



TE PŪRONGO MAHI MŌ TE HAUWHĀ TUARUA O 2021/22

2021/22 QUARTER TWO PERFORMANCE REPORT

KO Ō MĀTOU WHĀINGA RAUTAKI OUR STRATEGIC INTENTIONS

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

Over the quarter:

- › We began to develop an approach to setting up a community of practice with TEOs to support the sharing of lessons and resources on **learner success**. Our intention is to initiate a small pilot with select TEOs in early 2022.
- › With the evolving situation of the Omicron variant – it is expected that **learner demand** and behaviour, and provider ability to both enrol and complete study, will again be impacted.
- › We invested \$3.7b in 2022 through our **annual investment round**.

Page 2

TE WHAKAHONO KAIWHAKAAKO KI NGĀ KAIWHAKAWHIWI MAHI CONNECTING EDUCATORS & EMPLOYERS

Over the quarter:

- › We worked with stakeholders to develop the scope, approach and timeline for the development of a **National Careers System Strategy**.
- › As at January, there are 409 role models live on the **Inspiring the Future** platform (having completed their profile and criminal record check).
- › Locally delivered **Direct Career Service** adapted to a blended delivery model as a result of COVID-19 lockdowns and restrictions applied to MSD sites.

Page 4

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

Over the quarter:

- › The **RoVEDIT** project continued to focus on delivering the immediate internal changes required for the TEC to receive, support and enable the changes being implemented by **RoVE**.
- › Five **Transitional Industry Training Organisations** transferred their Arranging Training functions and staff to providers.
- › We continue to monitor **Te Pūkenga's** performance, particularly their transformation programme.

Page 6

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

Over the quarter:

- › TEOs were advised of their 2022 **Performance Based Research Fund** allocations, amounting to exactly \$315m in total.
- › Final reports, including financial statements, were received from the ten **Centres of Research Excellence** that were funded up to 30 June 2021.

Page 9

KO Ō MĀTOU KAIWHAKAĀHEI OUR ENABLERS

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

Page 10

Over the quarter:

- › In alignment with the TEC Strategy, we focused on maturing and growing our people's capabilities under our **Thriving TEC** strategic priority.
- › We have scoped an internally developed training course on applying **Te Tiriti o Waitangi** to the context of the TEC's work, e.g. managing relationships with our stakeholders and TEOs
- › We completed work on updating our **Information Security** and **ICT Asset Management policies**, and a staff phishing campaign was completed, with support from our **cybersecurity** partner.
- › We continue to focus our **business continuity response for COVID-19**.
- › We worked through the results of our third **annual employee survey**, He waka eke noa.
- › We started looking at ways to optimise our Genesys **customer experience** technology platform that was launched in March 2021.
- › We delivered **flexible working** workshops to all our staff, with the objective of introducing new ways of working and associated benefits.

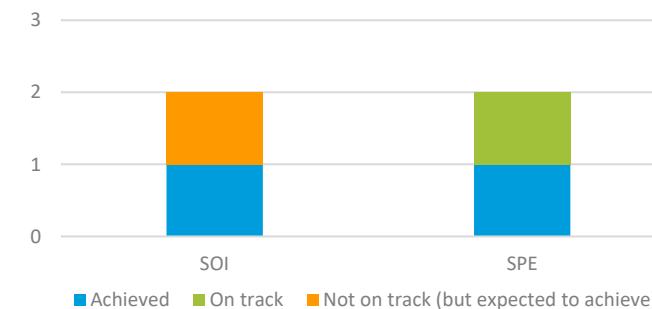
MAHINGA KORE AHUMONI NON-FINANCIAL PERFORMANCE

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

As at 31 December 2021 we were:

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

The measure not on track, but expected to achieve target by the end of the year, relates to the number of system-wide reviews completed.



Page 12

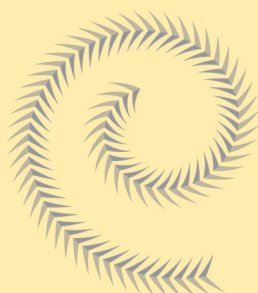
OUR COMMITMENT TO TE TIRITI O WAITANGI

HONOURING TE TIRITI O WAITANGI

Work on developing a TEC Te Tiriti framework and cross-agency work programme progressed during the quarter. We focused on our current state analysis, including discussions with individual Executive Leadership team members. The themes from our internal engagement will inform the development of a draft framework and work programme in the next quarter.

While we build our organisation-wide approach to honouring Te Tiriti, we continue to actively engage with Māori and iwi, especially through our business and partnership team. We also began planning our approach on how best to consult with Māori and iwi in quarter three in relation to key pieces of work like including the Unified Funding System and the national Career System Strategy.

An update on our work with the wānanga sector is covered in the *Te Hono Wānanga* section of this report.



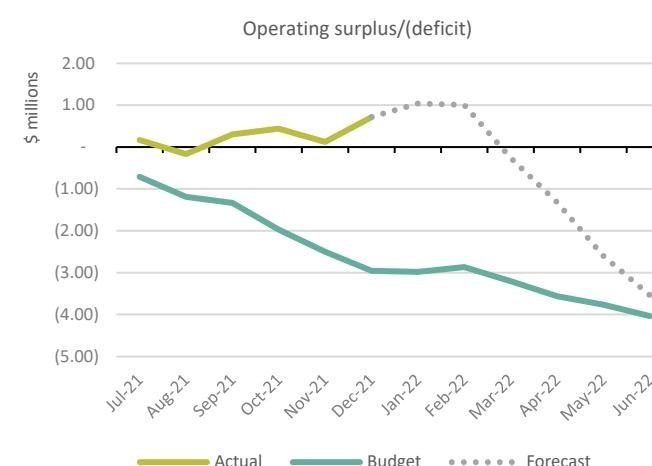
MAHINGA AHUMONI FINANCIAL PERFORMANCE

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

- › Grants baseline and spend are higher than prior years reflecting the accounting implications of guaranteeing provider funding for 2020.
- › We now expect 2022 demand for ITF and SAC to be lower than 2021 and more in line with 2020. In case demand is higher than available funding, we have requested Fees Free underspends in 2021/22 are reprioritised to SAC. Cabinet have approved and delegated the final decision to Joint Ministers.

We are forecasting a full year operating deficit of \$2.5m to \$3.6m

- › We have forecast a full year forecast operating deficit of \$2.5m to \$3.6m against a full year budget deficit of \$4.0m. Savings due to high vacancy rates are forecast to be offset by additional costs from a review of our fixed assets in light of changes to accounting standards.



Page 13

Over the quarter we have focused on the following:

Learner Success

Over the quarter we continued our prioritisation and honing of our learner success approach, and worked with TEOs to increase their capability to meet the needs of their learners.

Supporting TEO capability

COVID-19 and the lockdown in Auckland caused minor disruptions for our four learner success projects. Aside from Solomon Group, which is based in Auckland, there were no changes to deliverables and all are on schedule to be completed in early-2022. During the quarter we began work with the four TEOs to evaluate the process and outcomes associated with testing the learner success framework.

Developing resources to support capability

During the quarter we focused on scoping and refining our learner success diagnostic tool (the second stage of the learner success framework) to make it available on the TEC website. The work included consultation with selected TEOs on their experience of using the tool and areas for improvement. The information gathered will be used to develop the product further and release it for general use in mid-2022.

The development of guidance for different segments of neurodiverse and disabled learners, including autistic learners and those with dyscalculia, is ongoing.

