



Education Report: Tertiary Education Commission performance – Quarter 4 2020/21 and end of year performance

To:	Hon Chris Hipkins, Minister of Education		
Date:	3 November 2021	Priority:	Medium
Security Level:	In Confidence	METIS No:	1267942
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper provides our assessment of the Quarter 4 (Q4) 2020/21 performance of the Tertiary Education Commission (TEC).

Summary

- The Ministry of Education (the Ministry) monitors the performance of the TEC with the Ministry of Business, Innovation and Employment (MBIE) as a secondary monitor.
- Due to resourcing challenges, Audit New Zealand is facing delays in completing its audit of TEC's 2020/21 end of year performance results. TEC's audit is due to be completed in late 2021 and TEC will publish its Annual Report for the 2020/21 year at this time. TEC has provided its draft non-financial performance data to help inform the development of our assessment, noting there may be some changes pending Audit New Zealand's review.
- We are providing you a Quarter 4 (Q4) assessment, which covers our review of TEC's performance over the 2020/21 year, as well as its performance over Q4. This is to ensure you are provided with timely advice given the potential length of time between receiving our Q3 assessment and the anticipated timing of the Annual Report. We will provide you with further advice once TEC's Annual Report is filed with your office later this year, capturing any significant financial and non-financial performance reporting changes from the results provided in this advice. TEC will not be providing a Q4 report.
- Cybersecurity remains an ongoing focus. TEC has completed surveys and engagements with parts of the sector across Q4, to gain better visibility over cyber security processes, procedures, and capability. This is being used to inform future work streams including what ongoing monitoring of TEO capability and performance.
- TEC is continuing to progress work on the National Careers Strategy 2.0. It is in the scoping and planning stage and initial engagement with a wide range of stakeholders has occurred. It is important that the strategy provide role clarity across the system and clear measures to demonstrate the impact TEC is having.
- Capacity and workload remain a challenge for TEC. Staff continue to be under significant pressures due to the cumulative impact of RoVE and ongoing impacts of the COVID-19 pandemic. Recruitment of people with specialist capabilities such as finance and IT are a challenge across the system and is beginning to impact timeframes over various workstreams.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** our assessment of TEC's performance in Quarter 4 and from the 2020/21 year

Noted

- b. **sign** and **send** the attached letter on TEC's performance to Jenn Bestwick, Chair of the TEC Board (Annex A)

Agree **Disagree**

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

Release **Not release**



Zoe Griffiths
Hautū
Te Puna Rangatōpū
02/11/2021



Hon Chris Hipkins
Minister of Education

23/12/2021

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.

Annexes

Annex A: Letter to the Board Chair, Jenn Bestwick

Monitoring overview for Q4

Report overview

This report covers the following areas:

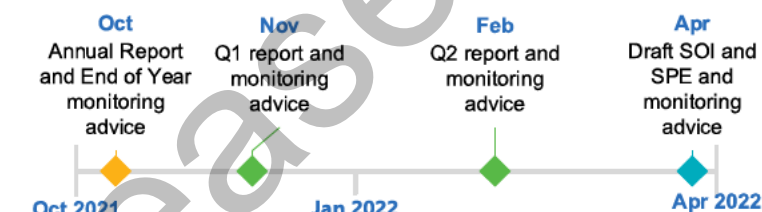
Quarter 4 monitoring engagement (pages 4 to 7)	Challenges and opportunities (pages 8 to 9)	2020/21 performance analysis (pages 10 to 15)	Financial performance (pages 16 to 18)
<ul style="list-style-type: none"> Reform of Vocational Education (RoVE) <ul style="list-style-type: none"> Internal implementation of RoVE Workforce Development Councils (WDCs) Te Pūkenga Careers Data and Digital <ul style="list-style-type: none"> Cyber security at a tertiary system level TEC's internal cyber security approach Data Exchange Platform (DXP) Ka Hikitia/Ōritetanga Enterprise Project Management Office (EPMO) 	<ul style="list-style-type: none"> Challenges and opportunities for TEC in 2021/22 What we are doing to stay on top of TEC's performance 	<ul style="list-style-type: none"> 2020/21 SOI and SPE results Focus on Trades Focus on Parity 	<ul style="list-style-type: none"> Operating performance Grant performance

Priority areas for monitoring

Over the next quarters priority areas will include:

- DXP programme
- RoVE
- Careers
- Trades and vocational education investments
- Investment changes resulting from WDCs and RSLGs
- TEO monitoring

Upcoming reports



Financial performance

Financial performance operating summary

	FY21 Actual	FY21 Budget	FY20 Actual
\$'000			
Revenue	85,883	79,879	75,072
Expenditure	(88,965)	(84,855)	(77,560)
Net surplus/(deficit)	(3,082)	(4,976)	(2,488)

Financial position summary

	FY21 Actual	FY21 Budget	FY20 Actual
\$'000			
Cash and investments	113,883	58,665	92,655
Equity	117,399	95,336	139,534
Working capital ratio	1.15	1.15	1.07

Background

Timeframes

Due to resourcing challenges, Audit New Zealand is facing delays in completing its audits of the Crown entity end of year performance results for the 2020/21 financial year. The audits are expected to be completed by the end of 2021 and TEC will submit its Annual Report at this time.

To avoid a significant delay in our advice, we have provided analysis based on TEC's draft Annual Report. If there are any substantial changes in the results between now and the audit being completed, we will provide further advice.

