā	12
Māori	12
Pacific peoples	14
Other	12
Not specified	22
<b>Sub total</b>	<b>13</b>
<b>Total</b>	<b>21</b>

Table 8: Number of apprentices in training by ethnicity and gender		
Ethnicity	Female	Male
European	1,060	8,932
Māori	301	1,544
Pacific	48	355
Other	56	397
Not specified	53	187
<b>Total</b>	<b>1,518</b>	<b>11,415</b>



## Adult Literacy

The Tertiary Education Commission funds programmes to develop the literacy, language and numeracy skills that provide the essential base for building a competitive, highly-skilled and productive workforce.

Performance measures—Adult Literacy	2008/09 target	2008/09 result
Number of projects receiving literacy assistance through the fund, broken down by areas:		
• Workplace literacy	As reported	238
• Intergenerational programmes	As reported	32
• Foundation learning	As reported	274
• Other	As reported	nil

## Workplace Literacy Fund

The Department of Labour was tasked with raising awareness with employers of large businesses of the productivity benefits of literacy and numeracy programmes in New Zealand workplaces. As a result of this upskilling initiative, up to 20 programmes sought funding through the Workplace Literacy Fund. The Upskilling Projects Office closed at the end of June 2009. The TEC made arrangements to continue this work with employers to progress applications and approvals for funding.

A review of the purchasing framework for Workplace Literacy was completed with the intention of responding to increased demand for funding, streamlining the funding process and increasing a focus on outcomes.

## Foundation Learning Pool (renamed Intensive Literacy and Numeracy)

The Foundation Learning Pool funding framework was reviewed in March 2009, with all investment from 2010 onwards to be based on a revised funding framework. This funding has been renamed “Intensive Literacy and Numeracy” from 2010 and refocused on stronger literacy and numeracy learning gains.

An opportunity was provided to eligible organisations to apply for this funding in May 2009. As demand for literacy and numeracy increases in the community, there were a number of applications from tertiary education organisations intending to seek this funding. After robust screening and assessments, funding was approved for 44 organisations for 2010. Some organisations were not funded for the amount they had requested due to the limited availability of funding and focus on achieving a regional spread of provision.

## Youth Training

The Youth Training programme is to enable learners under the age of 18 with low qualifications and at risk of long term unemployment to engage in further education and training.

Youth Training focuses on learners acquiring a valuable set of foundation skills that enables them to move effectively into sustainable employment and/or higher levels of tertiary education

Performance measures—Youth Training	2008/09 target	2008/09 result
<b>Quantity</b>		
Number of trainees in place throughout the year	4,900	4,578
Number of trainees in training by ethnicity, gender and age	As reported	See Tables 8 and 9 below
<b>Quality</b>		
Percentage of programmes delivered by NZQA registered training provider	95%	100%
Average number of NQF credits achieved by trainees	20	18.3
Percentage of trainees moving on to further education or employment within two months of leaving Youth Training	60%	73%
Average cost of training per trainee	\$265 per week	\$273 per week

For the period from 1 January 2009 to 30 June 2009, an average of 4,578 learners participated in Youth Training programmes. The figure is the average of learner numbers on the 1st and the 15th of each month in the reporting period, excluding January when providers are closed. This exceeds the target level of 4,000 trainees in place throughout the year.

The percentage of learners moving into employment or on to further tertiary education was measured for the period 1 March 2008 to 28 February 2009. The time lag recognises the two-month period the providers use to collect the information of learner placements, report the outcomes to the TEC and check and confirm the data held by the TEC.

The providers are expected to report the credits achieved to NZQA directly, the TEC then receives the data from NZQA. The average credit achievement is below the target; however the TEC and NZQA are working to resolve some data exchange issues.

There is a difference between the total number of learners by ethnicity and the total number of learners in training by age. This is as a result of some learners moving from one programme to another who have also had a birthday at some point during the training year.