Developing a community of practice

We have begun to develop an approach to setting up a community of practice with TEOs to support the sharing of lessons and resources on learner success. There have been multiple calls from the sector for the TEC to facilitate such a community, and through this we have begun to identify both leaders in the sector and those seeking to learn. Our intention is to initiate a small pilot with select TEOs in early 2022.

Fees Free

The 2022 updates to the Fees Free eligibility criteria were operationalised, enabling learners to declare their eligibility on the website. This also includes a marketing campaign promoting learners to check their eligibility, which went live at the same time.

Funding agreements were sent to TEOs to confirm their 2022 Fees Free allocation.

As part of our continued improvements to the statutory declaration process, the terms and conditions are now included on the Statutory Declarations as an enhancement to reducing false Statutory Declarations.

During the quarter we identified 13 false Statutory Declarations from learners. This brings the total to 758 since 2018. There were no further prosecutions in the quarter. Further detail on Fees Free monitoring is provided in the *Monitoring TEOs* section of this report.

Investment round

We invested \$3.7b in 2022 through our annual investment round

During the quarter we communicated funding decisions to TEOs for 2022 provision.

We approved 2022 funding for 297 TEOs, including three new providers. We invested a total of \$3.7b, with \$2.6b invested in on Plan education provision (such as Student Achievement Component (SAC) funding) and \$1.1b in off-Plan funds, such as Māori and Pasifika Trades Training and Centres of Research Excellence. This maintains funding at a similar level to that for 2021 – with more funded provision in the system than ever before.

Over \$2.2b was invested into our largest fund, SAC3+, and over \$235m into the Industry Training Fund. We focused our investment of these funds into key priority areas – such as Construction, STEM, and Food and Fibre – and learner groups to drive better outcomes. This includes commitments of the SAC3+ provision of \$365m to Science courses, \$205m into Engineering and Technology, and \$80m into Agriculture and Horticulture courses.

We have also seen a growth in planned delivery against other priority areas – such as teaching, with a 21% increase (\$8.9m) across early childhood education and secondary teaching.

We will be tracking enrolments, utilising the information reporting in the interim Single Data Return (SDR) (March) and final SDR (April), and developing a plan on how to address enrolments should they continue to grow into 2022. This includes accessing unspent Fees-Free funding, subject to joint Ministers' approval.

Centres of Vocational Excellence

On 1 November 2021, both Centres of Vocational Excellence (CoVEs) submitted updated annual plans to the TEC for the 2022 calendar year. These plans included the projects that the CoVEs are planning to undertake during 2022, the specific deliverables that each project would produce, and the CoVEs' proposed engagement activities with their consortia members and industry stakeholders.

Secondary Initial Teacher Education

The MoE and the TEC continue the joint work programme to support initial teacher education provision to be more responsive to system needs, including support for sustainable growth in areas where there is significant demand.

We are now entering the next phase of the project, for 2023 and beyond.

Given the projections, the demand for secondary teachers is expected to grow year-on-year, peaking in 2025 and then declining to in 2027. The target for 2023 continues the 40% growth above 2018 numbers. This gives a target of 1,860 EFTS enrolled in secondary ITE in 2023.

Supporting growth in STEM and te reo Māori subjects in 2024 and 2025 is also a priority. The TEC and MOE are working on approaches to support specific subject growth in the future.

COVID-19 response and recovery

Demand remains uncertain and is being closely monitored

Government forecasting appears to indicate that mid-2021 enrolments by first-time students were down on mid-2020, a possible sign that the domestic student boom is tailing off. Predictable demand is appearing in nursing, teacher education, and building; and lower enrolments in tourism.

With the evolving situation of the Omicron variant – it is expected that learner demand and behaviour, and provider ability to both enrol and complete, will again be impacted. The TEC and MoE will continue very close interaction with all providers on a regular basis in order to understand the evolving picture.

Providers are prepared for the Omicron outbreak and are managing through the complexities. The full impacts will be evident following 2022 trimester/semester enrolments and the April 2022 Single Data Return.

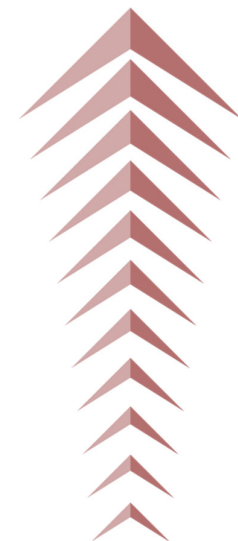
Progress summary for key Budget 2020 COVID-19 Response and Recovery Funds

Fund	Financial information (Note 1)		
	Actual as at 31/12/21 \$000	Budget 31/12/21 \$000	Budget 2021/22 \$000
Targeted Training and Apprenticeship Fund (TTAF)	144,658	80,000	160,000
Hardship for Learners Fund 2020 (HAFL/TAFL)	18,722	25,803	25,803
Workforce Development Council And Transitional Industry Training Organisation COVID-19 Response Projects Fund	2,463	10,872	10,872 (Note 2)
Workforce Development Councils Establishment Fund	3,830	6,000	6,000
Workforce Development Councils Fund	36,081	21,000	48,000
Careers System Online – Tiro Whetū (figures project to date and Full capital budget)	10,242	10,687	15,000
ACE in Communities (Development & Delivery)	500	500	1,000
Tertiary Tuition and Training	70,250	70,250	140,500

We expect COVID-19 Response and Recovery funds to be close to budget at year end with the exceptions of the Targeted Training and Apprenticeship Fund (which will utilise surplus Fees Free funding to balance off a forecast overspend) and the WDC Establishment fund (which will transfer unspent funding to the WDC fund at year end).

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

Note 2: Increase in budget from quarter one due to a transfer.



Over the quarter we have focused on the following:

National Careers Strategy

Over the quarter, we continued to work with key internal and external stakeholders (such as MoE and CDANZ) to further refine our approach to completing the National Careers Strategy. This has been a priority due to the wide variety of stakeholder views and different requirements from the system. This has included considering the best ways to engage with our partners throughout the process. We have completed our engagement plan and timeline for the development of the National Careers System Strategy.

We have also completed our initial evidence analysis which included a map of the careers system and a review of international careers strategies. This will be included in our current state assessment that has now commenced. This phase of the work will be completed with key system stakeholders over the course of the next quarter. It will include an overview of the system (its purpose, components and operating structure), and profile those that interact with it (e.g. individuals, whānau and business). This will provide a foundation that will enable us to test the validity of the challenges and opportunities identified in our systems mapping work, and potentially identify additional ones. These challenges and opportunities will then be considered in the next stage of the strategy work commencing in April.

Inspiring the Future

As at 19 January 2022, there were 409 role models live on the platform (having completed their profile and criminal record check). We have a target of 800 to reach by 30 June 2022. A marketing and engagement plan was developed, including a digital campaign aiming to get role models from all job backgrounds to see themselves as potential life changers. The campaign saw role model numbers increase considerably in November 2021.

Inspiring the Future (ItF) was significantly impacted by COVID-19. In-person events could not take place in Alert Levels 3 and 4 (and the red traffic light system settings), and schools fatigued by the impacts of COVID-19 said they did not have the ability to take on ItF in 2021. Promotional events such as conferences were also affected by COVID-19, with some conferences being postponed three times. COVID-19 has impacted the first half year results and may have a longer term impact on full year targets.