Reform of Vocational Education (RoVE)

As monitors our role is to provide you with information on how TEC is implementing the parts of RoVE it is responsible for. This scope includes the important role TEC plays to support the system to operationalise and how its organisational business-as-usual (BAU) activities continue to adapt to meet the needs of RoVE. We do not comment on the performance or progress of the overall RoVE programme TEC is leading or sector performance in this area.

Internal implementation of RoVE

Throughout the 2020/21 period, TEC has continued to have a strong focus on the changes needed to its BAU activities. It is also working to ensure business planning is aligned to RoVE. These activities have included:

- approving transition plans for TITOs which outline how existing delivery will shift to providers,
- standing up the Workforce Development Councils (WDCs), including the Orders in Council consultation process with the sector and supporting the induction of Council members, and

- delivering a quarterly monitoring report on Te Pūkenga to the Minister
- understanding how it will further develop its monitoring framework to continue to monitor the performance of the sector.

In previous advice we have highlighted the importance of activities to continue to build internal capability and where possible use permanent staff on RoVE project work, rather than rely on external contractors.

We are pleased to note TEC has managed to bring several permanent staff into its project teams and this should help broaden internal knowledge regarding the reform of the vocational education system and ensure that knowledge about the activities undertaken in the projects is retained after the projects are closed. The projects also have a responsibility to ensure that proper and complete change management occurs, so all TEC staff are ultimately informed how the reformed system works and how their role contributes to this.

Workforce Development Councils (WDCs)

TEC is working with the NZQA to help support the transition to BAU activities for the WDCs, to ensure they can meet their legislative requirements once fully self-acting and independent. Activities in this space include:

- supporting capability building, and
- the long-term funding model, such as the systems and processes needed to manage investment and reporting requirements.

As part of the development of its financial monitoring responsibilities for WDCs, TEC is working with NZQA to agree on respective long-term monitoring roles, e.g. for quality assurance. TEC has been designing the systems and processes needed to give effect to the investment direction provided by the WDCs, with the developments so far appearing to be robust and well thought through.

TEC worked with the WDCs as they developed their Establishment Plans and these were finalised in time for WDCs to be operationalised

on 4 October. We will provide you with further information over how the Establishment Plans are progressing and being actioned in future quarters.

TEC is also working with the WDC Establishment Unit to understand information and data needs. This is critical to the evaluation of this part of the system, and it is good to see TEC's thinking and maturity around data is increasing, particularly in helping to inform its organisational data strategy.

Te Pūkenga

This quarter we sought further information on how TEC's work programme is continuing to support the operationalisation of Te Pūkenga, and the associated monitoring framework development.

You have previously indicated an interest in understanding how TEC's role will change over time, as it will move from monitoring the 16 ITPs to one entity. This change has already begun to occur with Te Pūkenga responsible for monitoring the 16 former polytechnic subsidiaries and TEC focusing its monitoring on Te Pūkenga. The TEC has intensive monitoring arrangements and monitors all aspects of Te Pūkenga's performance. This includes financial performance (including subsidiary performance as with any other TEI that has subsidiaries), operational performance, progress on its transformation programme, and overall capability. Monitoring arrangements will continue to adapt as Te Pūkenga moves further along its transformation pathway. In particular as Te Pūkenga implements its new operating model and organisational structure.

In future quarters, we have an interest in delving further into the monitoring arrangements of Te Pūkenga, particularly with a view over the quality of its monitoring approach, as well as how the development of the future monitoring framework is progressing. We would also like to understand TEC's view on how Te Pūkenga is performing in its monitoring of the subsidiaries.

Careers

Tahatū (previously known as Tiro Whetū) – an online career planning solution

Across the 2020/21 financial year, the Tahatū work programme has focused on the first deliverable in February 2021, a job-to-job matching tool called Skill Net. This was created as a response to COVID-19 to help people displaced from work understand their current skills and find alternative employment options using their transferable skills. A closed group of career practitioners tested Skill Net directly with their clients. By selecting roles they have had in the past, users were able to view recommendations for other occupations that require similar skills.

In submitting this report, we are aware that work has continued to progress since we engaged on this area. We have been advised that further work is underway to:

- develop this product for schools,
- implement recommendations to improve the programme's delivery capability as a result of an Independent Quality Assurance (IQA) that was carried out, and
- establish four key stakeholder panels to provide input and feedback into the design and development of the new website

Additional enhancements were added to Skill Net in April 2021. These enhancements include estimated pay information, display of transferable skills when browsing occupations and links to live job ads through TradeMe and Seek. Valuable feedback from the 60 end users testing Skill Net has helped inform the design of the second deliverable. This includes a focus on simplifying language to fit various levels of literacy, job titles needing to be more reflective of the Aotearoa New Zealand context and improving the search function.

National Careers Strategy 2.0

TEC is currently in the scoping phase of the National Careers Strategy 2.0. TEC is aware it will need to effectively engage and work with the sector and key partners in the development of the strategy. It has begun facilitating conversations with Careers and Transition Education Association NZ Inc (CATES), Career Development Association of New Zealand (CDANZ), agencies (MOE, MBIE, TPK, MSD, MfW) and others, to form a cross government view of priorities for the strategy.

Another key consideration is ensuring there is meaningful engagement with Iwi, hapū and whānau. Completing a system map of the current careers environment is in scope of this work stream.

Sector capability and readiness is an important consideration as part of the sequencing on implementation activities.

