



THE MINISTRY OF EDUCATION

Annual Report

2015 *For the year ended 30 June 2015*

New Zealand Government

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Annual Report

2015 *For the year ended 30 June 2015*

*Presented to the House of Representatives pursuant to
section 44(1) of the Public Finance Act 1989*

Hon Hekia Parata

Responsible Minister for the Ministry of Education
Minister of Education

Hon Steven Joyce

Minister for Tertiary Education, Skills and Employment
Minister Responsible for Novopay

Hon Nikki Kaye

Associate Minister of Education

Hon Louise Upston

Associate Minister for Tertiary Education, Skills and Employment

David Seymour

Parliamentary Under-Secretary to the Minister of Education

Report for the Ministry of Education

for the year ended 30 June 2015

Pursuant to section 44(1) of the Public Finance Act 1989, I am pleased to present the Annual Report of the operation of the Ministry of Education and our audited financial statements for the year ended 30 June 2015.



Peter Hughes
Secretary for Education

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Foreword from the Secretary for Education

We all want our children to be successful in the modern world and investing in educational achievement offers good long-term returns.

We know that quality teaching makes a real difference to the outcomes for our children. In 2014/15, we launched Investing in Educational Success. This programme focuses on lifting and disseminating the best teaching and learning practice. Working together is an integral part of the programme and establishing Communities of Learning will help education providers come together to deliver the best educational outcomes for our children and young people.

An important step in improving educational outcomes overall is to encourage participation in early childhood education. This is a challenging space, but we are making progress. Participation has increased to 96%, and much of this success is due to targeted community work with the hardest-to-reach families.

We are making ground in other areas – NCEA Level 2 achievement for 18-year-olds is now over 81%, an increase of nearly seven percent in only three years. This is a great result because educational attainment links to wider positive social and cultural outcomes. More young people are achieving Level 4 qualifications. By March 2015, 54.2% of 25-34-year-olds had qualifications at this level.

As well as raising participation and achievement, we made more information available to target effort and resources, nationally and locally. Education system performance information, available on the Education Counts website, provides a data-rich environment for schools, parents and communities to drive better performance. For example, new Iwi Education Profiles allow iwi, hapū and whānau to see how their children are progressing from early childhood to 18 years of age. We are also providing students and their families and whānau with the information they need to make good decisions on transitioning into tertiary education. Web tools, like Compare Study Options, help young people make informed study choices at the tertiary level.

Improving collaboration remains an important focus for the Ministry. Through the Education

System Stewardship Forum, we are working with other key government education agencies to address the disparity of outcomes for Māori and Pasifika. Locally-based Directors of Education are helping to build stronger partnerships across parents, whānau, iwi, schools and education providers with the aim of improving student achievement. To support this, we held four national, and 18 regional, cross-sector forums to connect with the sector and bring together people from across the regions. We are also working with other agencies to implement the *Tertiary Education Strategy 2014-2019* – to help ensure businesses are able to access the skilled workers they need to drive broader economic growth and prosperity.

We are also working to improve the effectiveness of core education services. Lessons learnt from the Canterbury rebuild are being applied across our property portfolio. We are supporting teachers to integrate the use of digital technologies into their teaching and learning practice. We had 150 hui and forums around the country to hear feedback on proposed special education service improvements. We established a new professional body for teachers and modernised governance arrangements for universities and wānanga.

We updated our organisational structure and operating model to further improve our effectiveness. We made changes in our leadership team and established new groups to support our system focus and encourage evidence-driven practice.

Reflecting on the past year's achievements, I am encouraged by the progress we are making in building and strengthening our education system so that it delivers effective outcomes for our children and young people. I thank all those working tirelessly to make this happen from parents and communities, teachers and education system leaders, to Ministry staff.



Peter Hughes
Secretary for Education

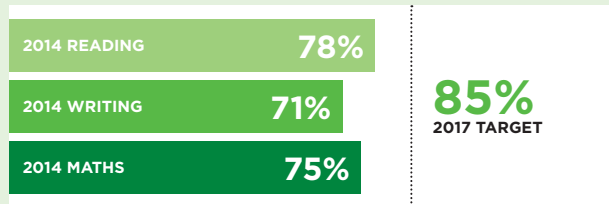
The year at a glance

We are making progress

More children have participated in quality early childhood education (ECE) before starting primary school



More primary school-age students are achieving National Standards



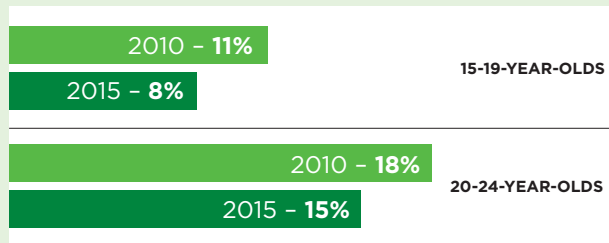
More 18-year-olds are achieving NCEA Level 2 qualifications