To mitigate the impacts of COVID-19, schools were encouraged to use the online event format instead of the in-person format, but managing multiple role models and lots of kids online wasn't seen as easy as uptake was low. To improve uptake, a video is being developed to demonstrate how easy it is to run an online event. In September, Konini Primary School in Wainuomata ran a successful in-person event in Alert Level 2 settings and a newsletter story was developed as an example to encourage others.

The focus for the remainder of the financial year is to continue to improve the ItF platform user experience (based on insights gained via research), to transition the project into core business at the TEC and to continue to grow role models and schools participating in events.

Tahatū – an online career planning solution

Independent Quality Assurance review recommendations implemented

The Tahatū programme has been restructured to best enable the build phase following an IQA review. Significant design and foundational work was completed in 2021 and now the focus moves to developing the core features of the system with additional features through quarterly releases.

Delivery

The team's focus during the quarter was on the delivery of the first building blocks of Tahatū:

- › editorial content management system
- › ability for new users to sign up and log in
- › development of editorial content for career advice pages, and
- › development of the occupations database – over 1,000 occupations researched and nearly 800 utilised.

This development work is in line with the Tahatū delivery plan.

The first features delivered will be career advice pages, reference information, and new pages about tertiary study and training, and occupations.

From June 2022, we will start testing key features with groups of pilot users (school students, career advisors, and a consumer panel), with a national launch planned for early 2023.

Stakeholder management

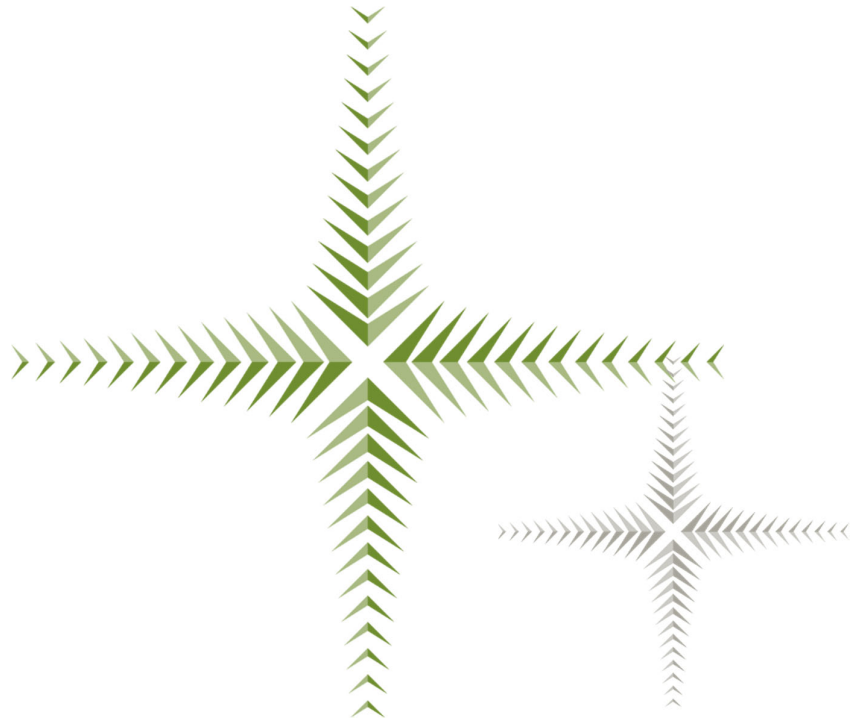
Stakeholder panels are established and providing regular feedback to the Tahatū team on the development of tools and pages for the new site.

VET marketing campaign

The VET marketing campaign has continued to see metrics increase month on month, with December seeing us reach the milestone of 10 million video views to date.

Activity during the quarter included television and radio advertising, social media advertising, programmatic online banner and video, as well as Google search ads.

We're currently working through the selection of social media influencers that will be included in the campaign mix in quarter three.



Direct Career Service

As at 17 December 2021, the local and dedicated phone services had completed 5,475 career sessions.

An independent evaluation evidencing the service value which was published in October 2021, is available on the TEC website. Clients who opted into surveys expressed high satisfaction, with 95% of respondents “absolutely” recommending services to friends and whanau. 88% of clients said they will apply for work immediately. They exit with the knowledge, skill and confidence to take the next step in their career, feeling empowered to successfully navigate their own careers and apply skills independently.

As a result of COVID-19 lockdowns and restrictions applied to MSD sites, locally delivered DCS has adapted to a blended delivery model, with career practitioners providing appointments and workshops when possible at Connected sites, alternative community hubs, career practitioner office space, from home via Zoom/MS Teams and over the phone.

The project end date is 30 June 2022 and a decision on a further extension of service has been delayed until March 2022.

Over the quarter we have focused on the following:

The Reform of Vocational Education

The Reform of Vocational Education (RoVE) programme continues to deliver on schedule and under budget.

During the Quarter, the RoVE programme:

- › continued to support WDCs operations as they became legal entities in October
- › facilitated the ongoing transition plan and receiving organisations approvals and transitions of TITOs
- › gained approval of the Unified Funding System (UFS) policy through Cabinet in December
- › shared the RoVE benefits framework with key stakeholders across the sector to align future activity to
- › begun the planning for 2022 with a shift in focus for the programme, from delivery and implementation to integration, and
- › continued to keep key stakeholders engaged and informed with regular updates on project and programme activities.

As several key elements of the new RoVE system are now operational, the focus of the RoVE programme in 2022 is shifting from delivery to integration. A key priority for the RoVE programme in 2022 will be the integration of the component parts of the new vocational education system, ensuring they are working together as designed, as we complete and support the completion of the remaining components:

- › transitioning the seven remaining TITOs
- › implementation of the UFS
- › implementation of the Te Pūkenga operating model and structure, and
- › simplification and design of vocational qualifications.

Completion of the above components will then see the programme move into 'Whakakotahi - system unification' in 2023 and beyond.

RoVE Design and Implementation Team (RoVEDIT)

During the quarter, the project continued to focus on delivering the immediate internal changes required for the TEC to receive, support and enable the changes being implemented by RoVE; and putting project management structures in place to ensure successful project delivery. Key activities over the quarter included:

Delivering immediate internal changes

- › Working with the RoVE TITO Transitions project to prepare for, and shift TITO Arranging Training functions to Te Pūkenga and other receiving organisations. Over the quarter, one TITO was successfully transitioned to two receiving organisations. Five TITOs in total have now been successfully transitioned.
- › Designing a pilot approach to engage with and support the TITO receiving organisations post transition. This approach will enable us to support receiving organisations to successfully deliver their new functions and role in the system.
- › Assisting WDCs in their establishment and initial operational phases. This included developing a guide for WDCs on what we expect to be included in their 2022/23 operational plans, developing an approach for our engagements with WDCs in 2022, and confirming indicative funding allocations for WDCs in 2022/23.
- › Developing our approach to working with WDCs on the receipt of their advice to us in 2022. Discussions with WDCs on this will begin in the first quarter of 2022.
- › Progressing discussions with MBIE about shared data approaches with WDCs and RSLGs.

Implementing project management structures

- › Exploring joint governance across RoVE and TEC projects that have activity relating to WDC and RSLG input into our investment processes in their scope. This will enable a central point for decision making and guidance relating to this activity.
- › Continuing to keep TEC staff informed about the RoVE and RoVEDIT project activities through regular information sharing sessions.

Te Pūkenga

Te Pūkenga consulted on its high-level operating model during the quarter. Feedback was largely positive, with stakeholders wanting to better understand how the operating model will work in practise. Te Pūkenga now have a significant amount of work to do to develop an implementation plan, undertake organisational design, and design a regional governance structure that ensures responsiveness in the regions. Te Pūkenga have started bringing on resources to support the work in 2022.