Table 9: Number of trainees in training by ethnicity and gender		
Ethnicity	Female	Male
European	1,597	2,077
Māori	2,052	2,278
Pacific	533	718
Other	79	159
Not specified	22	5
<b>Total</b>	<b>4,283</b>	<b>5,237</b>

Table 10: Number of trainees in training by age	
Age	Number
14	-
15	589
16	5,126
17	3,589
18	651
19	111
Other	42
<b>Total</b>	<b>10,108</b>

## Centres of Research Excellence

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

The CoRE Fund was established in 2001 to encourage the development of collaborative world-class research. CoREs are primarily, but not exclusively, inter-institutional research networks, with researchers working together on a commonly agreed work programme. The CoREs are: the Riddet Centre, the Bio-Protection Research Centre, the Allan Wilson Centre for Molecular Ecology and Evolution, the Maurice Wilkins Centre for Molecular Biodiscovery, the National Research Centre for Growth and Development, the MacDiarmid Institute for Advanced Materials and Nanotechnology and Ngā Pae o te Māramatanga (the National Institute for Research Excellence in Māori Development and Advancement).

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

New contracts were in effect for CoREs from 1 July 2008 for six-year terms.

CoRE annual reports indicated that they were meeting research objectives under their agreements with the Crown, working within their financial budgets, managing their research partnerships with other universities and Crown Research Institutes well, and are actively engaged in a range of outreach activities.

Succession planning issues have been a major feature of the past year, with changes in leadership planned for and implemented at the National Research Centre for Growth and Development, the Maurice Wilkins Centre for Molecular Biodiscovery and the MacDiarmid Institute for Advanced Materials and Nanotechnology, and planned for at Ngā Pae o te Māramatanga.

All CoREs were represented at a seminar in March 2009 that focused on setting goals for outreach and knowledge dissemination as well as planning for the upcoming mid-term review.

## Tertiary scholarships

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

Performance measures	2008/09 target	2008/09 result
<b>Quality</b> Each programme is operated in accordance with the appropriate Ministerial determination	Measure achieved	Measure achieved
Timely completion of intended study programmes by funded scholars	Measure achieved	Measure achieved
<b>Timeliness</b> Grants are paid on a timely basis	Measure achieved	Measure achieved

During the fourth quarter, Top Achiever Doctoral Scholarships and Enterprise Scholarships were closed to new applicants. All scholars were advised by the TEC that existing scholarships would be honoured. The final round of Enterprise Scholarships was held in March 2009 and nine scholarships were approved. The last Top Achiever Doctoral Scholarships applications were accepted in May 2009.

## Targeted education and training grants

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

Performance measures	2008/09 target	2008/09 result
<b>Quality</b> Each programme is operated in accordance with the appropriate Ministerial determination	Measure achieved	Measure achieved
Timely completion of intended study programmes by funded students	Measure achieved	Measure achieved
<b>Timeliness</b> Grants are paid on a timely basis	Measure achieved	Measure achieved

## Adult and Community Education

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

Performance measures	2008/09 target	2008/09 result
Number of organisations delivering ACE	200-250	295
Payments to organisations will be determined, calculated and delivered accurately in respect of: <ul style="list-style-type: none"> <li>the amounts of the payments</li> <li>timeliness</li> </ul>	99%	Achieved
Contracts with organisations are monitored and action taken as required	Measure achieved	Achieved