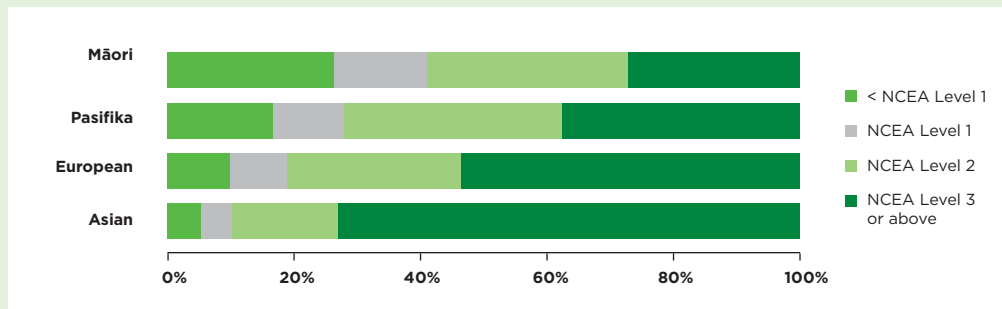
More young people have Level 4 qualifications ...



... and fewer young people are not in employment, education or training



But disparity of achievement remains a challenge



EARLY CHILDHOOD EDUCATION

OVER **200,000**

children were enrolled in ECE services

Over 5,000 ECE services and playgroups with more than 25,000 teaching staff.

PRIMARY & SECONDARY EDUCATION

OVER **760,000**

children and students in primary and secondary schools

New Zealand's curriculum was taught in over 2,500 schools by over 48,500 teachers.

17,700 school students were in Māori-medium schools.

TERTIARY EDUCATION

OVER **565,000**

students were in formal tertiary education, including 139,000 in industry-based training

In 2014/15, we were responsible for a budget of over **\$13.2 billion**


to enable over 1.5 million children, young people and adult students to learn and achieve.

We manage a significant property portfolio **\$12.2 billion**

to provide, upgrade and maintain the physical environment to support children, young people and adult students achieve educational success.

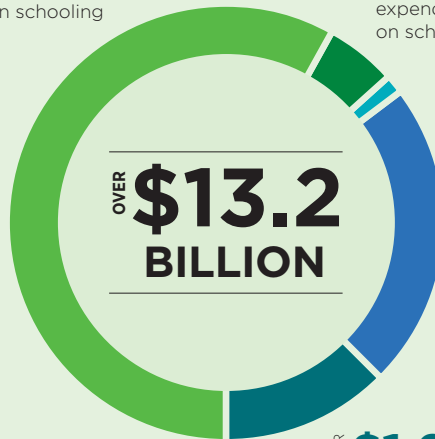
OVER **\$7.7b** 
billion was spent on schooling

OVER **\$696m** 
million of capital expenditure was spent on school property

OVER **\$185m** 
million was spent on school transport

OVER **\$3.0b** 
billion was spent on tertiary education

OVER **\$1.6m** ^{A^BC}
was spent on ECE



Our people are passionate about improving education outcomes.

WE EMPLOYED APPROXIMATELY

2,500 people in full-time equivalent roles (as at 30 June 2015).



We work out of about 40 locations around New Zealand, as well as our national office in Wellington with approximately 70% of our staff directly supporting either children and young people, or educators and education services.

Guide to this report

Part 1 – Our Performance Story

This section outlines our key achievements during 2014/15 and how our work has delivered against the priorities set out in the Ministry's *Statement of Intent 2014-2018* and the *Four Year Plan 2015-2019* developed during the year.

It outlines the performance framework for the year and reports on progress against our three long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

It then reports on progress during 2014/15 in our stewardship role and managing the Ministry itself, through sections on:

- Effective stewardship of the education system
- Organisational health and capability.

Finally it includes a brief summary of the nature and scope of our functions.

Part 2 – Statements of Service Performance

The Statements of Service Performance set out our service objectives, our actual achievements against our targets and financial information on the costs of the activities undertaken. They are audited and provide year-end reporting against the Estimates of Appropriation 2014/15 for Vote Education and Vote Tertiary Education.

Part 3 – Financial Statements

The Financial Statements cover all financial resources used by the Ministry to deliver the goods and services purchased by the Minister of Education and the Minister for Tertiary Education, Skills and Employment.

These statements are followed by a financial commentary, supplementary information, and notes to the Financial Statements that provide more detailed information.



PART 1

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- **Organisational health and capability.**

Finally it includes a brief summary of the nature and scope of our functions.

Introduction

This section outlines our key achievements during 2014/15 and how our work delivered against the priorities set out in the Ministry's *Statement of Intent 2014-2018*, and the *Four Year Plan 2015-2019* developed during the year.