Te Pūkenga has delayed the submission of its programme business case to you to allow for greater analysis to be undertaken following organisational design for the development of further detail on the operating model. Te Pūkenga now expect to submit the programme business case to you in mid-2022.

In December 2021, Te Pūkenga submitted a business case to the Minister of Education seeking Crown funding for its high-priority building strategy. The business case sets out the range of remediation work that is required to be undertaken across Te Pūkenga to meet regulatory and compliance. Decisions will be made as part of Budget 2022.

Over 2021, three TITOs (Competenz, Connexis and BCITO) successfully transitioned their arranging training functions to Te Pūkenga's Work Based Learning (WBL) subsidiary. On 1 January 2022, MITO successfully transitioned its arranging training functions into WBL.

An Equity Experts Group was established in December 2021. This group will provide advice to Te Pūkenga during the development and implementation of its Te Tiriti-based approach and on their strategy.

Te Pūkenga is continuing to co-ordinate the networks response to COVID-19, including sharing resources and best-practise across the network.

Transitional Industry Training Organisations

Five Transitional Industry Training Organisations (TITOs) have transferred their Arranging Training functions and staff to providers, as set out in the table below.

TITO	Receiving provider(s)	Transition date
Competenz	95% Te Pūkenga WBL 5% PTE Skills4Work (retail butchery)	2 August 2021
New Zealand Marine and Composites (NZMAC)	100% to new PTE, MAST Academy	2 August 2021
Connexis	100% to Te Pūkenga WBL	1 September 2021
BCITO	100% to Te Pūkenga WBL	4 October 2021
MITO	99% Te Pūkenga WBL 1% MAST Academy (for the industrial textiles industry)	1 January 2022

Planning is at an advanced stage with the remaining six TITOs, as set out in the table below. Relationships with these TITOs and other key interested parties are being actively managed to ensure transparent, robust and fair decision-making that meets the needs of learners, employers and industry.

TITO	Current status	Intended receiving provider(s) (subject to approval from TEC Board)	Expected transition date
Service IQ	Final plan received	100% Te Pūkenga WBL	4 Jul 2022
Primary ITO	Final plan received	100% Te Pūkenga WBL	5 Oct 2022
The Skills Organisation	Final plan received	Seven providers: ~60% to Te Pūkenga WBL ~16% to Ignite (Skills PTE) ~11% to ETCO ~8% to Vertical Horizonz ~5% to three smaller PTEs	Phased transitions based on cohort: 01 Jul 2022 01 Sept 2022 01 Oct 2022
Careerforce	Final plan expected by 28 Feb 2022	100% Te Pūkenga WBL	1 Sept 2022
Skills Active Aotearoa	Final plan expected by 31 Jan 2022	Preference is to a new PTE created by Skills Active	Oct 2022
HITO	Preference to be indicated by early Feb 2022, plan expected by 31 Mar 2022	A 'lift and shift' to either Te Pūkenga WBL or a PTE	Aug or Nov 2022

The TEC continues to expect all transitions will be completed by the legislated deadline of 31 December 2022.

Unifying the vocational education funding system

A Cabinet paper containing policy decisions and design of UFS was approved by Cabinet in December.

A short-term technical solution to support the delivery of the UFS from 2023 has been agreed. This solution minimises impact on TEOs for 2023 by using existing TEC data tools and analytical capability to derive the needed information. More in-depth engagement with the sector will be required in 2022 to design the longer term solution.

Engagement started in October with all 800+ TEC-funded TEOs on the proposed modes of delivery.

Establishing Regional Skills Leadership Groups

Each Regional Skills Leadership Group (RSLG) is currently finalising the workforce aspirations for their region, which will form the basis for their Regional Workforce Plans (RWP) due for completion by June 2022.

MBIE has been meeting with other entities within the RoVE system to help inform workforce aspirations, and ensure that mechanisms are in place to implement RSLGs' advice. MBIE recently met with WDC Chief Executives to determine what the ongoing interactions between their entities and the RSLGs will look like, particularly in relation to providing advice to the TEC.

Simplifying the design of vocational qualifications

Support for the WDC operational staff is being provided by NZQA relationship managers and an information sharing platform has been established for staff to use.

NZQA's Chief Executive met with the council members of the Toi Mai, Ringa Hora and Toitu te Wairoa WDCs to discuss the Cabinet decisions, outline the role of NZQA in vocational education, the NZQF and the current programme of work. Meetings have also been held with the WDC Chief Executives to discuss the joint work programme and how best to engage with WDCs to deliver on this programme.

An initial workshop has been held to discuss the purpose and use of the skill standards and related education products. WDCs will continue to be engaged in the scoping and design process.

Communications and engagement

The communications and engagement work stream has focused on developing the communications approach and products to support the potential Ministerial announcement on UFS following Cabinet decisions in December. The work stream also supported the stand-up and staff induction for WDCs.

The focus for early 2022 will be a refreshed strategic engagement and communications plan, including the strategic narrative for the reforms. Planning is underway to bring key stakeholders from across the system together for a virtual hui in April 2022. This event will provide an opportunity for RoVE participants from across the system and country to get together, work together and gain a shared understanding of the new vocational education and training system.

Monitoring TEOs

We continue to work closely with Te Pūkenga on the implementation of its transition and transformation programme, and to monitor its financial position. We provided our quarterly reports to the Minister of Education on Te Pūkenga's progress in November 2021 and February 2022. We continue to have concerns about the progress being made on Te Pūkenga's transformation programme, and our close monitoring will continue throughout 2022. We will also continue to work closely with Te Pūkenga management and provide support to assist it to deliver on its objectives, where required.

We continue to work closely with the university sector to understand the financial impacts of COVID-19 and the associated lockdowns and ongoing border restrictions. We received updated financial information for the 2021 year in February 2022. We continue to have regular discussions with university senior management regarding their respective financial performance. Universities have very large capital programmes planned over the next decade, and although formal requests are yet to be received by the TEC, we have continued to engage with three universities anticipating changes to their current approved borrowing consents. These three universities also submitted requests to operate outside current borrowing consent breach covenants for the 2022 year (or until a new consent is agreed), on which we are also providing advice to MoE.

During the quarter we reviewed Workforce Development Council (WDC) financial information included in the 17 December 2021 Establishment Update report, and do not hold any concerns about the current financial viability of the six WDCs. We have also engaged with the WDC shared services entity, Hāpaitia, to discuss changes to simplify our financial data collection process in early 2022.

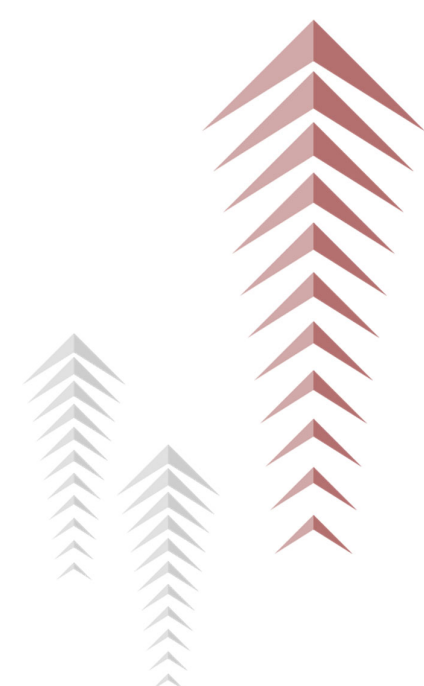
We supported the Minister to make nine appointments to TEI councils. Six were new appointments and three were the reappointment of council members who were about to reach the end of their previous term of Ministerial appointment. A series of webinars, comprising of three briefings, were provided to approximately 30 members of TEI Councils in quarter two. A programme of further sessions is being planned for the 2022 calendar year.