We are expecting to see TEC developing a suite of measures alongside the strategy as this is a key area for future performance measure improvement as it is currently difficult to analyse the impact TEC is having into the careers system.

Further updates on the wider careers work will be provided in our 2021/22 Quarter 1 report which will be provided to you in December. Focus areas will include:

- the IQA review, and
- how TEC has pivoted from the Minimum Viable Product Skill Net solution to the design and build of the full Online Careers Planning Solution.

In future quarters we will focus on the Online Careers Planning Solution pilot release as well as progressive releases of further features that occur throughout 2022. Understanding what this means from a performance perspective will also be a focus for us, as well as TEC's stakeholder engagement approach.

Data and Digital

Cyber security at a tertiary system level

Based on your directions, TEC has completed surveys and engagements with parts of the sector across Q4, to gain better visibility over cyber security processes, procedures and capability.

The information gained so far has been used to form a base understanding of what the larger education providers have in place. However, TEC has advised it needs to engage further with providers including Te Pūkenga to understand what cyber security settings looks like at a subsidiary level. Further information is also needed from PTEs to gain visibility across this network. TEC will work with education system partners who additionally have relationships with the PTEs, such as NZQA and the Ministry, to develop an appropriate engagement approach or survey.

TEC is due to provide the next update to you in November on the sector's cyber security status. This work has been delayed, due to the COVID-19 resurgence and changing Alert Levels, to allow providers and TEC itself to support learners and ensure business continuity.

TEC is thinking through what its long-term monitoring of cybersecurity will look like and is also looking at what existing levers it could utilise.

Resourcing and funding are challenges from a capability and capacity perspective, should TEC's monitoring role expand beyond what it currently is able to provide. Additionally, TEC has signalled an increase in investment will be necessary over coming years to continue to mitigate the cost to TEOs to increase their cyber security maturity. These costs include cyber security audits and increased licence costs for software that provides greater protection from cyber security threats.

It is good to see TEC is already considering how it could provide education to providers to help build capability within its current

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resourcing baseline, and that it intends to work with the Ministry to understand how the Education Digital and Data Board (EDDB) might be utilised to monitor any risks or challenges identified throughout the wider education system.

We will continue to provide you with information over this work programme in future quarters as it progresses.

TEC's internal cyber security and data approach

Further to the information we provided last quarter on TEC's own cyber security approach, TEC has advised it is:

- utilising the National Institute of Standards and Technology (NIST) framework to measure its cybersecurity maturity and the actions needed to improve and maintain its maturity
- operating application security reviews before any third-party software is released into TEC's environment
- 6(a)



- considering its channel and data strategy, especially how this links into the wider organisational strategy,
- looking at ways to continue to raise organisational awareness and lift capability in managing cyber security threats, including further education campaigns, and
- continuing to ensure its technology, processes and the organisation overall is compliant with legislation, including the Privacy Act 2020.

Data Exchange Platform

This quarter we sought an update on the Data Exchange Programme (DXP) and progress towards implementation of the key work streams. TEC has advised it is on track to deliver Workspace Two in November

this year and has re-baselined the remainder of the platform (Services for Tertiary Education Organisations (STEO) and the Single Data Return (SDR) systems). It is working alongside the Ministry and NZQA on this work with indicative timeframe aiming for a completion date of April 2022. This timeframe is dependent on a range of factors including securing additional resourcing and capability which there is both limited availability and high demand for at this time.

Enterprise Project Management Office (EPMO)

The EPMO continues to function well within TEC. An additional resource has been added to the EPMO to ensure it has the capacity to meet the demands of TEC's extensive work programme.

A primary purpose of the EPMO function is to help ensure TEC has effective prioritisation, interdependency management and programme governance in place.

There continues to be strong processes when considering organisational trade-offs and prioritisation against TEC's important BAU or legislatively required activities that need to be delivered. The EPMO is strengthening the organisation's benefits and evaluation approach and TEC has implemented the Psoda portfolio management software application to complement current prioritisation practices.

It will be important as part of these discussions for the EPMO function to also consider the wider impact, dependencies, or benefits for the sector. The scale of change and activities already underway in the wider tertiary sector is large and complex, like the RoVE implementation, and it will be important that their capacity for further change or programme implementation is well considered.

It is good to see that equity is a key driver in the EPMO considerations when looking at and making decision on organisational performance. This includes supporting *He Marae Tangata*, TEC's work programme to improve cultural performance, as well as ensuring Te Reo Māori is widely utilised and incorporated into organisational frameworks.

Ongoing impact analysis will be an important stream moving forward, particularly when showing the benefits of the significant shifts being made across the system.

Challenges and opportunities for TEC in 2021/22

Some of the key challenges, opportunities, and priorities we have identified through our monitoring activities, and which will inform our future engagements into 2021/22 include the following.

Operational

- Ensuring continuity of service delivery in an unpredictable pandemic environment,
- There is an opportunity for TEC to continue to work with the Ministry to strengthen its performance measures for future accountability documents, such its next SOI in 2022. An example of this can be seen in the RoVE space in association with WDC performance and reflecting how TEC's actions and activities have helped to produce desired outcomes in the system.

RoVE

- Continuing to review and refine the investment processes, including how TEC will give effect to WDC advice and future proofing these systems,
- There is an opportunity for TEC to continue to strengthen connections with NZQA on overlapping interests within the tertiary sector including on how it works with NZQA to support WDCs,
- Work on the unified funding system is underway but will take time to finalise and implement following completion of policy work,
- To further evolve the monitoring framework for Te Pūkenga, to support the long-term move where TEC will be monitoring managing a national network of provision,
- The transition phase of RoVE poses complexities around role clarity between agencies and meeting information needs of the sector. This will require strong collaborative management between TEC and Te Pūkenga based on their respective accountability roles.

