



Education Report: Tertiary Education Commission End of Year 2019/20 performance Assessment

To:	Hon Chris Hipkins, Minister of Education		
Date:	10 February 2021	Priority:	Medium
Security Level:	In Confidence	METIS No:	1241858
Drafter:	Sara Hewson	DDI:	s 9(2)(a)
Key Contact:	Fiona O'Leary	DDI:	s 9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper provides our assessment of the 2019/20 performance of the Tertiary Education Commission (TEC) against its annual report and asks you to sign and send the letter to the Board Chair, attached as annex A, relating to the entity's performance.

Summary

- The Ministry of Education (the Ministry) monitors the performance of the TEC with the Ministry of Business, Innovation and Employment (MBIE) as secondary monitors.
- This performance assessment covers the end of year advice for 2019/20, and sits alongside TEC's annual report, which you have recently received. The timing of TEC receiving its review from Audit New Zealand saw it filing the final version of its 2019/20 annual report with you in late December 2020. Our report has been aligned to this timing.
- Our advice against TEC's 2020/21 Quarter 1 (Q1) performance, submitted on 15 January 2021 [METIS 1246038], complements this report. Both documents signal the upcoming challenges TEC faces, and helped to inform the Letter of Expectations, also submitted to you on 15 January 2021 [METIS 1244606].
- TEC has a significant work programme, with several interdependencies. Ensuring it is focused on embedding organisational change needed to deliver the Reform of Vocational Education (RoVE), and appropriately sequence the necessary changes to enable a thriving tertiary and vocational education sector is important.
- TEC has focused on sector implementation of RoVE, such as supporting the establishment board and unit to stand up Te Pūkenga and working towards the establishment of Workforce Development Councils (WDCs). TEC has shifted its focus in the second half of the year to consider what it needs to do operationally to help embed RoVE internally.
- As set out in its annual report, equity and improving outcomes for Māori, Pacific and disabled learners continued to be a focus in 2019/20 for TEC. Learnings from the completed Ōritetanga Learner Success pilots will help inform future scalability of this

approach, as well as how TEC will approach monitoring and capability building within other TEOs.

- Given the unprecedented nature of COVID-19 on organisations, TEC has performed well with service delivery being maintained to a high standard. An example of this can be viewed with how efficiently it was able to distribute essential COVID-19 relief funding into the tertiary sector.
- TEC has continued maturing its digital and data work programme and has progressed many projects over 2019/20 to build internal capability and capacity in this area. COVID-19 saw the need to deprioritise the Data 2020 project, with TEC considering scope and delivery of the next part of the project in context of the other pressures or changes occurring across the tertiary sector.
- TEC has instigated short-term solutions to help support the COVID-19 recovery efforts, by providing careers solutions and products to support job seekers to understand skills transferability within the current job market environment.
- It is also progressing work at pace to develop a new online careers planning solution *Tiro Whetū*. This tool will be a way for TEC to support the secondary-tertiary careers' pipeline, which remains an area of interest for the Ministry.
- COVID-19 has impacted TEC's non-financial performance outcomes, both directly and indirectly. Where TEO engagement was required, TEC removed or paused some of its compliance or reporting activities for providers to reduce pressure on an already overburdened sector.
- TEC's performance against its Statement of Intent (SOI) and Statement of Performance Expectations (SPE) cover both sector and organisational performance. We note that it can be difficult to understand the factors influencing performance in the sector facing measures covered in its SOI, which TEC is aware of.
- The Ministry is currently working with TEC to review some of its performance measures in its 2021/22 SPE document and will have the opportunity to do the same in 2022 when TEC reviews its SOI.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** TEC provided you with its annual report on 23 December 2020, for you to provide to the House of Representatives. TEC published its report within 10 days, to satisfy section 150(4) of the Crown Entities Act.

Noted

- b. **note** our assessment of TEC's performance over its 2019/20 annual report

Noted

- c. **note** that we will work with your Office to identify performance areas you would like to see incorporated in the upcoming draft 2021/22 Statement of Performance Expectations for TEC

Noted

- d. **note** that you can choose not to sign the letter in the Q1 advice provided to you on 15 January 2021 [METIS 1246038], and instead **sign and send** the attached letter to TEC's Board Chair to provide your feedback over the annual report for 2019/20 and Q1 performance reporting

Noted

- e. **agree** this Education Report is proactively released as part of the next publication

Release Not release



Emily Fabling
Deputy Secretary
Strategy, Planning and Governance
10/02/2021



Hon Chris Hipkins
Minister of Education

19/ 3/ 21

Proactive Release

It is intended that this Education Report is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Background and statutory requirements

1. The Crown Entities Act 2004 (the CE Act) sets out the statutory requirements that a Crown agency must comply with when preparing and publishing its annual report.
2. TEC received its final Audit report on 10 December 2020. TEC provided you with its final 2019/20 Annual report on 23 December 2020.
3. Due to the House of Representatives rising for the Christmas break, you were not able to present TEC's 2019/20 annual report to the House of Representatives until the commencement of the first session of Parliament on 9 February 2021 [s150(3) CE Act refers].