As at December 2021, we have one TEO investigation underway and we are conducting enquiries into a PTE that may develop into an investigation. No investigations were completed in quarter two, meaning no new investigation reports being published on the TEC website. In relation to an historic investigation, an independent financial advisor has been appointed to advise the TEC Board of Commissioners on the outstanding debt and the PTE's ability to meet its repayment obligations. Publication of the investigation report regarding this investigation is expected in quarter three.

During the quarter, we identified 11 false statutory declarations relating to Fees Free. We have identified a total of 758 since the introduction of Fees Free. We have no current legal proceedings underway in relation to false Fees Free statutory declarations.

Internally, we continued to progress two reviews in relation to PTEs. One in relation to our monitoring of the PTEs we have classified as a high financial viability risk (substantially completed), and the other is examining the PTEs that are currently forecast to under-deliver against full year delivery targets (now completed).

9(2)(i)



Over the quarter we have focused on the following:

Performance Based Research Fund

TEOs have been advised of their 2022 Performance Based Research Fund (PBRF) allocations, amounting to exactly \$315m in total.

During this period we worked with the co-chairs and members to agree in more detail the approach of the Sector Reference Group (SRG), and to develop its first two consultation papers. This included consideration of how the group will give effect to Te Tiriti o Waitangi and deepen its understanding of Mātauranga Māori.

After considering sector feedback on its first consultation paper, the SRG finalised its work programme for 2022/23. A second SRG consultation paper, looking at the PBRF definitions of research and research excellence, was published in December. Work began on the SRG's third consultation paper, which will look at how to implement Cabinet's decisions on changes to the design of Evidence Portfolios.

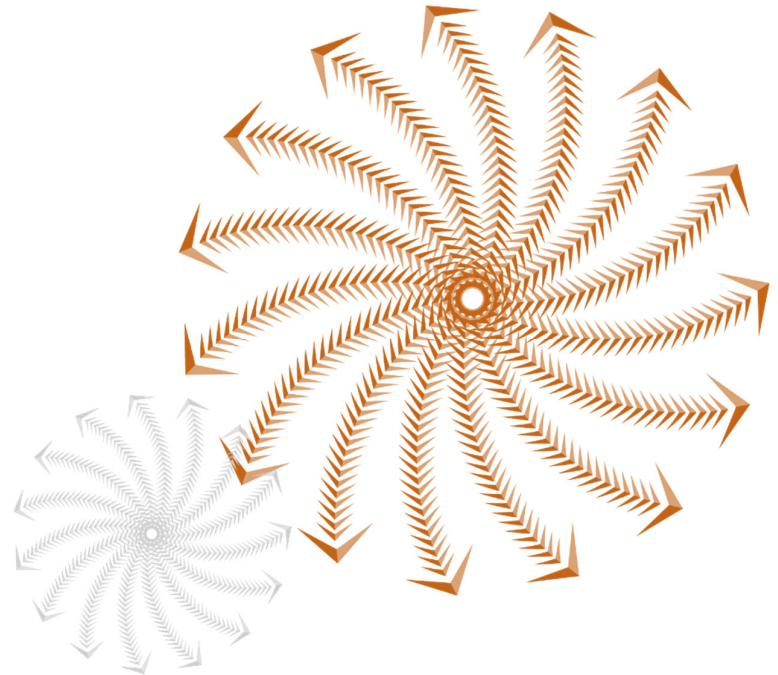
The TEC Board of Commissioners delegated the ability to make 'in principle' decisions about changes to the PBRF Quality Evaluation guideline to the Deputy Chief Executive Delivery. This will allow us to provide early certainty to TEOs about how changes will be implemented.

Planning was undertaken for the overall Quality Evaluation project up to 2026, including looking at timing, resourcing, and budget for the project.

Centres of Research Excellence

Final reports, including financial statements, have been received from the ten Centres of Research Excellence (CoREs) that were funded up to 30 June 2021.

The ten new CoREs, funded through to 31 December 2028, have embarked on their research. Two of these CoREs are brand new, and both have programmes that involve extensive community participation; as they are at a formative stage, they have been focussing on the establishment of policies, processes, and research programmes.



Over the quarter we have focused on the following:

Internal systems and processes

Cultivating a Thriving TEC

In alignment with the TEC Strategy, our mahi during the quarter was focused on “maturing and growing our people’s capabilities” under “Thriving TEC”. This work marks significant progress in the following areas.

He Marae Tangata – lifting our people capability

We have created the final working version of the TEC Capability Framework. This Framework defines the three TEC capabilities of ‘learner-centric, equity-minded and culturally affirming’ across three levels of Growing, Capable and Highly Capable for all TEC staff. It also defines what ‘good’ looks like for the TEC as an organisation across three stages over a period of one to five years.

In preparation for the next phase of this work, we have identified a procurement solution for developing Capability Assessments. This work will start in January 2022. We have also completed a learning stocktake of all training offered at the TEC (external and internal, and formal, informal and on-the-job). This data will feed into a Learning Needs Analysis, aimed at identifying how the current training maps to the ‘capabilities’ and what additional training our people need for uplifting them.

Lifting our cultural capability

We have scoped an internally developed training course on applying Te Tiriti o Waitangi to the context of the TEC’s work, e.g. managing relationships with our stakeholders and TEOs. The content of the course is under development and this will be provided to our people early in 2022.

We work flexibly, to be productive where we work (Tōnui, Tōu Ora)

We included five specific questions on flexible working in our annual engagement survey (He Waka Eke Noa). The data (over 85% for most questions) show that there is high trust between our people and their leaders for being productive while working flexibly, and people feel confident to manage their work and home life. In alignment with the TEC Strategy, this is an instance where we have used data and insights to create a sound baseline for our flexible work implementation.

We have delivered workshops to all our staff and people leaders, with the objective of introducing flexible work and its benefits. We have launched a Knowledge Space for Tōnui, Tōu Ora which has information and tools to support our people moving into a more flexible way of working. A desktop review of our Flexible Work policy has been completed, and final changes will be made early in 2022.

Developing a connected and collaborative culture

The “Thriving TEC” work programme included our employee engagement survey, He waka eke noa – we’re all in this together. This is our third annual survey.

Overall areas of strength include:

- › **Culture** – the TEC is viewed as an inclusive organisation which values diversity
- › **Leadership** – Overall, our leaders have mana, and our people trust their leaders, and
- › **Wellbeing** – People are fairly resilient and feel their physical and psychological wellbeing is protected.

Areas of focus recommended for 2022:

- › **Cultural capability** – this year we had new questions on te reo, tikanga and Te Tiriti. The scores indicate we’ve a good platform to build on.
- › **Operational processes** – streamlined, particularly those which span more than one Directorate, teams working together, projects plans, outcomes improvement and consistently measured against projected benefits.
- › **Client focus** – learners and our stakeholders, TEOs at the centre of what we do, everyone clear about how they deliver to our customers’ needs.
- › **Performance and development** – ongoing support of people leaders to manage performance of staff, Coaching Kōrero embedded consistently across the organisation, informal and on-the-job learning opportunities need to be provided to people (e.g. coaching, mentoring, shadowing, internships, etc), career pathways need to be developed.