Careers

- Balancing new innovations with sector readiness and capability remains a challenge,
- Engaging and actively involving the right partners and stakeholder in the National Careers Strategy 2.0 is critical for successful implementation,
- Alignment and cross over between RoVE and careers workstreams is important, particularly in ensuring the Tahatū platform meets information needs for learners and providers.

Digital and Data

- A challenge for TEC is around how to develop a consistent and sustainable long-term monitoring approach over the tertiary system's cyber security settings. It will be important TEC engages with the Ministry and other relevant education sector partners, including the EDDB, to consider what the long-term monitoring approach will look like and any specific data security standards which may need to be put in place,
- Another challenge is associated with resourcing and funding constraints to meet the capability and capacity needs to develop a long-term monitoring approach to the tertiary systems' cyber security processes. This includes the potential for further funding needed to help support the maturing of TEO's cyber security approaches, and the need to fund licencing for critical software.

People

- Staff capacity continues to remain a challenge for TEC. This is due to the increasing volume and complexity of its work. Workload continues to remain high even with regular trade-off and prioritisation conversations at the ELT level. While TEC has a high level of capability across key positions the additional workload is meaning additional staff are required.
- Last quarter, you enquired as to whether recruitment was an issue specifically for TEC or is a challenge across the system. We can

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confirm that this challenge has been seen across the entities we monitor particularly in the IT, Finance and technical areas. Budget constraints add to this challenge as people with highly sought-after capabilities are leaving for government agencies which pay more or leaving the public sector for private sector roles which are able to offer greater incentives. We are also seeing this reflected in the contracting market, where there is a very limited pool of candidates with appropriate expertise. Resourcing pressure may put some project timelines at risk and require TEC to make prioritisation calls across and between projects.

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

As monitors, our key actions to ensure we stay on top of TEC's performance include:

- 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, including the equity and digital and data services,
- regularly engaging with officials at TEC and across the Ministry on key change projects,
- facilitating quarterly joint chair meetings between the Chairs of the Crown agents and education entity boards so they can consider sector issues, share lessons learned and discuss 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 other accountability documents and providing you advice against these.

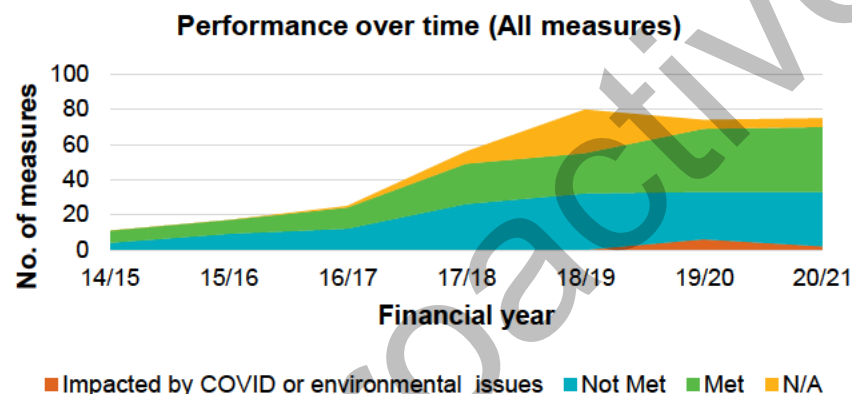
Summary

TEC's draft 2020/21 Annual Report details performance against its 2019/20 – 2022/23 Statement of Intent (SOI) and its 2020/21 Statement of Performance Expectations (SPE).

Over the 2020/21 financial year, there has been much change in TEC's operating environment. This has meant some of TEC's SOI and SPE measures are no longer as relevant or were unable to be measured. TEC has a programme of work in place to review its organisational strategy and its performance framework, which will inform the development of its new SOI.

Overall TEC's performance against its measures in 2020/21 is consistent with previous years, which is positive given the workload and ongoing challenges TEC faced from the COVID-19 pandemic.

Careers and RoVE are areas where there are few internal measures in TEC's Annual Report. This limits the analysis we are able to provide over TEC's performance. We have highlighted these as priority areas for future developments as well as including disabled learner as part of its parity measures. The Ministry's policy area is also looking at how to measure system performance of the RoVE work programme.



2020/21 SOI and SPE results

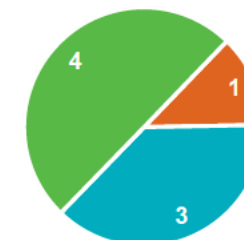
2020/21 SOI performance

A high-level overview of TEC's performance against its SOI measures from the 2020/21 period.

SOI performance against previous years

TEC's SOI performance in the 2020/21 remains consistent with previous years. While there have been some measures impacted by COVID-19, particularly around ability to finalise a result or complete activities at the expected time, overall performance has not significantly shifted.

2020/21 SOI measure results



- Impacted by COVID or environmental issues
- Not Met
- Met

- Qualification completion (all learners) at L7 degree and above has increased by 1% to 64.1%. The rate for Māori learners has increased by 1.5% to 49.6%, However, there is still a significant parity gap (-17.7percentage points) when comparing the achievement of Maori learners (49.6%) and non-Maori and non-Pacific learners (67.3%).
- Research degree completions (measured by PBRF-eligible research degree completions), has continued to increase
- Key stakeholder satisfaction that the TEC has helped improve connections between schools, tertiary education, organisations and employers has increased by 1% to 32%, however remains an area for improvement.