Statutory requirements for content

4. The Ministry's view is that TEC's Annual Report for 2019/20 met statutory requirements for content. The requirements for the content of an annual report are set out in sections 150-156 of the Act and include having compliant information about the entity's:
 - final audit
 - responsibility and Board
 - organisational capability, and
 - annual financial statements.
5. Crown agencies can choose to provide you with a draft annual report for your input, but it is not required. TEC provided you with a draft annual report for noting on 11 September 2020 and involved the Ministry of Education (the Ministry) throughout the drafting process to provide feedback which was incorporated in the final version.
6. In the upcoming year, we will engage with TEC, and report to you on, its compliance with whole of government requirements, including:
 - a. Property
 - b. Procurement
 - c. Information and Communications Technology, and
 - d. For the public sector to be carbon neutral by 2025.
7. Detailed financial and non-financial performance analysis is provided in the next section.

Annexes

Annex 1: Letter to Board Chair, Jenn Bestwick.

Non-financial performance – Monitoring focus areas

Key points

- COVID-19 has had a significant impact on Business-As-Usual (BAU) across the sector. TEC has been agile and shifted its priorities to respond to changing needs, which mitigated some of the impact on its performance.
- TEC has plans in place to ensure its systems and sector outputs remain robust and effective moving forward.
- Understanding how TEC should uphold and meet its obligations under Te Tiriti o Waitangi (Te Tiriti) has been a focus for our monitoring activities. Building cultural capability is a priority for TEC and it is working to ensure Te Tiriti is at the heart of its ongoing strategy development.
- Data and information security have also been a focus across the entities. TEC has focused on ensuring its digital strategy is fit for purpose, and how this work programme should be sequenced given programmes such as RoVE and the ongoing impacts of COVID-19 on the sector.

Board appointment highlights

Key shifts for the TEC Board across 2019/20 include:

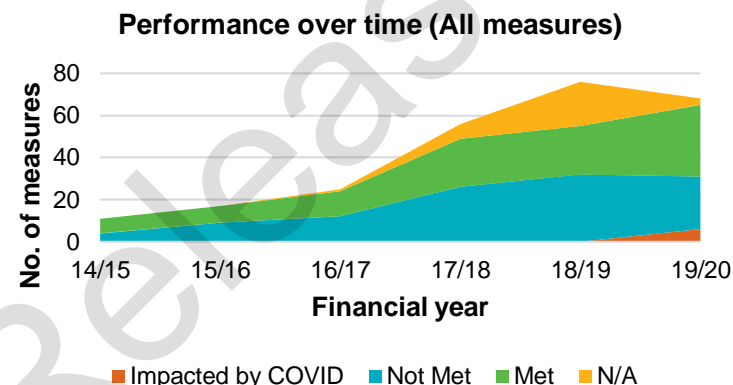
- Jenn Bestwick was appointed as Board Chair – the first woman to be appointed to this position,
- Māori representation on the Board increased to three members,
- the average age of the Board decreased, and
- regional diversity improved.

We have provided you with separate advice on priorities for board appointments in 2021 on 15 January 2021 [METIS 1244424 refers].

2019/20 Performance summary

- Overall TEC performed well in 2019/20. The proportion of measures met increased and some positive shifts were seen in TEC's parity measures.

- TEC was unable to record results for some measures due to COVID-19 and we have commented on these later in this report.



Financial performance

Financial performance operating summary

	FY20	FY20	FY19	FY21
\$'000	Actual	Budget	Actual	Budget
Revenue	75,072	68,023	75,125	79,879
Expenditure	(77,560)	(72,050)	(77,539)	(84,855)
Net surplus/(deficit)	(2,488)	(4,027)	(2,414)	(4,976)

Financial position summary

	As at 30	As at 30	As at 30	As at 30
	June 2020	June 2020	June 2019	June 2021
\$'000	Actual	Budget	Actual	Budget
Cash and investments	92,655	59,354	63,384	58,665
Equity	139,534	115,835	140,781	95,336
Working capital ratio	1.07	1.25	1.28	1.15

Non-financial performance – Monitoring focus areas

Background to non-financial performance monitoring

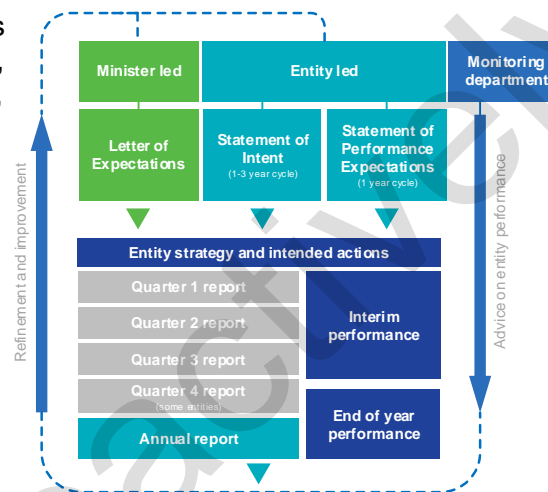
A Crown entity assesses its performance against intentions and measures set out in its accountability documents:

- strategic intentions, impact measures and organisational capability measures are set out in its SOI, and
- output measures are set out in its SPE.

Letters of Expectations (LOEs) are issued by Ministers to enable them to strengthen their expectations and drive the entity's priorities across the year. Where timing allows, accountability documents are shaped by the current LOE.

Ministerial feedback on the Annual Report and other reports can indicate any changes Ministers would like the entity to consider moving forward and can be used to advise of improvements they would like to see in the entity's performance measurement framework.