## Tertiary education grants and other funding

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

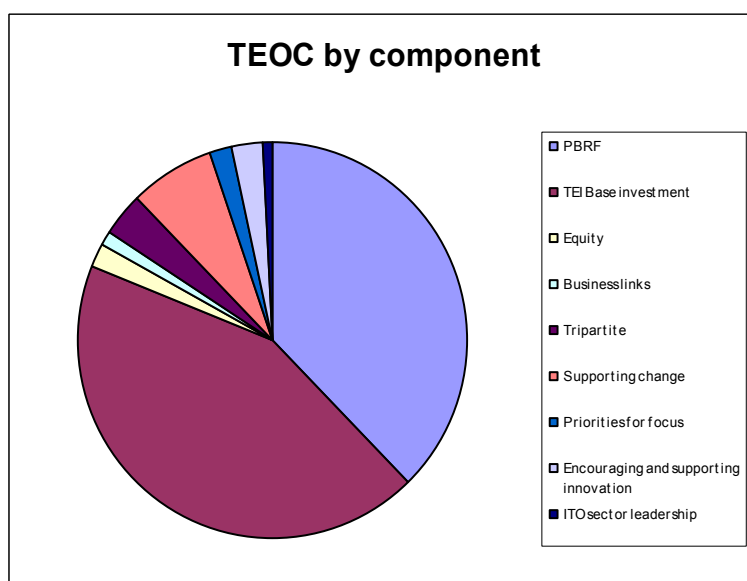
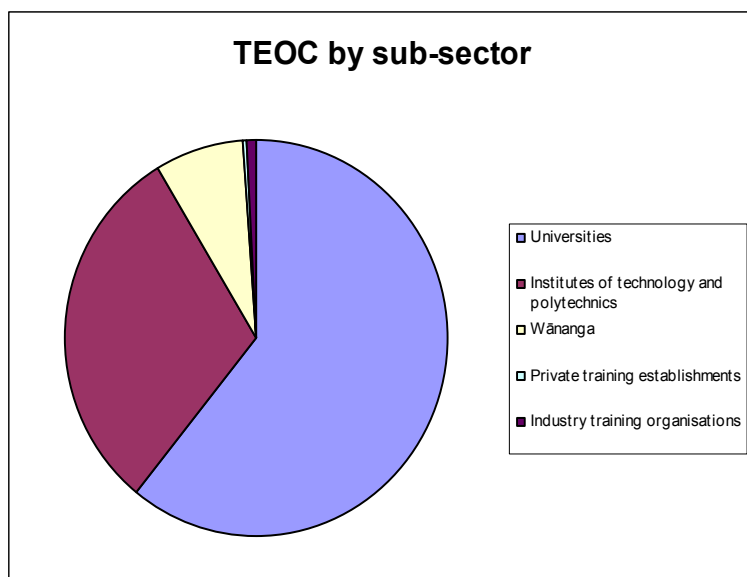
Performance measures	2008/09 target	2008/09 result
Agreements consistent with need and purpose of fund	Measure achieved	Achieved
Agreements are monitored and action taken as required	Measure achieved	Achieved

## Tertiary Education Organisation Component—Capability Fund

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

Performance measures	2008/09 target	2008/09 result
Funding is allocated consistent with the criteria and purpose of each element	100%	100%
Clear objectives and measures for the use of funding are agreed in plans for tertiary education organisations	100%	Achieved

All TEO Component funding was allocated as part of Investment Plans in accordance with the relevant determination, in accordance with 159L of the Education Act 1989. Investment Managers were engaged in ongoing monitoring of the Investment Plan.



**Table 11: Tertiary Education Organisation Component—actual expenditure and budget for the year ended 30 June 2009**

	<b>Expenditure (GST incl.) \$000</b>	<b>Budget (GST incl.) \$000</b>	<b>Variance \$000</b>	<b>Variance %</b>
<b>TEO Component—PBRF</b>				
Universities	255,565	259,392	3,828	2
Institutes of technology and polytechnics	6,153	5,399	(755)	(14)
Wānanga	526	446	(81)	(18)
Private training establishments	645	392	(254)	(65)
<b>TEO Component—PBRF total</b>	<b>262,889</b>	<b>265,628</b>	<b>2,739</b>	<b>1</b>
<b>TEO Component—Capability Fund</b>				
<b>TEO Component—TEI Base Investment</b>				
Universities	114,670	116,480	1,811	2
Institutes of technology and polytechnics	145,811	147,018	1,207	1
Wānanga	42,263	43,077	814	2
<b>TEO Component—TEI Base investment total</b>	<b>302,744</b>	<b>306,575</b>	<b>3,831</b>	<b>1</b>
<b>TEO Component—Equity</b>				
Universities	9,107	8,880	(227)	(3)
Institutes of technology and polytechnics	3,897	4,053	157	4
Wānanga	1,802	1,943	141	7
<b>TEO Component—Equity total</b>	<b>14,805</b>	<b>14,876</b>	<b>71</b>	<b>1</b>
<b>TEO Component—Business links</b>				
<b>Institutes of technology and polytechnics – total</b>	<b>6,748</b>	<b>6,900</b>	<b>152</b>	<b>2</b>
<b>TEO Component—Tripartite</b>				
Universities	24,549	24,549	0	0
<b>TEO Component—Supporting change</b>				
Institutes of technology and polytechnics	44,540	43,926	(614)	(1)
Wānanga	5,592	8,112	2,521	31
<b>TEO Component—Supporting change total</b>	<b>50,131</b>	<b>52,037</b>	<b>1,906</b>	<b>4</b>
<b>TEO Component—Priorities for focus</b>				
Universities	8,161	9,782	1,621	17
Institutes of technology and polytechnics	3,306	3,347	41	1
Wānanga	2,181	4,489	2,308	51
<b>TEO Component—Priorities for focus total</b>	<b>13,648</b>	<b>17,617</b>	<b>3,969</b>	<b>23</b>
<b>TEO Component—Encouraging and Supporting Innovation</b>				
Other provider payments	(246)		(246)	-
ITO payments	400		(400)	-
Universities	9,192	18,800	9,608	51
Institutes of technology and polytechnics	4,885		(4,885)	-
Community groups	628		(628)	-
Private training establishments	31		(31)	-
Wānanga	1,362		(1,362)	-
<b>TEO Component—Encouraging and Supporting Innovation total</b>	<b>16,253</b>	<b>18,800</b>	<b>2,547</b>	<b>14</b>
<b>TEO Component—ITO (sector leadership)</b>				
<b>ITOs total</b>	<b>6,227</b>	<b>6,328</b>	<b>102</b>	<b>2</b>
<b>TEO Component—Capability Fund total</b>	<b>435,104</b>	<b>447,683</b>	<b>12,579</b>	<b>3</b>