Unmet SOI measures

Three of TEC's SOI measures were either unmet or impacted by the COVID-19 pandemic:

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

- TEC has completed two reviews and a third is underway. This measure was not met due to delays to timing resulting from ongoing impacts of COVID-19 and ROVE work programme delays.

2. *Percentage of students completing qualifications at level 7 degree and above - Pacific Learners (relative to NMP)*

- There was a small increase in the percentage of Pacific learners achieving qualifications (.5% to 49.5%), however the increase in the percentage of non-Māori and non-Pacific learners completing qualifications (.9% to 67.3%) was larger, resulting in a small increase in the parity gap (.4 of a percentage point).

3. *TEC works with the Ministry of Education to undertake agreed reviews of Centres of Research Excellence (CoRE) performance against fund criteria*

- TEC has been unable to record any results against this measure and has reported the result as 'not applicable' in its annual report. This is because no reviews occurred in the financial year. It intends to retire this measure when it finalises its new SOI as it currently records reviews done by the Ministry which does not reflect its own performance.

2020/21 SPE performance

TEC's SPE 2020/21 performance remains consistent with previous years with around 50% met and the remainder either not met, impacted by the COVID-19 pandemic or unable to be measured at this time.

- Average fees-free payments received by first year Fees Free learners increased to \$5,857 per student in 2020/21 which is the first year this measure was met and increase was recorded.
- First year retention rates for qualification at levels 4-7 non-degree (All learners) increased by 1.6% to 59.30%.

TEC had two new milestone measures relating to WDC's to report on in 2020/21:

- Number of Workforce Development Councils established by Order in Council by 31 December 2020, and
- Councils with an approved Establishment Plan by 30 June 2021.

While the six WDC's were set up in June 2021, the high level of consultation needed through the Order in Council process has meant an extension was required and TEC was unable to meet the above measures. Establishment plans were submitted to the Minister in time for the 4 October establishment date.

TEC is currently thinking through how it will monitor the performance of WDCs on an ongoing basis.

Focus on Trades

Given the strong focus on Trades, particularly construction and apprenticeships across 2020/21, we have provided some detailed analysis over measures relevant to this area.

This area has been a particular focus as a result of the COVID-19 recovery and response initiatives which has included supporting

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displaced workers into training and apprenticeships as well as retaining existing learners are apprentices.

It is important to note that TEC contributes to, but does not control, sector measure results. While most of these 2020 trades measures have not been met, we have seen significant uptake in areas such as apprenticeship numbers. In our view, TEC has performed well as it reprioritised resourcing and work at pace, to implement new work streams such as the Targeted Training and Apprenticeship Fund (TTAF). We will be providing further updates across this area in our Quarter 1 report.

Targeted Training and Apprenticeship Fund (TTAF)

TTAF came into effect on 1 July 2020. TTAF was a significant area of investment for TEC in the 2020/21 financial year accounting for \$196.4 million funding for vocational education programmes.

TEC has strong reporting in place and provides monthly updates to the Ministry and Minister on progress. Based on cumulative learner data for the period 1 July 2020 and 30 April 2021, 20% of all TTAF learners identify as Māori and 9% as Pacific peoples.

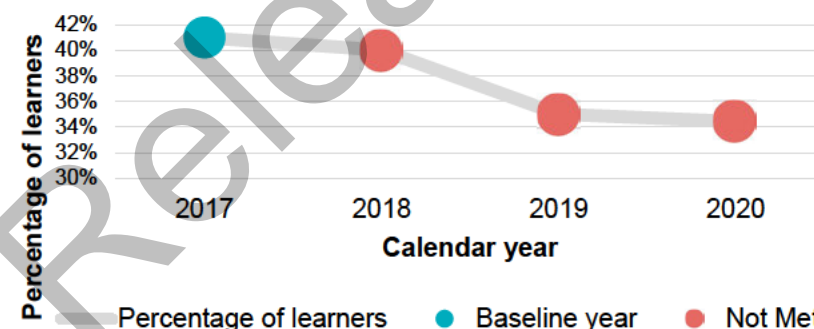
The programme is currently due to be discontinued at the end of 2022 as was time limited, however it has seen positive results across the implementation period.

Māori and Pasifika Trades Training (MPTT)

Māori and Pasifika Trades Training (MPTT) funding provides fees-free tertiary places for Māori and Pasifika learners aged between 16 and 40 to achieve in pre-trades training and progress to sustainable trades

or trades-related employment (including New Zealand Apprenticeships), other successful industry training programmes at Level 3 and above on the New Zealand Qualification Framework (NZQF), and managed apprenticeships.

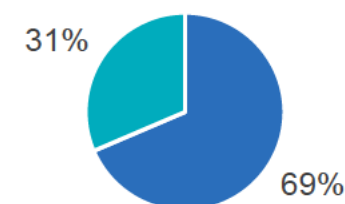
Percentage of learners per year from MPTT to like courses at L3+ or NZQF L4+



The purpose of MPTT funding is to increase access for Māori and Pacific learners to vocational and pre-employment training. This enables these learners to develop skills for sustainable employment and achieve better employment outcomes.