As the lead monitor of TEC's performance, the Ministry, alongside MBIE as co-monitors, engage regularly with the entity on its implementation of key areas of work. We provide independent advice to the Minister on the entity's performance and annual reporting, through tracking the entity's progress against the intentions and measures in its accountability documents (SOI and SPE) and the LoE.



COVID-19

TEC has worked well to continue to deliver through COVID-19 and understand what the pandemic means for it strategically. It completed significant work throughout 2020 to ensure its systems and tertiary sector outputs remained consistent and robust during this period of uncertainty.

Through the development of its organisational strategy, TEC is positioned well to plan for what is coming ahead and its ongoing COVID-19 response. TEC intends to engage with the tertiary sector in February 2021 to ensure the strategy is aligned to its needs and priorities.

Though much of TEC's work programme is already aligned towards supporting the national COVID-19 recovery plan, it worked at-pace to develop short-term response "sprints", including careers solutions for displaced workers and getting financial assistance out to the sector as required. The organisational strategy, supported by an Enterprise Project Management Office (EPMO) function, will enable TEC to understand whether future programme delivery aligns well with Government priorities including COVID-19 recovery planning, and its organisational goals.

It will be important for TEC to continue to develop its strategic enablers such as the investment processes, to ensure the system is well placed to deliver on its performance measures.

We detailed in our advice over TEC's Q3 and Q4 performance [METIS 1231849 refers], how well it performed in preparing for the national lockdown, and in supporting staff wellbeing. We noted the Board met regularly throughout the year to support TEC in managing its external and internal response to COVID-19. TEC continued to provide flexible working arrangements for staff and had critical business continuity planning in place to respond should there be any further changes in alert levels.

Non-financial performance – Monitoring focus areas

Te Tiriti o Waitangi (Te Tiriti)

In 2020, the Ministry of Education re-released *Ka Hikitia*. This document works towards achieving better outcomes for Māori, and their whānau, who have historically been underserved by the education system. *Ka Hikitia* also builds on the requirements set out within the Education and Training Act 2020 (the Act), recognising the Crown's responsibility to give effect to Te Tiriti and to support Māori-Crown relationships.

We are pleased to see that increasing organisational maturity in this space was a focus for TEC in 2019/20. TEC has been identifying ways to keep Te Tiriti at the front of its consideration and decision making to improve engagement with, and outcomes for, Māori. The positioning of this commitment towards the beginning of TEC's annual report further cements this idea and reflects a growing engagement and awareness of reporting in this space on previous years.

TEC views the recently released Tertiary Education Strategy (TES) as being an enabler to help embed Te Tiriti in the system and is engaging with its Strategy team to navigate how this will be achieved. Regional Relationship Managers will also play a pivotal role with the sector, to help TEC understand what cultural capability needs may exist for Tertiary Education Organisations (TEOs) and identify any gaps or opportunities for further development.

As part of its internal work programme, in 2019/20 TEC invested in building the capability and capacity of staff to better respond to, and engage with, Māori. This started with providing te reo Māori lessons for all staff, and we are pleased to note TEC has also committed to sending its Board and leadership team on the *Beyond Diversity: Courageous Conversations* training. This is aimed at building participant's capability to recognise racism and bias, while providing the tools to safely challenge these harmful ideologies. This will be beneficial to fully embed a Te Tiriti perspective and cultural competence in the organisation from the leadership down.

TEC is also working to understand what further gaps exist in the organisation, and how it can further embed Te Tiriti in other areas of its work programme, such as in the investment and careers space. We note this can be a complex piece of work, and the challenge will be in how it is appropriately applied and given effect to in critical areas of TEC's work, such as RoVE. This will continue to be an area of interest for monitoring, as it will create a stronger lens to measure and address any alleged racism in the system and mature the sector's capability.

Supporting all learners to succeed

TEC has expressed a commitment to embed equity into its organisation and services, which is aligned to government action plans and strategies released in 2020 including the Action Plan for Pacific Education and Tau Mai Te Reo.

Improving outcomes for Māori, Pacific and disabled learners, who have historically faced barriers to participation and completion of courses, was a focus for TEC in 2019/20. The goal of its Ōritetanga programme is to drive sector change and performance in how it engages and supports these learner groups, through the Learner Success approach.

Pilots to test the approach were completed over 2019/20, two of which were impacted by COVID-19. Remaining pilots should be completed in 2021. Initial reviews have been completed, with learnings helping to inform future delivery of the model and future monitoring activities for other TEOs. TEC also intends to use best-practice examples from these pilots to help build capability across the wider sector.

We are pleased to see TEC increasing its focus on supporting learners with disabilities. This initially has been to work with the sector and disability organisations to create tools and resources tailored to disabled learners. Helping to build sector capability in providing resources and suitable learning environments for disabled learners, will be essential to ensure equity in this space is achieved long-term. We will continue to provide you with advice on this area in future quarters.

Non-financial performance – Monitoring focus areas

Reform of Vocational Education (RoVE)

As monitors, our primary scope in this area is to understand how TEC is implementing its component of RoVE into its operations, and how it is accommodating the changes needed to support this work. We are not monitoring the wider RoVE programme, which has its own governance board and assurance mechanisms in place.