During 2014/15 we developed a new strategic framework that provides the structure for the Ministry's *Four Year Plan 2015-2019*. The framework illustrates what we will introduce to deliver change in the short to medium-term to support the performance of the education system and help achieve our longer-term outcomes. It also recognises the role of education in achieving longer-term social, cultural and economic outcomes that go beyond the education system. This new framework, our 'plan on a page', is set out on the next page.

Our strategic intentions for early childhood and schooling, agreed with the Minister of Education, are outlined in the Education Work Programme agreed with Cabinet in December 2014. Our strategic intentions for tertiary education capture the *Tertiary Education Strategy 2014-2019* and agreed priorities with the Minister for Tertiary Education, Skills and Employment.

To enable us to tell a clearer performance story, we have used this new framework to structure this Annual Report. We have reported on the commitments made in the *Statement of Intent 2014-2018* within the new framework.

The following sections report on progress against three desired, long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

As part of developing the new *Four Year Plan 2015-2019* we have identified five key indicators which provide a litmus test of the Ministry's progress in raising achievement:

- Indicator 1: Increase participation in early childhood education (ECE)
- Indicator 2: Increase the proportion of enrolled students at or above National Standards levels
- Indicator 3: Increase the proportion of 18-year-olds with NCEA Level 2 or equivalent qualifications
- Indicator 4: Increase the proportion of 25-34-year-olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above)
- Indicator 5: Decrease the proportion of youth not in employment, education or training.

Progress against these is reported under the relevant outcome.

These high-level measures are supported by a comprehensive set of performance measures across all Ministry activity set out in the Information Supporting the Estimates of Appropriations. Results for these 2014/15 output performance measures are reported in Part 2 – Statements of Service Performance.

We conclude by reporting on progress against our stewardship intentions and provide an update on organisational health and capability.

Four Year 'Plan-on-a-Page'

THE EDUCATION SYSTEM IS A MAJOR CONTRIBUTOR TO:

SOCIAL AND CULTURAL PARTICIPATION AND WELLBEING

ECONOMIC PROSPERITY AND GROWTH

LONG-TERM OUTCOMES
So that...

THE EDUCATION SYSTEM
is relevant & reaches all
CHILDREN & STUDENTS

EVERY CHILD & STUDENT
achieves
EDUCATIONAL SUCCESS

NEW ZEALANDERS HAVE
skills & knowledge
FOR WORK & LIFE

INTERMEDIATE OBJECTIVES
Then we will see...

HIGHER AND MORE EQUITABLE LEVELS OF PARTICIPATION, ENGAGEMENT, ACHIEVEMENT ENABLED BY:

<p>Better tailoring Responsive educational services which meet the needs and raise the aspirations of all children and students</p>	<p>Better targeting of investment, resources, support and expertise to drive innovation and improve results</p>	<p>More effective collaboration at all levels to raise achievement</p>	<p>Better, more relevant educational pathways through the education system and beyond into the workplace and society</p>	<p>More evidence-based decision-making by students, parents, teachers, leaders, providers and government</p>
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OUR INTENTIONS
We will deliver...

<p>Our stewardship intentions</p> <p>We will:</p> <ul style="list-style-type: none"> Achieve more through effective collaborative relationships with the sector and other partners Provide better advice to government Use and share data and evidence to improve decision-making Provide tailored services and support to raise achievement Invest more effectively to raise achievement 	<p>Our strategic intentions for early childhood & schooling</p> <p>We will:</p> <ul style="list-style-type: none"> Implement Investing in Educational Success Update the Education Act 1989 Update the funding systems for ECE and schooling Improve student-centred pathways Champion 21st century practice in teaching and learning Strengthen inclusion 	<p>Our strategic intentions for tertiary education</p> <p>The Ministry will support the tertiary sector to:</p> <ul style="list-style-type: none"> Deliver skills for industry Get at-risk young people into a career Boost achievement of Māori and Pasifika Improve adult literacy and numeracy Strengthen research-based institutions Grow international linkages
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ENABLING CONDITIONS
These are the things that need to be in place...

ENABLING CONDITIONS IN PLACE, COMPLEMENTARY & ALIGNED

<p>TEACHING Quality, responsive, future-focused teaching workforce</p>	<p>RESEARCH To support quality, research-led teaching and drive economic growth</p>	<p>LEADERSHIP Quality, pedagogical leadership and management</p>	<p>RESOURCES Funding, responsive curriculum, learning technology, assessment tools, texts</p>	<p>DATA Knowledge and evidence to help individuals, providers, communities and government make better decisions</p>	<p>ACCOUNTABILITY Outcome focused, fit-for-purpose regulatory and legislative environment</p>	<p>INFRASTRUCTURE Property, information technology, payroll and access</p>	<p>PARENTS Engaged, informed and ambitious for their children</p>	<p>COMMUNITIES Informed, connected and influential</p>
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The education system is relevant and reaches all children and students

New Zealand needs an education system that meets the needs of our increasingly diverse population and unique cultures. Education must be accessible and relevant to all, and flexible enough to accommodate different aspects of learners' needs throughout their lives. It needs to help create student-centred pathways across the system – clear options for getting from each stage of learning to the next and helping all New Zealanders to be successful in their lives and careers.