Achievement of the MPTT measure continued to decline in 2020 to 34%. TEC has indicated this is due to a number of factors including ongoing COVID-19 impacts as students were unable to attend classes.

MPTT Total Enrolments - 2020/21



■ Māori ■ Pacific Peoples

While number of learners progressing to further courses has decreased over recent years, the number or enrolments has remained steady at around 2500 learners

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which suggests that TEOs, learners and employers see value in the programme.

Progression to further study is not the sole indicator the impact of MPTT, and other factors such as increased work readiness, employers having increase access to suitable candidates and sustainable employment are also important.

While the number of MPTT enrolments progressing to apprenticeships is low, there is evidence that MPTT learners progress to apprenticeships at higher rates than learners from non-MPTT courses.

We will be providing further commentary over this area in future reports, in particular how TEC is ensuring equitable access to trades programmes across its work streams.

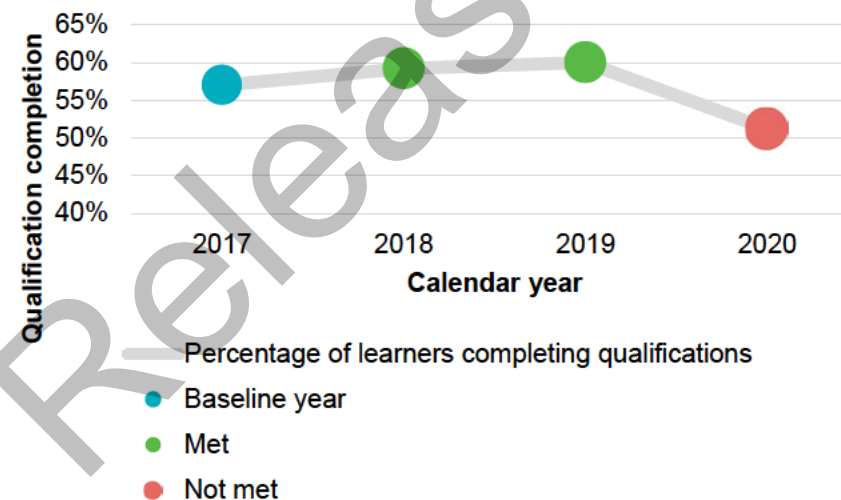
Training for Designated Groups

Youth guarantee learners

The Youth Guarantee Fund provides fees-free tertiary education for students aged 16-19 years who have no or low prior qualification achievement.

In 2020 qualification completion for youth guarantee learners fell from 60% to 51.2% for Level 2 or 3 qualifications.

Percentage of Youth Guarantee learners completing qualifications at level 2 or 3



TEC has advised this could be due to a range of factors including:

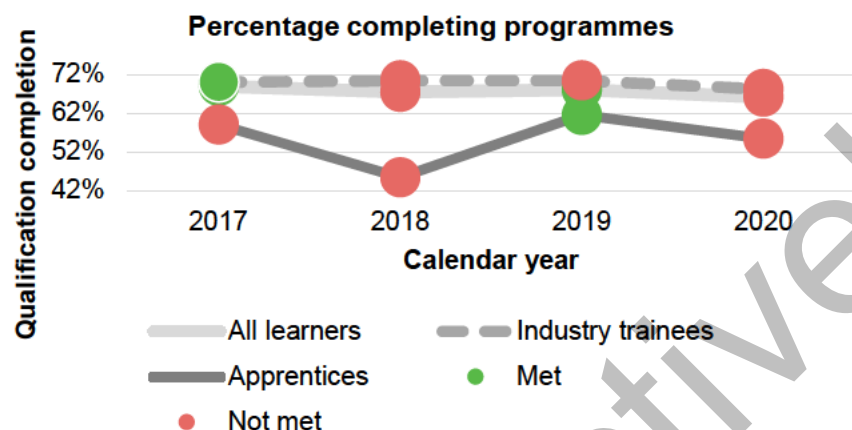
- prolonged Covid-19 lockdown having an unforeseen negative impact on learner well-being,
- the subsequent disruption on returning to classroom learning, and,
- greater dependency on a face-to-face learning environment from a high-needs learner cohort that has limited access to devices and study spaces at home.

TEC does not expect an increase while the impact of Covid is still prevalent.

Industry training programmes

There was a decline in industry training programme completion rates in 2020 compared to 2019. Traditionally, employers have responded to economic uncertainty by scaling back hiring intentions for new employees. COVID-19 has resulted in significant workplace disruption and has meant a reduction in the time learners could attend in person. We have seen a drop in trainees over the period.

This has impacted industry training programme completion rates and meant measures for all learners, industry trainees and apprenticeship have not been met for the 2020 calendar year.



Following the introduction of TTAF in July 2020 and Apprenticeship Boost Initiatives (ABI) in August 2020, the number of apprenticeships significantly increased. We are expecting to see improvement in these results up to a similar or improved level as previous years in future results, to reflect the investment from TTAF and ABI. This may not occur in 21/22 - learners enrolling in 2021 won't complete until 2023.