Throughout 2019/20, TEC focused its efforts into supporting the system to prepare for, and implement RoVE, including any changes necessary for the reforms to be operating effectively. This includes supporting the establishment board and unit in standing up Te Pūkenga, which became operational from 1 April 2020, and working towards the establishment of Workforce Development Councils (WDCs).

This resulted in the RoVE programme developing a system level operational blueprint in 2020. The blueprint should ensure there is the right resourcing, capability, and sequencing plans in place to help the sector implement the next stages of RoVE.

TEC's internal implementation of RoVE

As its focus had been on the wider sector's ability to implement RoVE, we are pleased TEC has turned its focus in the latter half of 2020 onto its own operational readiness for RoVE.

Our monitoring engagements with TEC over 2019/20 sought to understand the changes TEC needs to complete to fully embed RoVE internally. TEC has advised this work stream is focusing on the processes, timing and sequencing of changes which need to take place over the coming years and is supported by TEC's newly developed medium to long-term organisational strategy.

This work includes identifying any capability or capacity issues that may need to be addressed, including reducing reliance on contractors. This work will help TEC to realise the changes needed to implement RoVE into its operational BAU.

TEC's monitoring role

TEC's monitoring activities throughout 2019/20 were influenced largely by RoVE and the impacts of COVID-19, and the support it needed to provide to TEOs during this time. For example, its monitoring activities allowed it to capture information from TEOs about impacts of the pandemic on their operations and learners. This helped inform decision making on the distribution of short-term funds to support providers and learners, such as the Hardship Fund for Learners.

To reduce workload on TEOs during this time, TEC removed or paused some of its compliance or reporting activities for providers, including:

- reducing audit and investigation activity where able.
- waiving the requirement to develop a strategic commitment document, unless legislatively required to do so, and,
- not completing provider surveys outlined in its SPE or SOI documents – this is further detailed later in this report.

In late 2020, TEC advised it has started the work necessary to create a monitoring framework for Te Pūkenga and WDCs. As this work is still developing, we do not yet have a clear view of how this is performing. This framework will also be important in understanding how Te Pūkenga is reflecting Māori-Crown relationships through improving outcomes for Māori, as well as how it is engaging or developing meaningful relationships with industry and employers.

Careers

TEC's careers function has been another strong area of focus for our monitoring engagements throughout the year.

COVID-19 careers response

COVID-19 has reinforced the need for TEC's work programmes to progress at pace to help support New Zealanders through the recovery effort. This is especially relevant for its careers function, which will play

Non-financial performance – Monitoring focus areas

an important role in supporting those displaced by the pandemic into employment again.

To support the COVID-19 response and recovery efforts, during 2020 TEC completed some short-sprint solutions for jobseekers impacted by the pandemic including:

- targeted advertising campaigns to direct customers to its career's website,
- an updated careers.govt.nz website with a dedicated job hunters section, with clear links to tools and resources to support job seekers, and
- developed a job hunter's workbook that is available for download, or physical copy distributed at publicly available locations, like Ministry of Social Development offices.

TEC reports good engagement from customers with each of these solutions, with demand for the job hunter's workbook especially high.

From an equity lens, providing tailored careers solutions specific to priority groups is critical. In historic periods of economic downturn like the Global Financial Crisis of 2007, Māori and Pacific peoples were disproportionately represented in unemployment statistics, and in leaving study to find employment. For this reason, it is good to see TEC has had the job hunter's workbook translated into Māori and many Pacific Island languages, with further translations coming soon.

Careers services and stakeholder engagement

Across 2019/20, we continued to seek information from TEC on role clarity across the careers sector, the value chain and the overall strategic direction of this work programme. As we noted in our Q1 advice [METIS 1246038], it was pleasing to see work is commencing in understanding roles and responsibilities for direct careers service delivery in the system, starting with the Ministry of Social Development and TEC throughout 2020.

Tiro Whetū

One of TEC's legislated functions under s409(e) of the Act is for TEC to:

- provide a publicly available careers information service that includes a database of information about occupations and tertiary education and training.

To help deliver on this function, TEC is developing *Tiro Whetū*, an online careers planning solution designed to link jobseekers to self-service careers tools and a jobs database. Budget 2020 provided funding to help advance the project, and we are pleased to see TEC is progressing this work at pace. It has contracted three external agencies to help advance the design and delivery of the product, with one of the agencies bringing a bi-cultural lens to the project.

Tiro Whetū will continue to support TEC's COVID-19 response in supporting New Zealanders into employment options. Testing is underway for a skills transferability tool, allowing jobseekers to understand how their skills can be used in another vocation. We will continue to provide you updates on this project through our 2020/21 quarterly engagements.

Careers delivery within schools

TEC's second legislated function under s409(f) of the Act is to:

- facilitate and strengthen the connections between schools, employers, and tertiary education organisations to ensure students are better prepared for employment and further education and training, or both.

TEC has focused efforts against this function in 2019/20 on delivery of pilots of its *Inspiring the Future* programme, aimed at supporting primary and intermediate aged young people to hear from volunteer role models to widen their perspectives about career options available.

The aim of this programme, among many others, is to support learners to:

Non-financial performance – Monitoring focus areas

- understand the types of jobs available, as well as challenge the idea of people who are employed in these positions,
- broaden their knowledge of the world of work and career opportunities, and
- better understand learning pathways they could follow within secondary, tertiary or vocational education to achieve these career goals.