Improving education system performance

New Zealand has a strong well-integrated education system with many successes. However, over many years the New Zealand education system has been characterised by relatively high levels of disparity. At every stage, the system is less successful for Māori and Pasifika students, learners with special education needs, and people from low income families. International studies have shown that in New Zealand achievement is more closely linked to economic and social factors such as parental education and skills than in other countries. International studies also show that results for nine and 10-year-olds are declining in maths and science, and that 15-year-olds are not doing as well as they have done previously in these subjects, or in reading.

From entering ECE, through the schooling system, to achievement at the highest levels of tertiary education, we are intent on getting the system working to deliver better outcomes for all students. We are also seeking to ensure New Zealand remains internationally competitive.

To help ensure the education system is relevant and reaches all children and students, we have delivered on the Minister of Education's priorities for early childhood and schooling, as well as improved core service delivery.

Improving participation in ECE

Taking part in quality early learning builds a strong foundation for children's ongoing education and forms a key step in their learning pathway. Evidence shows that investment in participation in the early years supports children from disadvantaged backgrounds to overcome challenges they may face throughout their lives.

Raising participation in ECE is particularly important to us as the children who are least likely to engage in ECE are most likely to benefit from it. The Government has set a Better Public Services goal to increase participation, with a target that 'in 2016, 98% of children starting school will have participated in quality ECE'.

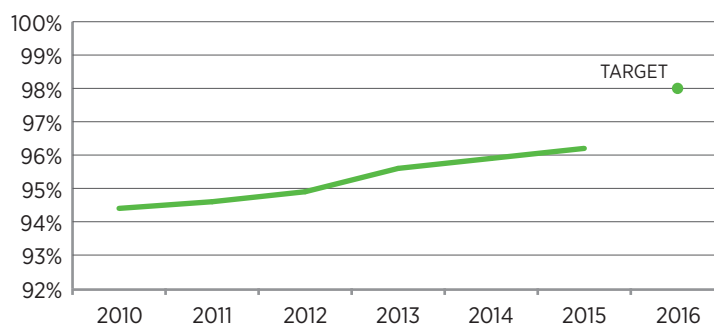
The participation rate has been steadily increasing since 2012, and was tracking well towards the 2016 target of 98%. Over the last 18 months the rate of increase has slowed down, with a June 2015 participation rate of 96.2%.

Much of the gain to date has been from targeting Māori, Pasifika and low income communities which had the largest number of non-participating children. The ECE participation rate for Māori children increased to 94.0% for the year ended 30 June 2015. This is up 1.1% on the year ended June 2014. The rate for Pasifika children increased to 91.2% for the year ended June 2015. This is up 0.9% on the year ended June 2014.

The target becomes more challenging to achieve as we seek to engage those at the margin and is not something we can achieve alone.

Indicator 1: Increase participation in ECE

Better Public Services: Supporting Vulnerable Children, Result 2 (June years)



Years to June

(all numbers %)	2010	2011	2012	2013	2014	2015	2016 Target
All	94.4	94.6	94.9	95.6	95.9	96.2	98.0
Māori	89.4	90.1	90.9	92.3	92.9	94.0	98.0
Pasifika	85.9	86.1	86.7	88.5	90.3	91.2	98.0
Decile 1-3 schools	87.2	88.0	88.5	90.3	91.5	92.5	98.0

Targeting our efforts to improve ECE participation

We have continued to engage with early learning providers, iwi, Māori organisations and Pasifika churches, as well as other government agencies and non-governmental organisations to get increased ECE enrolments through locally-based initiatives.

We are also using several successful initiatives, including Engaging Priority Families, Supported Playgroups and Targeted Assistance for Participation to raise ECE participation. These address the barriers families face in accessing ECE. Delivery of these initiatives is matched to an evidence-based assessment of community need.

To accelerate ECE participation towards the 98% target we are also:

- working with extremely vulnerable and hard-to-reach whānau
- targeting four-year-olds who are not attending ECE or taking part in any form of early learning

- working with health providers to engage more children in early learning and improve health outcomes for children already attending ECE
- using the Early Learning Information system to gain a more in-depth understanding of children's progress from ECE to school, which will help to target support.

