



Vote Tertiary Education

**Report in Relation to Non-Departmental Appropriations
for the year ended 30 June 2018**

Presented to the House of Representatives pursuant to Section 19B of the Public Finance Act 1989.

Background

Pursuant to Section 19B of the Public Finance Act 1989, the Minister of Education is required to prepare a report in relation to the provision of certain non-departmental appropriations supplied to the Crown for Vote Tertiary Education. Non-departmental outputs are outputs (goods and services) purchased from a provider other than the Ministry of Education, which is administering the appropriation. The provider may be a government agency, a non-governmental organisation or a private sector organisation.

In the Estimates of Appropriations 2017/18 for Vote Tertiary Education, performance information from the Tertiary Education Commission (TEC) for the attached appropriations is required to be reported by the Minister of Education. This report is appended to the Ministry of Education's Annual Report for the purpose of tabling in the House.

This Report has been prepared in line with the requirements set out in Section 19C of the Public Finance Act 1989. It includes:

- a statement of expenses against budget covering each category of the appropriation
- service performance information.

The performance information contained in this report has not been audited.

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Statement of Expenses incurred against Budget

for the year ended 30 June 2018

Tertiary Tuition and Training MCA	2017 Actual \$000	2018 Budget \$000	2018 Actual \$000
Non-departmental output expenses			
Community Education	72,751	73,476	69,197
Tertiary Education: Student Achievement Component	2,085,205	2,054,192	2,069,345
Training for Designated Groups	307,716	298,526	283,094
Fees-free Payments	-	309,900	129,982
Total Multi-Category Expenses	2,465,672	2,736,094	2,551,618

Explanations for significant variances against Budget are provided below.

Non-departmental output expenses

Community Education was \$4.3 million (6%) under budget mainly due to an expected higher demand in the Workplace Literacy fund which did not eventuate.

Tertiary Education: Student Achievement Component was \$15.1 million (1%) over budget mainly due to an adjustment arising from recalculation of a provision under PBE IPSAS 23 accounting standard criteria¹.

Training for Designated Groups was \$15.4 million (5%) under budget mainly due to a drop in demand for the Youth Guarantee scheme.

Fees-free Payments reported a variance of \$179.9 million (58%).

Fees-free is a new policy initiative included in the Government's 100 day plan. There are two key drivers behind this variance – the timing of actual payments and the prudent management of risk related to the implementation of the Fees-free policy:

- Total payments of \$257 million were made to providers between 1 January and 30 June 2018 – to be consistent with the timing of when providers would usually receive payments for tuition and training (ie, most is paid near the start of a calendar year). The accounting treatment (PBE IPSAS 23¹) requires TEC to only record \$130 million in the Statement of Expenses. The difference, less anticipated payment recoveries, relates to fees payments for tuition and training to be delivered in the second half of 2018 and is recorded in the Statement of Financial Position and reporting for the whole 2018 calendar year.
- The remaining variance of \$53 million reflects that the budget was set at a prudent level given uncertainty around the short-term impact on behaviour of the Fees-free policy, to ensure that sufficient funding was available for TEC to pay providers if there was a significant short-term increase in demand.

¹ At the end of the year, TEC needs to recognise a liability for its funding obligations that meets International Public Sector Accounting Standard 23 (IPSAS 23). This standard prescribes the requirements for reporting revenue arising from non-exchange transactions. TEC, being a Public Benefit Entity (PBE), has applied this standard to both grants revenue and expenditure.

Statement of Service Performance

Multi-Category Expenses and Capital Expenditure

Tertiary Tuition and Training

Overarching Purpose Statement

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

Scope of Appropriation

Non-Departmental Output Expenses

Community Education

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

Tertiary Education: Student Achievement Component

This category is limited to funding for teaching and learning services for enrolled students in approved courses at tertiary education organisations to achieve recognised tertiary qualifications.

Training for Designated Groups

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

Non-Departmental Other Expenses

Fees-free Payments

This category is limited to ensuring fees-free study for eligible students, apprentices and trainees.

What is intended to be achieved with this Appropriation

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

Output performance measures and standards

Performance measure	Budget standard 2017/18	Actual performance 2017/18	Performance 2016/17	Comment
Tertiary Tuition and Training				
Proportion of 25-34-year-olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above).	60% for the year ending December 2018	57.7% for the year ending December 2017	57.2% for the year ending December 2016	On Track
Community Education				
This category is intended to achieve improvement in literacy and numeracy skills for learners who have low skills in these areas by funding foundational learning programmes.				