Data and Digital Security

Good progress was made in 2019/20 to help advance TEC's Data and Digital Security work programme.

As part of our monitoring engagements, we sought to understand how TEC's digital and technology systems are contributing to sustainable business practices and being responsive to the COVID-19 environment. TEC advised it has completed several critical pieces of work including:

- ensuring the digital strategy can enable and support the needs of learners and the sector,
- working to reduce over reliance on external contractors by building capability within the organisation, and
- completing a vendor and product stocktake to understand what capability needs and gaps exist within the organisation.

Data 2020

Engagement is continuing between TEC, the Ministry and the New Zealand Qualifications Authority to advance the Data 2020 project. A new platform is being developed to make it easier to collect, collate and share information across the tertiary sector, and to replace a previous obsolete system. Privacy risks and mitigations are being considered as part of this work, including how to anonymise data and seeking informed consent from students to collect and share their data.

We previously provided advice [METIS 1212160], suggesting that TEC consider the timing and sequencing of the next phase of this work

programme to minimise the impact of the project on the sector in context of the other large-scale changes underway, like RoVE.

COVID-19 gives further gravity towards this consideration as the sector continues to respond to the pressures of the current environment. We are pleased to see TEC is reconsidering the scope and delivery of phase two of the project. To help mitigate the impacts on TEOs, it will look for further information on next steps in working cross-sector to co-design the next phase of the project.

Challenges and opportunities for TEC in 2020/21

As monitors some of the key challenges, opportunities and priorities which will inform our future monitoring interests into 2020/21 include:

Capacity and capability

- continuing to build staff capability to engage with, and respond to, Māori in a culturally appropriate way,
- managing its planning and organisational trade-offs, to help reduce the risk of capacity overload for staff to deliver on TEC's large and complex work programme,
- reducing reliance on contractors where appropriate, such as within key programmes like RoVE, as organisational changes are being implemented,

Operational

- ensuring continuity of service delivery in an unpredictable pandemic environment,
- engaging with the tertiary sector to further refine and develop its organisational strategy to ensure it is supportive and relevant to the sector,
- continuing to work with the Ministry in reviewing its performance measures to be incorporated into its accountability documents, including its upcoming SPE and future SOI in 2022,
- continuing to embed and deliver on the TES,

Non-financial performance – Monitoring focus areas

- ensuring its work programmes are aligned and complementary in delivery, for example linking careers into the RoVE work programme,
- increasing the pace of developing its strategic enablers to ensure the system is best placed to respond to, and deliver on, its priorities.

RoVE

- continuing to develop its monitoring framework for Te Pūkenga,
- the need to progress at pace the development of its internal organisational changes to incorporate RoVE, including building within-house organisational capability to manage these changes,
- continuing to review and refine current investment processes, and future-proofing these systems,
- ensuring consideration is given to the wider implications of implementation of RoVE on other aspects of the system, including the secondary-tertiary interface and careers,

Careers

- being able to deliver the updated careers planning tool *Tiro Whetū* in a timely manner, as this will be a critical resource in supporting job seekers who have been impacted by COVID-19,
- having a clear view of its strategic relationships and ensuring there is clarity on the strategic and operational intentions to deliver on the careers information system. It will be important for TEC to know how the services interact or are connected in with the wider education system changes such as RoVE,

Equity

- for Te Tiriti, *Ka Hikitia*, *Tau Mai Te Reo* and the Action Plan for Pacific Education to be appropriately applied and given effect to across TEC's work programme,

Data

- when considering the next stages of Data 2020, TEC will need to carefully balance the timing and sequencing of next steps against the capacity of the wider sector, while ensuring it collects the data needed for RoVE and the Unified Funding System to function. Progressing data work will be key for RoVE and funding system changes to occur,
- for capability to be built in a way to support sustainable business practices and reduce over-reliance on contractors in its digital and data work programme, and,
- managing data and privacy security concerns, and ensuring all staff have the capability to appropriately manage these risks.

What we are doing to stay on top of TEC's performance

As the monitoring agency, our key actions are:

- planning with TEC our areas of monitoring focus with an engagement plan,
- using monitoring frameworks to guide our review of key areas of growth and risk such as equity and digital and data services,
- regularly engaging with officials at TEC and across the Ministry on key change projects,
- facilitating bi-yearly joint chair meetings between the chairs of Crown agencies and education boards so they can consider sector issues, share lessons learned and issues arising,
- attending the operational performance management meetings as an observer, to understand the financial and non-financial performance of the entity,
- regularly engaging with the board Chair, and
- reviewing TEC's quarterly reports and accountability documents.

Summary

TEC's 2019/20 Annual Report details performance against its 2019/20 – 2022-23 Statement of Intent (SOI), and its 2019/20 Statement of Performance Expectations (SPE).

Across both the SOI and SPE documents, TEC's measures are set against its four organisational strategic goals of:

- supporting all learners to succeed
- connecting educators to employers
- building provider capability and monitoring performance
- increasing research quality and capability.

Our advice is being presented against these strategic goals, and in context of environmental factors impacting on TEC's performance outcomes.