Achieving the result now depends on successfully engaging with the hardest-to-reach families. Based on June 2015 data, attaining the 98% target requires participation by about 1,100 additional children who are not attending ECE and are starting school in the year ending December 2016. We are targeting 2,000 non-participating children to ensure the target is met. About half the children we need to reach live in Auckland. We are not doing this alone - we are working with communities, community organisations, early learning providers, and other government departments, to remove barriers to participation and ensure we have quality services available.

Simple things can achieve results

In Weymouth, South Auckland, our data showed ECE centres were not attracting or keeping children, despite a high population of under-fives and plenty of spaces in ECE centres. So we teamed up with the Counties Manukau District Health Board to work with the seven Weymouth ECE centres to address this issue.

The centres found simple solutions to be most effective. Reminder texts to parents on Sunday night led to far more children coming in on Monday. Sending parents Christmas cards with scheduled activities for January brought children back after the Christmas holidays.

Since March 2013, the average enrolment rate across the seven centres has increased from 70% to 99%. The average hours of attendance across the centres has steadily increased from 60% to 95% of licensed hours per week. One centre doubled its attendance. The model is being extended to more areas with low participation including other parts of Auckland, Whanganui, Napier and Wellington. This innovative project was presented to the Carnegie Foundation at its 2015 summit in San Francisco.

To maintain quality we use licensing criteria to determine if ECE services meet the requirements set out in the Education Act and corresponding regulations. ECE licensing makes it clear what is expected on curriculum, health and safety, premises and facilities, as well as governance, management and administration. From 2008 to November 2014, we have relicensed every ECE service (moving from licensing under the 1998 regulations to being licensed under the 2008 regulations). We are working with partner agencies to ensure services are regularly checked and action is taken to safeguard and lift standards.

Improving student-centred pathways across the education system

Good transitions are key to ensuring lifelong outcomes from education, from ECE through to tertiary education. We are working across the system to enable learners to experience smooth transitions at every stage of their education. This includes ensuring the education system is coherent, encourages collaboration and supports continuity of learning across transitions. A key part of this will be reviewing the Education Act 1989 and funding systems to ensure they support simpler transitions.

We have put the foundations in place for world-class early learning, but are ambitious to do more. We are working with a new Advisory Group on Early Learning to review and strengthen the implementation of Te Whāriki (our early childhood curriculum) and to improve the transition from early learning to school, reducing any disruption to learning.

For schooling (Years 1-13), we have been working to improve choice and the coherence of pathways for children and young people as outlined in the next section on achievement. This has included initiatives to ensure smooth transitions between Māori-medium education and English-medium schooling to increase the retention of Māori children and young people.

We are establishing smoother pathways from school to work, by providing a wider range of learning opportunities, making better use of the education network, and creating clear pathways from school to work and study with fees-free places and initiatives such as the Youth Guarantee and Trades Academies. We are also providing students and their family and whānau with the information they need to make good decisions on transitioning into tertiary education. This work is being progressed through the *Tertiary Education Strategy 2014-2019* outlined on pages 26 to 32.

Championing 21st century practice in teaching and learning

The expectations on the education system are changing – education must deliver the skills and knowledge which children, young people and adults need to thrive in 21st century New Zealand and a global economy.

Preparing for a digital world

Learning can take place anywhere, anytime. Education has to prepare students for a digital world and there is opportunity to transform students' experience of the curriculum with new and emerging technology.

Teachers need to be digitally capable so they can help their students develop the skills needed to find information, assess it, and use it collaboratively to solve problems. We support schools to make the most of new technologies through various initiatives.

- We support teachers, through our Professional Learning and Development contracts, to integrate the use of digital technologies into their teaching and learning practice. An E-learning Planning Framework to assist electronic delivery of their local curriculum has now been made available to all schools.
- We provide the Virtual Learning Network, an online platform, where teachers can collaborate and share ideas. It is actively used by thousands of teachers across the country.
- We are working alongside sector partners to review the positioning and content of digital technologies within the framework of the New Zealand Curriculum and Te Marautanga O Aotearoa (the national curriculum for Māori-medium). The review is to identify the competencies, skills and knowledge we want for all our learners to equip them as digital citizens in the digital era.
- In March 2015, we launched a new Connected Learning Advisory – Te Ara Whītiki service to provide state and state-integrated schools and kura with consistent and unbiased advice on integrating technology with learning so they can get the best results for their students and communities. Schools can now get free independent advice on issues such as: how to engage parents and local

communities in accessing technology like social media; using digital devices to support teaching and learning; making software and hardware purchasing decisions; and planning for the effective introduction of digital technologies.

Improving STEM skills and competencies

We know that STEM education (science, technology, engineering and mathematics) contributes to building creativity, curiosity and innovation, which are critical for economic growth. STEM skills underpin the development of new practices and technologies, the application of existing technologies and the development of new, high-value products and services. We are working to ensure the education system recognises the importance of STEM learning and capability.