Bargaining

We concluded bargaining for a new collective agreement. This is for a two year term and expires on 1 December 2023. Remuneration was focused on those lower paid, with no increases for those over \$100k. There will be a working party to review our remuneration system for implementation in 2023.

Delivering great customer service

During the quarter our new Manager Customer Contact joined the TEC. We started looking at ways to optimise our Genesys customer experience technology platform that was launched in March 2021. We will implement these changes in Q3 2021/22, and expect this will lead to improved performance by the end of Q4 2021/22.

Data and digital

Data Exchange Platform

The first phase of the Data Exchange Platform project mitigates the risks of our current data collection applications by transitioning the Workspace2 (WS2) and the Services for Tertiary Education Organisations (STEO) functionality onto the new platform. We delivered the WS2 functionality in November 2021. Work continues on the delivery of the STEO functionality. We're on track to deliver by the end of June, based on the most appropriate time to deploy these changes to minimise the impact on TEOs.

Cybersecurity at the TEC

We have completed work on updating our Information Security and ICT Asset Management policies. The Information Security policy forms the foundation against which our remaining ICT policies will be aligned.

A staff phishing campaign was completed late in 2021, with support from our cybersecurity partner. We canvassed 134 staff members. Results are currently being analysed and an appropriate response plan will be formulated for action in 2022.

We updated our playbooks/response plans associated with the most common cybersecurity threats with support from cybersecurity partner. Our ICT service desk has been trained on these playbooks and we have a critical incident management framework in place when needing to run a playbook.

Cybersecurity and the tertiary sector

To coordinate activities across the education sector the Education Digital and Data Board (EDDB) has formed a cybersecurity sub-group. We are now working through the sub-group to progress tertiary sector cybersecurity initiatives.

The subgroup is in the process of developing a work programme of what activities need to be undertaken across the education sector.

Microsoft licensing agreement

The TEC-led negotiations for a common Microsoft licensing agreement were concluded during the quarter. The agreement allows Universities, Te Pūkenga and Wānanga to access Microsoft products on much better terms than currently available. In addition to the reduced licencing costs, the agreement provides access to enhanced features that will improve their overall level of cybersecurity and improved commercial and procurement terms over a five year period.

Impacts of COVID-19 on TEC operations

We continue to focus our business continuity preparedness for COVID-19, including additional measures for a community outbreak of the Omicron variant. We are taking advice from the Ministry of Health and the Public Service Commission.

We have continued to maintain remote working capability for all staff and we have promoted the use of online collaboration tools to ensure staff are able to collaborate regardless of whether they are at home or in the office.

We hold two business continuity exercises each year. Our next exercise is scheduled for February 2022.

Managing risk

We continue to review, report and monitor operational risks on a quarterly basis. Quarterly updates are provided to the Executive Leadership team and the Risk and Assurance Committee.

Operational risks identified in the Q1 2021/22 period include:

- › staff shortages, single points of failure, succession planning
- › pressures on operational budget
- › cybersecurity, and
- › capability relating to Te Tiriti o Waitangi obligations, parity and equity.

Our operational risk framework now aligns to the business planning process involving the Tier 3 leadership group, moving away from identifying risks within each Directorate. This aims to provide a more horizontal view of our key risks, remove duplication and provide a much closer link to our work programme priorities.

Our strategic risks will be reviewed and updated by the Executive Leadership team in February 2022.

Privacy

We continue to support privacy practice across the organisation through training, communication, incident management and reporting, and working with our colleagues as they develop and deliver products and services.

Our ethics panel and processes continue to operate well. Our TEC Code of Ethics has been implemented and this has been communicated to the organisation. We have appointed an external member to the ethics panel, and they will start with us early in 2022.

Quarter two 2021/22 performance measure results summary

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

Total measures reported in quarter two		Achieved	On track to achieve target by end of year	Not on track – but expected to achieve target by end of year	Not on track – not expected to achieve target by end of year
SOI measures	2	1	-	1	-
SPE measures	2	1	1	-	-
Total measures	4	2	1	1	-

The measure not on track, but expected to achieve target by the end of the year, relates to the number of system-wide reviews completed (see note 2).

TEC output measures

Document	Measure	Actual as at 31/12/21	Target 2021/22	Actual 2020/21
Statement of Intent (SOI)	At least three system-wide reviews completed each year and results shared with tertiary education organisations	0.00 (Note 1)	Achieved	2
	At least three educational activities undertaken each year to support the capability of tertiary education organisations and provide information and guidance on their obligations	5.00 (Note 2)	Achieved	3
Statement of Performance Expectations (SPE)	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	100.00% (Note 3)	At least 94%	Not able to be measured as no seminars were held
	Percentage of payments the TEC makes to tertiary education organisations that are made within agreed timeframes	99.92% (Note 4)	99.5%	99.88%

Note 1 We have initiated four system reviews:

- a review of TEOs that receive Employer-led Workplace Literacy and Numeracy funding and how the TEC monitors the fund
- a review of Pre-Purchased English Language Tuition, and
- a dual review of the potential risks faced in the Private Training Establishment (PTE) sector. One part is to review our monitoring of the PTEs we have classified as a high financial viability risk, and the other is examining the PTEs that are currently forecast to under-deliver against full year delivery targets. We expect the findings of the high risk PTEs review will help inform whether any changes need to be made to operational practices or our PTE Financial Monitoring Framework.

Note 2 Achieved. A series of three webinars for TEI council members were held during the second quarter, covering:

- the framework for governance
- the role of council members, and
- a focus on learners.

A webinar was also held for WDC council members that covered the four pillars of governance:

- the tertiary education environment
- the legal and regulatory framework for council members, and
- a focus on public sector governance.

In addition, we published a monitoring update in December 2021 that gave the sector guidance on SoF31 reporting, the Fees Free statutory declaration process terms and conditions, and the regulation of compulsory course costs.

Note 3 Achieved - 100%. Four governance webinars were held during the second quarter (a series of three webinars for TEI council members and one for WDC council members). Attendees were surveyed and although only 18 responded, all 18 agreed that they had gained information relevant to their council work. For future webinars we will be considering how to increase the response rate from attendees.

Note 4 Eleven payments out of 13,515 total year to date payments were not made within agreed timeframes.

We are forecasting a higher grants spend in 2021/22

Overall grant spend is forecast to be \$3.897b. This is higher than last year's grant spend of \$2.614b. The majority of the increased spend is due to the accounting implications of guaranteeing TEO funding for 2020 in response to COVID-19, which resulted in us recognising the full 2020 calendar year expenses at 30 June 2020. This was a technical accounting issue that required the transfer of funding from 2020/21 to 2019/20 to resolve the issue.

Forecasting is again challenging this financial year for both TEOs and the TEC. Relatively high student demand is expected but it is difficult to forecast 2022 demand at this stage. We will keep a close watch on this as the financial year progresses.

We currently have \$80m in our grants Balance Sheet Mechanism (BMF) made up of \$46m receivable from the MoE, plus funds held in our equity of \$34m. We now expect to incur \$30m of costs in 2021/22 above our baseline which will reduce the balance sheet to around \$50m at 30 June 2022.

We have requested Fees Free underspends in 2021/22 are reprioritised to SAC. Cabinet have approved and delegated the final decision to Joint Ministers. If we do see high demand in 2022 and Joint Ministers agree, the Fees Free funding will limit reductions to the BMF when we calculate the final balance on 30 June.