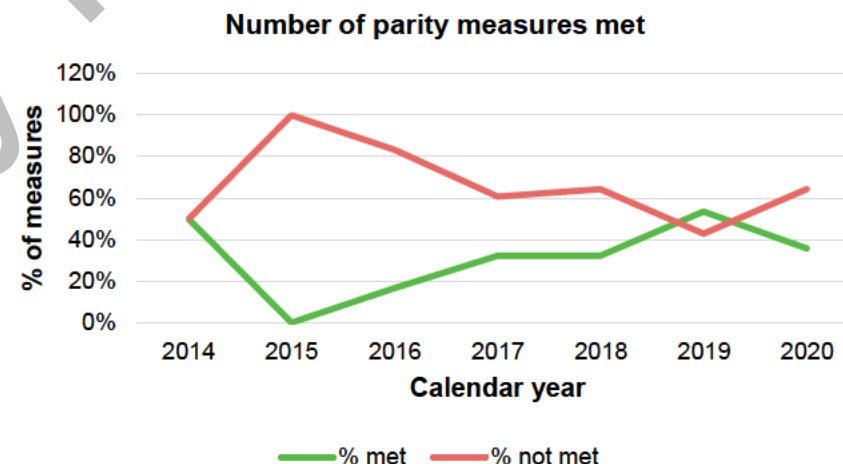
TTAF funding ceases at the end of 2022 and this may also impact the completion rate as anyone continuing their programmes after 2022, who was funded through TTAF, may not continue if they have to fund their programme themselves.

Focus on parity measures

Learner parity is one of our key monitoring focus areas. TEC currently reports on learner parity across the groups – Māori, Pacific and non-Māori and non-Pacific. Measures track a range of success factors including qualification completion, course completion, retention rates and progression.

Performance over time

The below graph shows parity measure results over time.



From the 2016 to 2020 reporting, we saw an increase in the number or parity measures being met. However, there is still a lot of work to do to ensure Māori and Pacific students are able to achieve at the same level as non-Māori and non-Pacific.

Although the full effects of COVID-19 and the lockdowns are not yet known, there is evidence to suggest it has and will further increase inequity for priority learner groups. In 2019 and 2020 retention rates fell for Māori and Pacific students while rates for non-Māori and non-Pacific increased. This reflects historic trends that show during periods of economic pressures, Māori and Pacific learners are more likely to leave study for employment.

TEC's learner success framework and operating model is a key intervention in this which is currently underway to support TEOs to change the trend. Additional supports such as – Technology Access Fund for Learners (TAFL), Hardship Fund for Learners (HAFL), TTAF and ABI, are also being used to increase participation, especially in Vocational Education and Training, while offering learners additional financial and technological support to stay engaged.

Historically most of these measures have not been met. We have noted in our previous reports these measures often sit at a system level making it difficult for TEC to control. The results do, however, highlight the urgency of addressing disparity in the system which requires all key agencies including TEC and the Ministry to work together to address these challenges. This requires large scale systematic changes through reforms such as RoVE. It may be some time before we see significant changes in system level measures, however TEC is seeing improvements at a TEO level through pilots such as Wintec's course completion pilot.

TEC does not currently have data for disabled learners against these measures. TEC launched disability actions plans for 2022 and as part of this is working with the sector on obtaining better data. We have highlighted this as a priority area as it continues to mature its performance measure framework, however we note this is a challenge across the system.

Financial performance Q4 2020/21

Overview

Based on the draft financial statements, TEC ended the financial year (1 July 2020 to 30 June 2021) with a lower deficit than budget of \$30.599m. This comprised an operating deficit of \$3.082m and a grants deficit of \$27.517m.

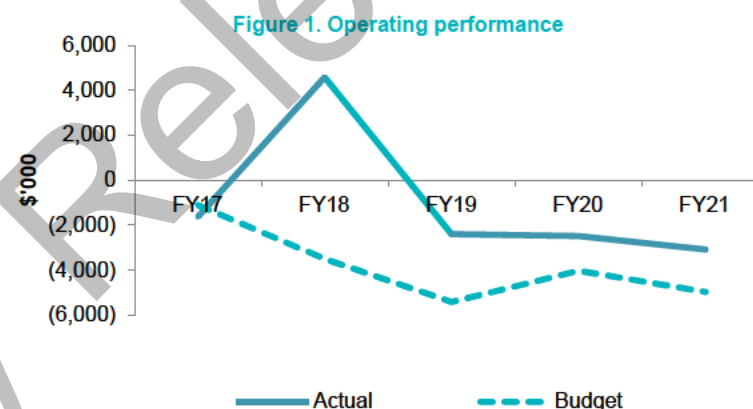
As agreed by Ministers, TEC has been managing deficits through the sufficient reserves available on its balance sheet and remains in a stable financial position.

Table 1. Financial performance

\$'000	FY21 Actual	FY21 Budget	FY20 Actual
Operating			
Revenue			
Government grants	81,924	75,258	69,918
Other	3,959	4,621	5,154
	85,883	79,879	75,072
Expenditure			
Personnel expenses	(55,569)	(54,109)	(49,154)
Other operating expenses	(28,895)	(25,549)	(22,365)
Depreciation & amortisation	(4,501)	(5,197)	(6,041)
	(88,965)	(84,855)	(77,560)
Net surplus/(deficit)	(3,082)	(4,976)	(2,488)
Grants			
Revenue	2,586,623	2,506,019	4,422,131
Expenditure	(2,614,140)	(2,554,518)	(4,420,737)
Net surplus/(deficit)	(27,517)	(48,499)	1,394
Overall			
Net surplus/(deficit)	(30,599)	(53,475)	(1,094)

Operating performance

Government grants was \$6.666m higher than budget due to several appropriation changes which were approved after the budget was set. These included \$3m for Direct Careers advice, \$2m for RoVE and \$1m for TTAF operational costs.