In July 2014 our two Ministers launched *A Nation of Curious Minds – He Whenua Hihiri i te Mahara*, the Government's plan to encourage and enable better engagement with science and technology across New Zealand society.

Since then we have been providing students with more rich science and technology learning including access to scholarships for Māori and Pasifika students, and opportunities for rural students to work alongside scientists. We have been working to develop and promote the uptake of science careers for all, including a focus on getting more girls in STEM careers. We have also been supporting teachers through professional development, lifting the science and technology content in teacher education and opportunities to engage with scientists and industry, both inside and outside the classroom.

Supporting curriculum development and teaching practice

We continue to support curriculum and professional development. As outlined in the following section on achievement, we are working to ensure the curriculum and support services provided are relevant for the needs of our increasingly diverse population and unique cultures.

In 2014, we introduced the Initial Teacher Education (ITE) programme aimed at lifting the quality of graduating teachers' practice. In

December 2014, the first cohort of 45 students graduated from the first two exemplary post-graduate ITE programmes in primary and secondary schooling. In the 2014/15 financial year, a total of 241 students studied towards the new exemplary ITE qualifications, across seven universities. An additional four exemplary post-graduate ITE programmes in Māori-medium (compulsory schooling) and two in ECE services (English-medium and bilingual) were selected in June 2015 for delivery by tertiary providers from 2016.

In 2014, we participated in the OECD Teaching and Learning International Survey, the results of which are progressively being released by the Ministry. Amongst other findings, a recent *Insights for Teachers* report showed that 97% of New Zealand's Year 7-10 teachers say they have participated in professional development in the last 12 months, and that their principals are some of the most experienced in the 34 reported countries (with an average of 12 years' experience as a principal compared to the TALIS average of nine years).

In April 2015, at the Global Education Leaders' Partnership Event in South Africa, our proposal to host the next event in Auckland in November 2015 was confirmed. Titled Ngā Kāwai Hono - Where the Web of Relationships and Virtual Connections Meet - this event will showcase our education system to leading players in international education system transformation, innovation and collaboration.

Supporting schools to commemorate World War I

We provided curriculum resources to help schools and kura to honour, value and commemorate the service and sacrifice of New Zealanders during World War I. We also partnered with the Fields of Remembrance Trust to deliver commemoration packages to all 2,500 schools and kura in time for Anzac Day 2015. These packages included over 80,000 white crosses and 12,500 commemorative posters. We also provided the 61 schools established during the war period with special commemorative packs to acknowledge their centenary.

Modernising legislation and governance arrangements

A well-performing education system needs the right legal framework and governance arrangements. The Education Act 1989 provides the legal framework for the education system and sets out the roles, responsibilities and powers of Crown entities and independent statutory bodies in the education sector. We are continually seeking to ensure legislation is relevant and supports improved system performance.

Significant work across the Ministry culminated in the new Education Amendment Act 2015, which enables a number of changes to improve the education system.

- It enabled the establishment on 1 July 2015 of a new professional body for teachers, the Education Council of Aotearoa New Zealand. This has broader responsibility for educational leadership and quality teaching in ECE and primary, intermediate and secondary schooling than its predecessor, the New Zealand Teachers Council.
- It modernises governance arrangements for universities and wānanga by reducing Council size, increasing membership flexibility and ensuring all members have relevant knowledge, skills or experience. We are working with the Tertiary Education Commission to implement these changes.
- The New Zealand Qualifications Authority legal framework was strengthened and streamlined to improve its ability to undertake quality assurance of tertiary education organisations.
- The Code of Practice for the Pastoral Care of International Students will be bolstered to improve the education system's response to the needs of international students, to take effect early in 2016.

We are now starting a review of the Education Act 1989 to support the development of a 21st century education system that is more learner-centred and outcome-focused. The review of the Education Act will be carried out alongside a review of funding systems, which currently are complex, multiple and lack coherence.

Building flexible and modern infrastructure

We provide or facilitate the provision of school property, transport and technology to ensure schools have the infrastructure they need for a 21st century learning environment.

Maintaining and developing the Crown's property portfolio

The Ministry manages the Crown's second largest property portfolio, with a replacement value of \$23.5 billion. During 2014/15, over \$600 million was spent on maintaining and/or upgrading the school property portfolio. This included the provision of new schools and additional classrooms to cater for those areas with growing school rolls.

We continue to replace, renew and rebuild school infrastructure. As at 30 June 2015, there were 16 'active' new school and kura projects underway across the country, while four existing schools were also being expanded. Seventeen major redevelopments of existing schools were in progress. This year we have also:

- signed a \$298 million contract for four more public private partnership schools, which will mean teachers and staff can spend more time raising student achievement while the private partner looks after the buildings
- signed a contract that will provide over \$100 million worth of modern, multi-purpose, transportable classrooms over 10 years (the classrooms could halve the time it currently takes to replace damaged school buildings, or install buildings needed because of roll growth)
- developed a national picture of the condition of the school property portfolio
- supported schools by increasing the number of Ministry-managed property projects, which reduces school leaders' time on property issues so they can maintain their focus on teaching and learning.