Depending on demand, we may come under further pressure in 2022/23. A budget bid has been raised for further funding in 2023 and outyears.

We are also seeking a transfer of \$11m from outyears to 2021/22 at March Baseline Update. This is a technical accounting adjustment that arises from the increase for Equity Vocational Education Training and the need to recognise an obligation when it arises. The income and related expenditure are not included in the forecast in this report.

Our \$0.7m operating surplus is better than the budgeted deficit of \$3.0m by \$3.7m at the end of quarter two 2021/22

We are under budget mainly because RoVE is under budget by \$2.1m. Timeframes for the recruitment of additional staffing in particular for the Unified Funding System implementation were extended to match design approval. We have also experienced difficulty in recruiting appropriately skilled staff in the current market, although timelines and deliverables have not been materially impacted.

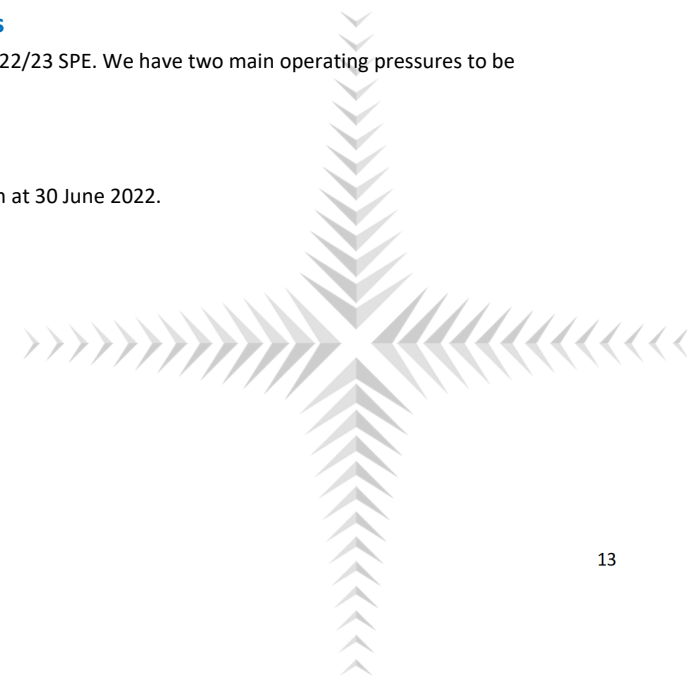
Our early indication is that we will end the year with an operating deficit of between \$2.5m to \$3.6m against a budget deficit of \$4.0m. The final amount is mostly dependent on the revenue transfer to match the RoVE programme work plan and other uncertainties. The other uncertainties are mainly due to the ongoing impact of COVID-19 and potential impacts to fixed assets from recent changes to the recommended accounting treatment of some aspects of Software as a Service (SaaS) implementation costs.

We are progressing our five year operating forecast and SPE, which show continued deficits for the next few years

Our five year planning shows operating cost increases are not matched with increase revenue. We plan to budget for another deficit in our 2022/23 SPE. We have two main operating pressures to be addressed:

- › increasing personnel costs, and
- › increasing software costs and asset write down costs as we look to transition to the cloud.

We are continuing to review our cost base with a view to identifying efficiencies. Our fiscal position remains robust with forecast cash of \$23m at 30 June 2022.



Financial Statements

Grants revenue and expenses

For the period ended 31 December 2021

	2022 6 months actual \$000	2022 6 months SPE Budget \$000	2022 Full Year SPE budget \$000	2022 Full year forecast \$000	2021 Full year actual \$000
REVENUE					
Crown revenue	1,625,105	1,590,865	3,889,548	3,872,886	2,584,174
Prior year recoveries	70	1,000	2,000	890	3,650
Interest	70	17	33	190	36
Total revenue	1,625,245	1,591,882	3,891,581	3,873,966	2,587,860
Less revenue administered by Ministry of Education	(14,508)	(4,003)	(7,448)	(19,693)	(1,237)
Total revenue administered by TEC	1,610,737	1,587,879	3,884,133	3,854,273	2,586,623
EXPENSES					
Tertiary Tuition and Training multi-category appropriation					
<i>Community Education</i>	42,766	42,923	85,497	78,340	45,682
<i>Tertiary Education: Student Achievement Component</i>	877,752	836,129	2,376,032	2,413,157	1,504,286
<i>Training for Designated Groups</i>	161,140	146,392	306,243	321,383	162,625
<i>Fees-free Payments</i>	249,351	290,315	541,344	476,592	337,646
Total Tertiary Tuition and Training multi-category appropriation	1,331,009	1,315,759	3,309,116	3,289,472	2,050,239
Access to Tertiary Education	23,161	11,306	44,415	65,670	42,282
Tertiary Sector / Industry Collaboration projects	20,666	26,440	42,435	49,894	34,344
Establishment of a Single National Vocational Educational Institute	2,565	-	10,000	16,000	63,640
Workforce Development Councils	24,054	24,000	48,000	48,000	-
Secondary-Tertiary Interface (Vote Education)	15,038	15,282	30,564	30,816	15,057
Centres of Research Excellence	24,900	24,900	49,800	49,800	49,800
Tertiary Education Research and Research-Based Teaching	159,750	159,750	321,000	321,000	321,000
University-led Innovation	5,191	4,675	9,350	9,350	9,198
Support for PTEs of Strategic Importance	-	-	-	-	8,083
Support for Te Wānanga o Raukawa	-	-	1,000	1,000	7,000
Support for Wānanga	14,000	4,000	4,000	16,000	-
Tertiary Scholarships and Awards	4,771	4,753	19,868	20,113	14,734
Total expenses	1,625,105	1,590,865	3,889,548	3,917,115	2,615,377
Less expenses administered by Ministry of Education	(14,508)	(4,003)	(7,448)	(19,693)	(1,237)
Total expenses administered by TEC	1,610,597	1,586,862	3,882,100	3,897,422	2,614,140
Surplus/(deficit)	140	1,017	2,033	(43,149)	(27,517)

Operational revenue and expenses

For the period ended 31 December 2021

	2022 6 months actual \$000	2022 6 months SPE Budget \$000	2022 Full Year SPE budget \$000	2022 Full year forecast \$000	2021 Full year actual \$000
REVENUE					
Crown revenue					
– Tertiary Education Commission	39,486	38,615	77,230	80,077	81,924
– Māori Education Trust (Ministry of Education-administered)	64	55	109	109	109
Contract – Pre-purchased English Language Tuition	120	71	442	473	605
Contract – Migrant Futures	-	-	-	-	1,676
Interest	108	90	180	192	297
Other	1,440	624	1,248	3,355	1,381
Total revenue	41,218	39,455	79,209	84,206	85,992
EXPENSES					
Tertiary Education Commission	40,438	42,355	83,135	87,637	88,965
Māori Education Trust (Ministry of Education-administered)	64	55	109	109	109
Total expenses	40,502	42,410	83,244	87,746	89,074
Surplus/(deficit)	716	(2,955)	(4,035)	(3,540)	(3,082)