Performance measure	Budget standard 2017/18	Actual performance 2017/18	Performance 2016/17	Comment
Adult and community education – Number of funded domestic equivalent full-time students in Tertiary Education Institutions-based programmes (including Search and Rescue and Emergency Management short courses) per calendar year (see Note 1).	2,000 ±5%	1,706	1,724	<p>Adult and Community Education (ACE): <i>Emergency Management and Search and Rescue ACE:</i></p> <p>All Emergency Management and Search and Rescue providers under delivered in 2017. This is because of challenges to accurately forecasting the needs of the sectors and the nature of volunteer training. There is a trend of non-completion of training which has affected delivery volume. The Ministry of Education and TEC are currently looking at options to improve the outcomes of the fund.</p> <p><i>ACE in tertiary education institutions:</i></p> <p>Most institutes of technology and polytechnics (ITPs) have experienced falling demand, particularly in Auckland. TEC reduced ACE funding allocations for 2018 for tertiary education institutions to take account of the reduced demand in 2016 and 2017. TEC continues to monitor ACE delivery at ITPs to manage funding.</p>
Literacy and numeracy – Total number of funded learners per calendar year (see Note 1).	16,700 ±5%	15,205	14,567	<p>The Literacy and numeracy total number of funded learners was impacted by:</p> <p><i>Workplace Literacy and Numeracy – Employer-led number of funded learners:</i></p> <p>The timing of funding decisions meant that providers were unable to utilise all of the funding allocated for July to December 2017. The residual funding has been transferred to 2018. Estimated 2018 delivery has increased to approximately 2,000 learners (year to date as at July 2018). In May 2018 the TEC approved flexible funding of \$3 million to meet further likely 2018 demand.</p> <p><i>Refugee English – funded number of learners:</i></p> <p>Softening demand for Refugee English in Auckland and Hamilton in 2016/17 has continued into 2017/18. This reflects the resettlement of increasing numbers of refugees in other centres. Demand for Refugee English at Level 3 and above varies in new resettlement areas depending on the individual situation of the refugee. Usually demand is initially at foundation level before learners progress and access Refugee English funding.</p>
Tertiary Education: Student Achievement Component				
This category is intended to achieve learners' attainment of recognised tertiary qualifications by funding education and training opportunities.				
Number of domestic equivalent full-time students at Levels 1 and 2 (see Notes 1 and 2).	12,200 ±5%	10,091	11,510	<p>This under-delivery is the result of a number of impacts. These include tertiary education organisations commencing their programmes later in 2017 than initially anticipated, softening demand from students due to the strong labour market and an increase in the proportion of school-leavers attaining NCEA at school. Some tertiary education organisations' SAC Levels 1 and 2 funding allocations were reduced after the August 2017 Single Data Return (SDR) because of lower than expected student uptake.</p>
Number of domestic equivalent full-time students at Level 3 and above by sub-sector (see Notes 1 and 2):				

Performance measure	Budget standard 2017/18	Actual performance 2017/18	Performance 2016/17	Comment
• Universities	109,600 ±5%	115,636	116,977	Overall demand was higher than expected for Student Achievement Component funding at Level 3 and above. The TEC was able to reprioritise funding from under-delivery in some sectors to meet increased demand in universities and wānanga.
• Institutes of Technology and Polytechnics	51,100 ±5%	51,793	54,139	
• Wānanga	17,100 ±5%	18,459	18,668	
• Private Training Establishments.	20,800 ±5%	19,837	20,538	
Total domestic equivalent full-time students at New Zealand Qualifications Framework Level 3 and above (see Notes 1 and 3).	198,600 ±5%	205,726	210,322	
Training for Designated Groups				
This category is intended to achieve an increase in the number of young people and employees with qualifications valued by employers through investing in training.				
Total training (see Note 1):				
• Industry Training – funded standard training measures (see Note 4)	28,000 ±5%	26,427	27,533	Trainee standard training measures were below forecast, reflecting increased apprenticeships and lower than expected enrolments in the primary industry and service sectors.
• Apprentices – funded standard training measures (see Note 4)	17,300 ±5%	17,650	16,170	Achieved
• Youth Guarantee – total funded equivalent full-time students	9,200 ±5%	7,804	8,853	Youth Guarantee (which targets young people aged 16-19 who want to study full-time at a tertiary provider towards a Level 1-3 qualification). This funding continues to be impacted by falling student demand for Level 1-2 qualifications. The key factors are demographic change; more students achieving NCEA Level 2 at school; and more school-leavers choosing work over full-time study in a strong economy. Under-delivery at Youth Guarantee funded tertiary education organisations is specifically addressed with each tertiary education organisation after Single Data Returns are submitted in April and August of each year.
• Gateway – total participants and number of schools.	13,200 ±5% in up to 375 schools	13,602 in 375 schools	13,662 In 367 schools	Achieved
Fees-free Payments				
This category is intended to contribute to removing barriers to participation by making tertiary education more affordable.				
Operational processes for fees-free policy have been designed and implemented by 31 December 2017 (Note 5)	Achieved	Achieved	New measure	Achieved

Note 1 - 2016/17 Estimated Actual refers to the 2016 calendar year. 2017/18 Budget Standard refers to the 2017 calendar year.

Note 2 - The Student Achievement Component measures are shown at 95% of expected delivery.

Note 3 - The total number of equivalent full-time students is calculated by adding together all Student Achievement Component commitments made by providers in their Investment Plans.

Note 4 - Standard training measure is the amount of training required for a trainee to achieve 120 New Zealand Qualifications Framework credits. Funding is based on the number of standard training measures arranged by an industry training organisation in a calendar year.

Note 5 - The operational processes included:

- funding allocations and new contracts for tertiary education organisations
- learner eligibility checking.