The Ministry is continuing to support the provision of flexible learning spaces that can better support a range of teaching and learning practices.

Contributing to the Canterbury rebuild

The Government is investing \$1.137 billion in rebuilding, remodelling and renewing schools in greater Christchurch over 10 years, as well as investing close to \$400 million to help rebuild tertiary provision in Canterbury. Through the Christchurch Schools Rebuild (CSR) programme, 115 schools in the greater Christchurch area will undergo redevelopment. These redevelopments range from upgrades, to relocating and building new schools.

Since securing the funding for the programme in November 2013, the Ministry has designed and built two schools and 44 projects were in design or under construction at 30 June 2015. This equates to 40% of Christchurch schools, with approximately \$200 million of the budget committed by 30 June 2015.

Leading industry to develop improved seismic assessments

After the Canterbury earthquakes, we needed to undertake a safety assessment of all school buildings. We took the lead to help the engineering industry develop accurate and approved methods for assessing timber-framed buildings and their seismic strength.

These assessments now allow us to more accurately identify what work is needed to ensure a timber-frame building is sound, and to avoid spending unnecessary money on buildings that don't need strengthening. Current extrapolated estimates indicate we have avoided costs of around \$80-100 million on the Christchurch rebuild, and \$800 million nationally.

Along with the delivery of school rebuilds, learning community clusters (groups of schools and early childhood services working collaboratively) are transforming education delivery in greater Christchurch. With support from the Ministry, learning community clusters are already delivering benefits, such as improvements in student performance. December 2014 data showed that compared to the previous year, two percent more of

Canterbury's 18-year-olds left school with Level 2 NCEA and more primary school students were achieving at or above National Standards in reading, writing and maths. June 2015 data shows that 98.3% (up 0.1%) of five-year-olds starting school had participated in ECE, with a 0.09% increase in Māori participation.

We are also supporting the labour market by encouraging the tertiary and vocational sectors to help develop the skills needed to rebuild Canterbury.

Investing in digital infrastructure

With the Government's introduction of a fibre network across the country, we set out to ensure that every student in every school had access to quality ICT infrastructure and high-speed broadband. By partnering with the Ministry of Business, Innovation and Employment and Crown Fibre Holdings, we have improved the infrastructure.

- 2,337 schools (96%) have been connected to ultra-fast or improved broadband.
- 2,182 schools have already received subsidised upgrades of internal networks through the School Network Upgrade Project.
- \$5.4 million of funding has been made available to improve wireless connectivity for more than 400 of the least wireless capable schools.

To enable schools to maximise the opportunity from their connectivity, the Network for Learning (N4L) Crown company provides schools with a fully-funded package that includes access to a secure network, uncapped monthly data, online content filtering and security services. Centrally managed, schools do not need to support their own internet connection and related services, reducing their ICT complexity and costs. The original goal of connecting 700 schools by the end of 2014 was achieved five months earlier than planned. As at 30 June 2015, close to 600,000 students and teachers from 1,830 schools were connected to the managed network to support learning. Some of these schools are also becoming 'digital hubs', providing high-speed internet to their communities.

Assisting with school transport

We have made funding available to help students who, through barriers of distance

and lack of suitable public transport, struggle to attend their nearest state or state-integrated school.

The Ministry contracts services on 2,752 school bus routes, making over 1.05 million trips per year. We also assisted with transport for around 5,560 Māori-medium school students and 6,000 special education students, and provided conveyance allowances to approximately 6,030 students every school day.

A five-year school transport transformation programme is now being implemented, which is intended to improve service provision, resourcing, processes and the use of technology.

We are replacing the school transport payments database and creating an improved modern payment platform. Work is underway to provide an automated means of optimising our bus routes, saving time and money, as well as providing better evidence to support improved performance monitoring and inform policy decisions.

Delivering an accurate payroll service

The education payroll is the largest in New Zealand and one of the top 10 in Australasia. It pays around 90,000 teachers and support staff in approximately 2,500 schools every fortnight. A new government-owned company, Education Payroll Limited (EPL) took over delivery of the education payroll from Talent2 NZ Ltd on 17 October 2014. EPL focuses solely on managing school payroll services and is expected to deliver an accurate, reliable payroll service.

Over the period immediately following establishment, EPL worked closely with the Ministry and schools to ensure a successful end of year/start of year process. This is a busy time of year for schools with high volumes of payroll instructions that must be processed in a short timeframe. Payroll performance was improved over the previous year's end of year/start of year, and continues to improve, with the error rate now consistently below 0.25%.