## Tertiary Education Organisation Component—Performance-Based Research Fund

The Tertiary Education Commission provides financial contributions for the cost of research and research-based teaching and learning in tertiary education organisations, to raise the quality and focus of research.

Performance measures	2008/09 target	2008/09 result
<b>Quantity</b> Eight consultation papers are published to support the review and any redesign of the 2012 PBRF Quality Evaluation	Eight papers	Ten papers
<b>Quality</b> PBRF Sector Reference Group is satisfied with the support received from the TEC during the review of the design of the 2012 PBRF Quality Evaluation	Measure achieved	Measure achieved

Additional consultation papers were prepared in relation to issues and options in Māori research to ensure that consultation on this topic was appropriate. Members of the Sector Reference Group confirmed they were satisfied with the support received from the Tertiary Education Commission and progress to date.

The PBRF Annual Report for 2008 is available here: [www.tec.govt.nz/upload/downloads/PBRF-AR-2008-for-web.pdf](http://www.tec.govt.nz/upload/downloads/PBRF-AR-2008-for-web.pdf)



## Services delivered on behalf of other agencies—Training Opportunities

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

Performance measures	2008/09 target	2008/09 result
<b>Quality</b> In depth discussions regarding training needs will be undertaken prior to the commencement of 2009 Training Opportunities programmes	11 Work and Income regions	National level discussions have occurred over the entire training opportunities purchase for 2009—fulfilling this performance measure
The proportion of programmes delivered by NZQA registered and accredited training providers will be no less than 100%	100%	100%
The percentage of learners who move on to employment or further tertiary training outside of Training Opportunities within two months of leaving the programme will be no less than 60%	60%	70% <sup>4</sup>
The proportion of training providers monitored and programme performance evaluated including outcome achievement will be no less than 100%	100%	100%
<b>Quantity</b> The average number of learners in training at any one time will be 7,000	7,000	7,508 <sup>5</sup>

### Output cost

Services delivered on behalf of other agencies—Training Opportunities	Forecast for the year ended 30 June 2009 \$000	Actual for the year ended 30 June 2009 \$000
Operating Revenue	7,660	7,660
Interest Revenue	0	-
Total Revenue	7,660	7,660
Total Expenses	7,660	7,397
Surplus/(Deficit)	0	263

<sup>4</sup> Measured for the period 1 March 2008 to 28 February 2009. The time lag recognises the two-month period the providers use to collect the information of learner placements, report the outcomes, and check and confirm the data held by the TEC.

<sup>5</sup> The average of learner numbers on the 1st and the 15th of each month in the reporting period, excluding January when providers are closed. This is an increase from the previous quarter when the average number of learners was 7,391. This increase reflects an overall increase in the number of learners eligible for the Training Opportunities programmes. That is, the number of people who are currently registered as unemployed or on other benefits has increased.