Statement of Comprehensive Revenue and Expense

For the period ended 31 December 2021

	2022 6 months actual \$000	2022 6 months SPE Budget \$000	2022 Full Year SPE budget \$000	2022 Full year forecast \$000	2021 Full year actual \$000
REVENUE					
Grants revenue:					
Vote Education/Tertiary Education – Ministry of Education (MoE)	1,610,597	1,586,862	3,882,100	3,853,193	2,582,937
Prior year recoveries – net	70	1,000	2,000	890	3,650
Total grants revenue	1,610,667	1,587,862	3,884,100	3,854,083	2,586,587
Operating revenue:					
Vote Tertiary Education – MoE	39,486	38,615	77,230	80,077	81,924
Contract – Migrant Futures	-	-	-	-	1,676
Contract – Pre-purchased English Language Tuition	120	71	442	473	605
Other revenue	1,440	624	1,248	3,355	1,381
Total operating revenue	41,046	39,310	78,920	83,905	85,586
Finance revenue:					
Interest – grants	70	17	33	190	36
Interest – operating	108	90	180	192	297
Total finance revenue	178	107	213	382	333
Total revenue	1,651,891	1,627,279	3,963,233	3,938,370	2,672,506
EXPENSE					
Grants expense:					
Grants expense	1,610,698	1,586,737	3,881,600	3,897,622	2,614,583
Bad and doubtful debts	(101)	125	500	(200)	(443)
Total grants expense	1,610,597	1,586,862	3,882,100	3,897,422	2,614,140
Operating expense:					
Personnel costs	28,453	29,092	56,701	58,817	55,569
Amortisation	1,259	1,459	2,900	2,830	3,245
Depreciation	493	554	1,494	1,127	1,256
Other expenses	10,233	11,250	22,040	24,863	28,895
Total operating expense	40,438	42,355	83,135	87,637	88,965
Total expense	1,651,035	1,629,217	3,965,235	3,985,059	2,703,105
SURPLUS/(DEFICIT)					
Grants surplus/(deficit)	140	1,017	2,033	(43,149)	(27,517)
Operating surplus/(deficit)	716	(2,955)	(4,035)	(3,540)	(3,082)
Total comprehensive revenue and expense	856	(1,938)	(2,002)	(46,689)	(30,599)

Statement of Financial Position

As at 31 December 2021

	2022 6 months actual \$000	2022 6 months SPE Budget \$000	2022 Full Year SPE budget \$000	2022 Full year forecast \$000	2021 Full year actual \$000
CURRENT ASSETS					
Receivables	316,414	270,806	497,242	571,383	647,037
Cash and cash equivalents	61,110	70,158	64,932	96,131	113,883
Prepayments	1,289	1,020	1,020	1,000	1,139
Total current assets	378,813	341,984	563,194	668,514	762,059
NON-CURRENT ASSETS					
Intangible assets	21,447	23,515	31,337	22,427	15,172
Property, plant and equipment	3,806	5,755	6,453	4,379	4,200
Total non-current assets	25,253	29,270	37,790	26,806	19,372
Total assets	404,066	371,254	600,984	695,320	781,431
CURRENT LIABILITIES					
Payables	258,068	247,954	501,449	568,646	610,325
Pre-purchased English Language Tuition – fees in advance	17,157	17,688	14,461	15,155	17,534
Repayment of grants funding – MoE	356	-	33	26,147	25,679
Employee entitlements	2,383	3,860	3,632	3,817	3,501
GST payable	6,311	(3,427)	(3,515)	2,967	5,336
Provision for lease	150	150	150	150	150
Total current liabilities	284,425	266,225	516,210	616,882	662,525
NON-CURRENT LIABILITIES					
Provision for lease	763	793	718	718	838
Employee entitlements	693	714	714	700	669
Total non-current liabilities	1,456	1,507	1,432	1,418	1,507
Total liabilities	285,881	267,732	517,642	618,300	664,032
Net assets	118,185	103,522	83,342	77,020	117,399
EQUITY					
General funds	118,185	103,522	83,342	77,020	117,399
Total equity	118,185	103,522	83,342	77,020	117,399

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

The actual PBE accounting adjustment is \$239m compared to a budget of \$223m. The movement of \$348m from last year also reduces grants revenue and expenses.

Statement of Changes in Equity

For the period ended 31 December 2021

	2022 6 months actual \$000	2022 6 months SPE Budget \$000	2022 Full Year SPE budget \$000	2022 Full year forecast \$000	2021 Full year actual \$000
Balance at 1 July	117,399	98,577	71,577	117,399	139,534
Total comprehensive revenue and expense for the year	856	(1,938)	(2,002)	(46,689)	(30,599)
Capital contribution	-	6,900	13,800	6,500	8,500
Repayment of grants interest – MoE	(70)	(17)	(33)	(190)	(36)
Balance at 31 December	118,185	103,522	83,342	77,020	117,399

Breakdown of Cash Balances

As at 31 December 2021

	2022 6 months actual \$000	2022 6 months SPE Budget \$000	2022 Full Year SPE budget \$000	2022 Full year forecast \$000	2021 Full year actual \$000
Operations cash	17,609	23,805	20,620	23,569	27,515
Grants cash	27,903	30,649	31,542	58,782	70,670
Pre-purchased English Language Tuition cash	15,598	15,704	12,770	13,780	15,698
Cash and cash equivalents at 31 December	61,110	70,158	64,932	96,131	113,883

Statement of Cash Flows

For the period ended 31 December 2021

	2022 6 months Actual \$000	2022 6 months SPE Budget \$000	2022 Full Year SPE Budget \$000	2022 Full Year Forecast \$000	2021 Full Year Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Grants – MoE	1,911,480	1,993,341	4,035,143	3,897,477	3,615,098
Grant recoveries – prior year	70	1,000	2,000	890	3,650
Grants – Pre-purchased English Language Tuition	856	-	(2,934)	(2,162)	3,289
Operating – MoE	39,486	38,615	77,230	80,077	81,924
Operating – Pre-purchased English Language Tuition	86	71	149	257	328
Operating – other	4,465	765	1,248	6,744	3,178
	1,956,443	2,033,792	4,112,836	3,983,283	3,707,467
<i>Cash was applied to:</i>					
Grants payments	(1,958,310)	(1,992,941)	(4,034,743)	(3,933,015)	(3,608,868)
Payments to employees	(29,563)	(28,547)	(56,325)	(58,493)	(55,388)
Other operating payments	(14,575)	(11,401)	(22,126)	(27,832)	(25,931)
GST – net	975	614	526	(2,369)	3,069
	(2,001,473)	(2,032,275)	(4,112,668)	(4,021,709)	(3,687,118)
Net cash flows from operating activities	(45,030)	1,517	168	(38,426)	20,349
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Interest – operating	110	90	180	118	336
Sale of property, plant and equipment	-	-	-	-	12
	110	90	180	118	348
<i>Cash was applied to:</i>					
Purchase of intangible assets	(7,733)	(9,262)	(18,524)	(10,085)	(5,401)
Purchase of property, plant and equipment	(120)	(1,638)	(3,276)	(1,411)	(1,311)
	(7,853)	(10,900)	(21,800)	(11,496)	(6,712)
Net cash flows from investing activities	(7,743)	(10,810)	(21,620)	(11,378)	(6,364)
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
Capital contribution - MoE	-	6,900	13,800	6,500	8,500
<i>Cash was applied to:</i>					
Repayment of grants funding – MoE	-	(40)	(7)	25,552	(1,257)
Net cash flows from financing activities	-	6,860	13,793	32,052	7,243
Net increase/(decrease) in cash and cash equivalents	(52,773)	(2,433)	(7,659)	(17,752)	21,228
Cash and cash equivalents at 1 July	113,883	72,591	72,591	113,883	92,655
Cash and cash equivalents at 31 December	61,110	70,158	64,932	96,131	113,883