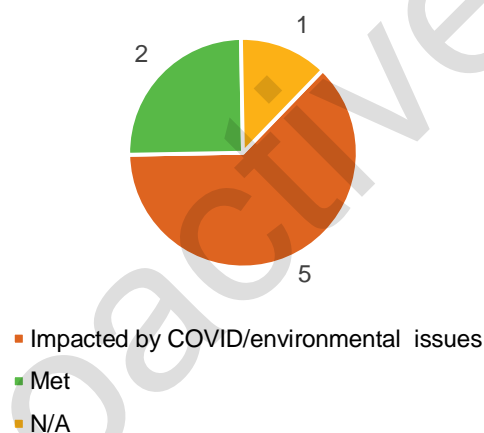
Performance against the 2019/20 -2022/23 SOI

2019/20 SOI performance

Of the eight measures from the SOI document, TEC has reported it has met two of these, with the remainder being unmet or not able to be met due to environmental factors such as COVID-19. Analysis of the impacts of the pandemic on SOI and SPE measures can be found below.

A high-level overview of its performance against these measures for the 2019/20 period can be found in Figure 1.

Figure 1: 2019/20 SOI measure results



Performance against previous years

TEC's performance against its SOI measures has decreased from the previous year, where:

- four measures were met,
- two were not met, and
- two were either not measured or in their baseline year.

Unmet SOI measures

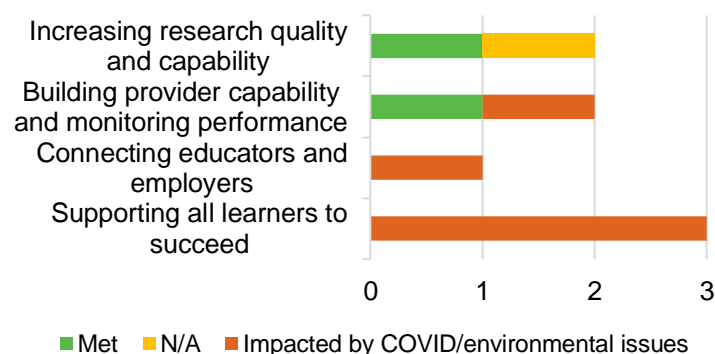
One measure not able to be met in 2019/20 relates to:

- *'At least three system-wide reviews completed each year and results shared with tertiary education organisations.'*

TEC notes it worked with the Ministry to complete one review on the Adult and Community Education funding conditions and subsequent changes to the 2020 funding determination. Further reviews were not completed as the sector needed to reprioritise personnel to respond to implementation of RoVE, and the response to COVID-19.

Looking at performance against the SOI objectives, it is primarily the measures within the *'Supporting all learners to succeed'* objective which are not met. This is reflective of performance results in 2018/19 and 2017/18.

Figure 2: SOI measures



Non-financial performance – Monitoring focus areas

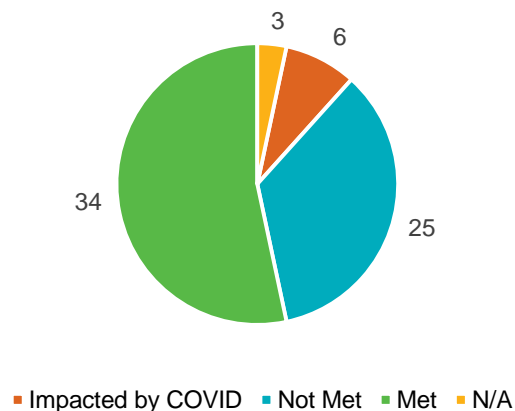
Performance against 2019/20 SPE (output measures)

2019/20 SPE performance

TEC has reported on 55 output measures from its 2019/20 SPE document, which links the 11 VOTE Tertiary appropriations and associated measures against its strategic goals.

Despite the challenges presented by COVID-19, TEC has met 34 of these measures. A summary of TEC's performance against its SPE is provided in figure 3.

Figure 3: 2019/20 SPE measure results



Performance against previous years'

Since 2018/19 TEC's performance against its SPE measures has improved. In 2019/20 it had met 53.3% of its SPE measures compared to 28% in 2018/19.

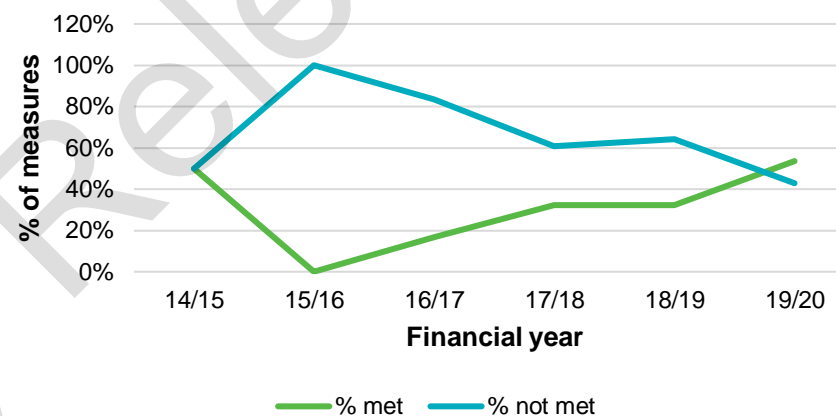
Much of this increase is due to improved results against its parity measures for retention, course completion and training for designated groups. This is good to see, and we will continue to monitor progression of these results over 2020/21.