## Services delivered on behalf of other agencies—English for Migrants

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

Performance measures	2008/09 target	2008/09 result
Effective management of contracts with training providers to deliver ESOL training for migrants who have pre-purchased their tuition through INZ	Measure achieved	Measure achieved

## Output cost

Services delivered on behalf of other agencies—English for Migrants	Forecast for the year ended 30 June 2009 \$000	Actual for the year ended 30 June 2009 \$000
Operating Revenue	500	142
Interest Revenue	0	297
Total Revenue	500	439
Total Expenses	500	439
Surplus/(Deficit)	0	0

# Governance

## The Tertiary Education Commission

Members of the Tertiary Education Commission are appointed by the Minister for Tertiary Education in accordance with Section 28(1)(a) of the Crown Entities Act 2004. The Board of Commissioners (the Commission) comprises at least six, but not more than nine, members. The positions of Chair and Deputy Chair are appointed by the Minister for Tertiary Education. The Commission also appoints a non-voting Learner Participant to work with it on an annual basis.

Membership of the Commission at 30 June 2009 was:

- David Shand, Chair
- Kaye Turner, Deputy Chair
- John Blakey
- Deirdre Dale
- Jim Donovan
- Graeme Fraser
- Robin Hapi
- Bill Rosenberg
- Edna Tait
- Sophia Blair, Learner Participant (non-voting).

Further information on the Commissioners' backgrounds is available at [www.tec.govt.nz](http://www.tec.govt.nz).

## Effectively fulfilling the governance role

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

## Commission evaluation

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

## Committees

The Commission has established the following Committees:

- Audit and Risk
- Human Resources Committee
- Learners' Advisory Committee.

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

# Glossary

ACE	Adult and community education
CoRE	Centre of research excellence
EEO	Equal employment opportunities
EFTS	Equivalent full-time students
ESOL	English for speakers of other languages
INZ	Immigration New Zealand
ITO	Industry training organisation
ITPs	Institutes of technology and polytechnics
KPI	Key performance indicator
NQF	National Qualifications Framework
NZIFRS	New Zealand equivalents to international financial reporting standards
OTEP	Other tertiary education provider
PBRF	Performance-Based Research Fund
PTE	Private training establishment
TEI	Tertiary education institution
TEO	Tertiary education organisation

# Directory

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0800 832 463

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General email: [info@tec.govt.nz](mailto:info@tec.govt.nz)

## **Auditors**

Audit New Zealand  
Private Box 3928  
Wellington  
On behalf of the Auditor-General

## **Bankers**

Westpac Banking Corporation  
PO Box 691  
Wellington

## **Solicitors**

Minter Ellison Rudd Watts  
PO Box 2793  
Wellington

### **Te Amorangi Mātauranga Matua**

The TEC is privileged to carry the name Te Amorangi Mātauranga Matua.

This name comes from a whakatauaākī (proverb) of Canon Wi Tetau Huata from Ngāti Porou and Ngāti Kahungunu. During the Second World War, Canon Wi Tetau is said to have called out this whakatauaākī to rally and inspire the troops. Wi Tetau Huata served his iwi and country with mana and dignity. His legacy lives on in Māoridom through his work. The TEC is extremely fortunate to be able to relate to that legacy through its Māori name. The name was bestowed upon the TEC through the mandate given by Ngāti Porou kaumatua, Apirana Māhuika and the Huata whānau from Ngāti Kahungunu.

The whakatauaākī calls upon the troops to maintain their belief in their Māoritanga, which will act as the foundation for leadership in order for their foray to be successful. The name, “Te Amorangi Mātauranga Matua” considers that the TEC is the principal facilitator of Tertiary Education in New Zealand, but when used in the context of the whakatauaākī, the TEC’s role cannot be fulfilled without understanding and upholding cultural values and principles.

**Ko te Amorangi ki mua  
Ko te hapai o ki muri...  
Te tuturutanga mahi pono  
o te Māori mana motuhake**

Lead us ahead  
Advance us further forward  
Stay true to the beliefs and  
Uphold the mana

***Canon Wi Tetau Huata***

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