Although TEC received \$6.666m more Government grants than they budgeted for, Operating expenses were only \$4.110m higher than budget. This is because not all additional appropriation funding was spent in the financial year (RoVE was \$1m underspent which will be utilised in FY22) and there were lower personnel costs, depreciation and travel costs.

TEC continues to forecast operating deficits over the next four financial years which will be funded from its accumulated reserves and has no impact on its financial sustainability.

Financial performance Q4 2020/21

Grant performance

The grant deficit was created by two compounding issues, which have been partially offset by:

- the guarantee provided to TEOs for 2020 funding;
- an increase in demand for SAC level 3+ and apprenticeships; and
- an underspend in fees-free

Whilst TEC had sufficient grant equity retained on its balance sheet to cover the deficit, it has eroded grant equity to \$80.186m. This remains higher than TEC's target of \$50m, which provides it with the ability to allocate 102% of SAC. However, given demand expectations remain high, TEC's view is that demand will remain high, and its balance sheet will likely be called upon again in FY22.

Financial position

TEC's financial position remains stable with overall equity of \$117.399m. This has reduced from \$139.534m at the beginning of the financial year. See table 2 on the following page for further details. Equity is split between operating (\$37.2m) and grant (\$80.2m).

Compared to budget, both current assets and current liabilities are significantly higher. This is predominantly due to TEC having a larger receivable owing from the Ministry and a higher payable to the sector as a result of increased demand.

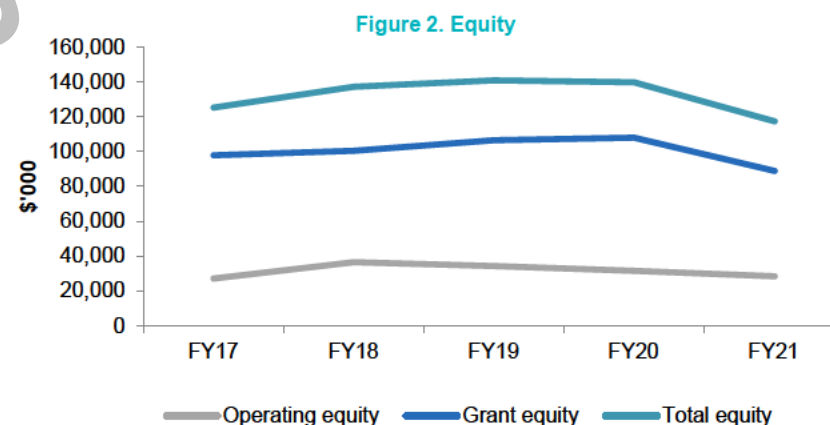
Due to holding additional grant funding drawn downs from the Ministry, (which was not required in the financial year or not yet paid to the sector); cash is temporarily higher than budget at \$113.883m.

The split of cash at year end was \$27.5m of operating, \$70.7m of grants and \$15.7m of PELT.

Capital expenditure was below budget, with only \$8m of \$13.5m incurred. This is the result of a combination of expenditure being reclassified as operating and capital funding not being consumed in the financial year. Included within capital expenditure is \$3.8m spent on the Tahatū programme and \$1.6m on the DXP project.

Table 2. Financial position

	As at 30 June 2021 Actual	As at 30 June 2021 Budget	As at 30 June 2020 Actual
\$'000			
Assets			
Current assets	762,059	553,582	1,789,981
Non-current assets	19,372	25,559	16,556
	781,431	579,141	1,806,537
Liabilities			
Current liabilities	662,525	482,070	1,665,303
Non-current liabilities	1,507	1,735	1,700
Total liabilities	664,032	483,805	1,667,003
Equity	117,399	95,336	139,534



Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



Jenn Bestwick
Chair, Tertiary Education Commission
By email: chair@tec.govt.nz

Dear Jenn

I have just received the Ministry's monitoring report on the TEC's performance over Quarter 4 2021/21 and its analysis of performance against TEC's draft Annual Report. I look forward to receiving TEC's audited Annual Report in due course. I understand no major changes are anticipated between TEC's draft and audited Annual Report.

The ongoing pressures of the COVID-19 pandemic have presented significant challenges, not only to TEC organisationally, but to the wider tertiary education sector. I want to acknowledge TEC's role in support the sector through these challenges, and the agile approach TEC has had to take in order to respond to challenges at pace while ensuring continuity of delivery for learners.

Throughout the 2020/21 period, TEC has played a key role in the implementation of ROVE. It is good to see a strong focus on the changes needed to business-as-usual activities retaining knowledge of the reform of the vocational education system within the organisation. Across 2021/22 I am interested in hearing more about how TEC is working with the NZQA to help support the transition to BAU activities for the Workforce Development Council.

It is important TEC has a clear view of how Te Pūkenga is performing in its monitoring of the subsidiaries and I am expecting regular updates on this and how TEC is supporting Te Pūkenga to operationalise its functions. As work progresses, I am interested in hearing more about TEC's monitoring approach and how this will change over time.

I am pleased to hear TEC is focussing on cybersecurity and how security processes, procedures, and capability are being managed across the sector. This remains a priority for me and I look forward to further updates.

Please can you pass on my thanks to the Board members and TEC staff for their work over this past year, and for their continued efforts into the upcoming year.

Yours sincerely

Chris Hipkins
Minister of Education

cc Tim Fowler, Chief Executive, TEC
cc Zoe Griffiths, Hautū, Te Puna Rangatōpū, Te Tāhuhu o te Mātauranga