Parity measures

TEC has several parity measures which sit under its 'Tertiary Education: Student Achievement Component' appropriation in its SPE. These are associated with the strategic goals of 'Supporting Learners to succeed' and 'Increasing research quality and capability'.

Figure 4 shows performance against the parity measures over time. In 2019/20, performance has continued to improve overall. This is good to see, as it suggests an increased focus on achieving equity across the sector, particularly for Māori and Pacific students, is starting to have an impact.

Figure 4: Performance against parity measures



Through its performance reporting, TEC does not compare the current results for any one priority learner group against previous years for these measures.

In some areas, achievement for Māori has improved significantly when compared against previous results, however as non-Māori, non-Pacific achievement has also increased, the parity gap has not decreased.

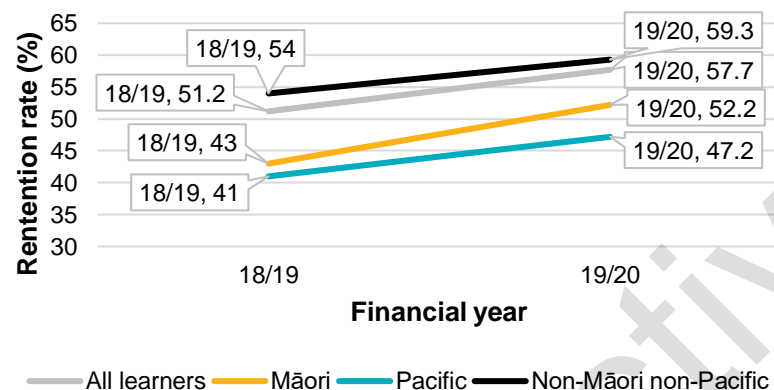
In 2019/20 the measure 'first year retention rates for qualifications at levels 4-7 (non-degree)', has improved across the learner groups. The below table and figure 5 highlights some of these improvements.

Non-financial performance – Monitoring focus areas

First year retention rates for qualification at levels 4-7 non-degree

Learner group	Target	19/20 Actual	18/19 Actual
All learners	Maintain previous year's result	57.7%	51.2%
Māori	Maintain previous year's result	52.2%	43%
Pacific	Maintain previous year's result	47.2%	41%
Non-Māori non-Pacific	Maintain previous year's result	59.3%	54%

Figure 5: First year retention rates for qualification at levels 4-7 non-degree



It is encouraging to see the improvements in learner retention rates over time, while acknowledging a large parity gap still exists between these learner groups. Moving forward, we expect TEC will continue to work on reducing this gap.

The Ministry is working with TEC on future measure development for its accountability documents including the 2020/21 SPE and any changes

which may need to be made during the supplementary estimates process.

As we have previously signalled, some of TEC's external facing measures such as its parity measures are influenced by factors outside of TEC's control, and do not necessarily measure the impact it has had. We acknowledge it is a complex issue, and there will still be a need for sector facing measures to understand performance in this space, alongside measures which provide insights on TEC's impact on the sector.

Impact of COVID-19 on performance outcomes

As previously noted, COVID-19 has had significant far-reaching impacts, which required TEC and the wider tertiary sector to shift priorities in the changing environment.

The below table outlines the performance measures TEC were unable to measure due to COVID-19. We will look at analysing performance against these measures as TEC is able to collect results over the coming year.

	Measures impacted by COVID-19	2019/20 Target	18/19 Actual
IOS	Key stakeholder satisfaction that the TEC has helped improve connections between schools, tertiary education organisations and employers	Maintain or improve on previous year	Baseline year – 31%

Non-financial performance – Monitoring focus areas

	Measures impacted by COVID-19	2019/20 Target	18/19 Actual
SPE	<i>Percentage of tertiary education organisations who agree that our information products, tools and plan guidance were useful to prepare their investment plans</i>	Improve on previous year's result	Toolkit 34% Plan guidance 36%
	<i>Percentage of TEC-funded tertiary education organisations who agree that auditing processes were made transparent and information was accessible throughout the process</i>	Improve on previous year's result	82%
	<i>Percentage of TEC-funded tertiary education organisations who agree that engagement with TEC was useful and supported them to deliver on Tertiary Education Strategy priorities</i>	Baseline year	N/A
	<i>Percentage of TEC-funded tertiary education organisations that agree TEC information and engagement helps them to support Māori and Pacific students to succeed</i>	Improve on previous year's result	Baseline year – 37%

Some of TEC's SOI and SPE performance measures require system level engagements and reporting to track achievement. As the tertiary sector's focus was needed elsewhere during the peak of the pandemic response, and in reprioritising efforts towards delivering on the extensive work programme such as RoVE, it would not have been appropriate to complete engagements on these performance activities.

An example of this can be found with the measure:

- *'Percentage of Tertiary Education Institutes' council members and support staff attending our governance seminars who agree that they gained relevant knowledge to apply to their work',*

TEC completed three workshops in 2019 and was unable to complete a further two events in 2020 due to COVID-19 and restrictions on gatherings, or availability of potential attendees. Of the three workshops completed, sufficient data was only captured from one event, with a lack of survey respondents at the other two. TEC plans to utilise this data as its baseline to measure performance against in the 2021/22 period.

Coming into 2021, TEC notes it is preparing to restart the surveys, with the intention of the next one being held in February 2021. We are aware these measures may be difficult to record results against due to ongoing COVID-19 implications and will rely on the availability of the sector, which will be outside of TEC's control.

SOI and SPE Parity measure impacts:

Although the full effects of COVID-19 and the lockdowns is not yet known, there is already evidence to suggest it has and will further increase inequity for priority learner groups. This is particularly apparent with learner retention as during historic periods of economic pressures, Māori and Pacific learners left study for employment.

For this reason, we could attribute unmet parity measures in the SOI and SPE indirectly to COVID-19. In some instances, performance has only marginally decreased, such as the measure *'Level 7 qualification competition for all learners'*, which fell by 0.9% to 63.10% against the target to improve year on year.

Examples like this reflect how outcomes in these performance measures are outside of TEC's control, but still highlight the importance of this stream of work.

Financial performance 2019/20

Overview

Within our quarterly reports we have provided regular updates on the financial performance and position of TEC. There has been no material change in its performance and position based on the final annual report figures.

Financial performance

The net operating deficit was lower than budget at \$2.488m, compared to a budget of \$4.027m. The primary reasons for the variance include:

- higher staff vacancies, and
- the impacts of COVID-19 on work programmes and other operational expenditure i.e. travel.

The material changes in operating revenue and expenditure compared to budget were a result of RoVE funding being committed after the original budget was prepared.

Both grant revenue and expenditure were significantly higher than budget due to the commitment by the Government to hold grant funding at previously agreed levels. To account for this commitment, TEC was required to recognise a full years' funding in its financial performance and position. Accordingly, a transfer of \$1.2 billion was undertaken between FY20 and FY21. This is a technical accounting issue and does not impact on cash or the financial position of TEC.

Financial position

TEC remains in a stable financial position. Its equity position at year end was better than budget due to the lower deficit than originally anticipated.

TEC's current assets and liabilities will materially increase to reflect the

accounting for committed grant funding. As the increase is by the same amount it had no impact on equity.

Table 1. Financial performance

\$'000	FY20 Actual	FY20 Budget	FY19 Actual	FY21 Budget
Operating				
Revenue				
Government grants	69,918	63,049	69,090	75,258
Other	5,154	4,974	6,035	4,621
	75,072	68,023	75,125	79,879
Expenditure				
Personnel expenses	(49,154)	(43,563)	(46,071)	(54,109)
Other operating expenses	(22,365)	(22,544)	(26,378)	(25,549)
Depreciation & amortisation	(6,041)	(5,943)	(5,090)	(5,197)
	(77,560)	(72,050)	(77,539)	(84,855)
Net surplus/(deficit)	(2,488)	(4,027)	(2,414)	(4,976)
Grants				
Revenue	4,422,131	3,312,373	3,060,741	2,506,019
Expenditure	(4,420,737)	(3,327,253)	(3,054,222)	(2,554,518)
Net surplus/(deficit)	1,394	(14,880)	6,519	(48,499)
Overall				
Net surplus/(deficit)	(1,094)	(18,907)	4,105	(53,475)

Table 2. Financial position

\$'000	As at 30 June 2020 Actual	As at 30 June 2020 Budget	As at 30 June 2019 Actual	As at 30 June 2021 Budget
Assets				
Current assets	1,789,981	470,388	560,814	553,582
Non-current assets	16,556	23,507	19,700	25,559
	1,806,537	493,895	580,514	579,141
Liabilities				
Current liabilities	1,665,303	376,407	437,856	482,070
Non-current liabilities	1,700	1,653	1,877	1,735
Total liabilities	1,667,003	378,060	439,733	483,805
Equity	139,534	115,835	140,781	95,336

ANNEX A: Letter to Chair of the TEC Board (next page)

Proactively Released

Jenn Bestwick
Chair
Tertiary Education Commission
PO BOX 27048
WELLINGTON 6141

chair@tec.govt.nz

Dear Jenn

I have received the Tertiary Education Commission's (TEC) 2019/20 annual and quarter one reports, as well as the Ministry of Education's advice on TEC's performance during these periods.

COVID-19 has presented significant challenges, not only to TEC organisationally, but to the wider tertiary education sector, and required an agile response to ensure continuity of delivery for learners. I want to acknowledge and thank TEC and its Board for the work completed to help enable the sector to continue to respond to these pressures.

The Reform of Vocational Education (RoVE), careers services, including the development of *Tiro Whetū*, and Data 2020 are high-interest areas for me in 2021. It will be important for TEC to continue to work at pace in conjunction with the Ministry and the other education Crown entities to move towards implementation of these important reforms. This includes establishing Workforce Development Councils, ensuring Te Tiriti is front and centre of this workstream and continuing to consult with, and increase capability for staff to engage with Māori.

Given the environmental pressures created by COVID-19 and the significant work programme it needs to deliver on this year, TEC will need to continue to manage its finances carefully. For this reason, I am pleased to note TEC's current financial position is stable.

As you may be aware, the Government recently announced its intention to have the public sector be carbon neutral by 2025. Moving forward, it would be good to see how TEC is incorporating this shift into its long-term business planning.

Thank you again, and I hope you and the Board enjoyed a restful break over the holiday period.

Yours sincerely



Chris Hipkins
Minister of Education

cc Tim Fowler, Chief Executive, TEC
cc Emily Fabling, Deputy Secretary, Strategy, Planning and Governance,
Ministry of Education