EPL is now operating more at arm's length from the Ministry. It is focused on continuing improvements to ensure that the schools' payroll is stable and sustainable, and that schools can have continued confidence in the reliability of the system.

Every child and student achieves educational success

New Zealand needs an education system that delivers high quality educational outcomes from early childhood, through schooling, and into tertiary education. Every student, no matter their background or needs, should be supported to meet their potential. The system and all those in it should work collaboratively to raise the quality of teaching and learning and have high expectations of all students' potential for achievement.

We have delivered on the Minister of Education's priorities for early childhood and schooling, as well as core service delivery to help every child and student achieve educational success.

Improving educational achievement results

The success of our future society and economy rests in large part on getting better educational achievement with less disparity. Equitable achievement for Māori, Pasifika

and students from low socio-economic backgrounds is a major priority; and our focus is on ensuring the system settings are in place to support those outcomes.

Improving performance on National Standards

National Standards measure student achievement in primary and intermediate school for Years 1-8. A key performance indicator for the Ministry is the number of enrolled students at or above National Standards level, per 100 students.

Compared to 2013, there has been an increase in the proportion of students at all three standards. However, there are pressing issues of inequality. Whilst there are particular challenges and successes for each group, overall, achievement for Māori and Pasifika across the three standards is much lower than for Asian and European/Pakeha – roughly 10 to 20 percentage points worse.

Indicator 2: Increase the proportion of enrolled students at or above National Standards levels, per 100 students

(all numbers %)		2011	2012	2013	2014	2017 Target
Reading	All	76.2	77.5	77.9	78.0	85.0
	Māori	66.5	68.2	68.7	68.6	85.0
	Pasifika	59.0	62.9	64.3	65.1	85.0
	Decile 1-3	n/a	64.4	65.0	65.1	85.0
Writing	All	68.0	70.2	70.5	71.1	85.0
	Māori	57.5	60.4	60.8	61.2	85.0
	Pasifika	53.8	57.1	57.6	59.6	85.0
	Decile 1-3	n/a	56.6	56.9	57.9	85.0
Maths	All	72.2	73.6	74.6	75.2	85.0
	Māori	62.5	63.6	64.6	65.0	85.0
	Pasifika	56.7	59.6	60.9	62.0	85.0
	Decile 1-3	n/a	60.8	61.8	62.6	85.0

We have specific strategies in place to improve outcomes for Māori and Pasifika and report on progress on pages 20 to 23.

We have also provided support for students and teachers to implement and improve achievement with National Standards.

- In 2015, we ran Programmes for Students in 966 schools, which included Accelerating Learning in Literacy, Accelerated Learning in Mathematics and Maths Support Teachers. These programmes provide resources for schools looking to accelerate progress for a small group of students. It is a short intensive intervention to accelerate the performance of students who are working below the standard expected for their age.
- The Progress and Consistency Tool (PaCT) was piloted in 19 schools in Term 4, 2014 and has been available to all primary,

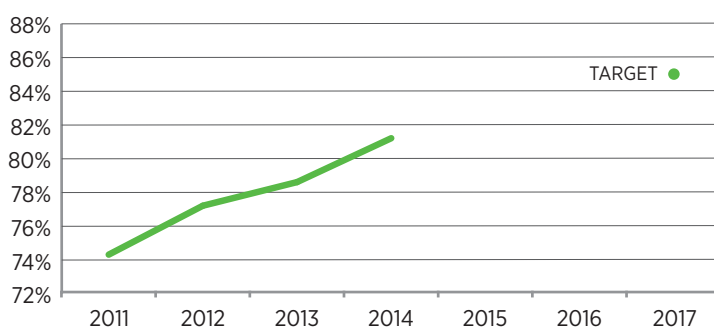
intermediate and area schools that report National Standards since Term 1, 2015. The tool helps to give teachers confidence that their interim and end of year Overall Teacher Judgments are based on valid information, consistent with those being made by other teachers, and also with their previous judgments. As at 30 June 2015, 151 schools had signed up to use the PaCT and a further 189 schools had expressed interest in using it.

Improving performance on NCEA Level 2 or equivalent qualifications

The National Certificate of Education Achievement (NCEA) measures achievement at secondary school. The Government has set a Better Public Services target for 85% of 18-year-olds to have achieved NCEA Level 2 or an equivalent qualification in 2017.

Indicator 3: Increase the proportion of 18-year-olds with NCEA Level 2 or equivalent qualification

Better Public Services: Boosting Skills and Employment, Result 5



Year to December (all numbers %)

	2011	2012	2013	2014	2017 Target
All	74.3	77.2	78.6	81.2	85.0
Māori	57.1	60.9	63.3	67.7	85.0
Pasifika	65.5	68.1	71.4	75.0	85.0
Decile 1-3	61.5	65.9	67.6	71.6	85.0

The 2014 NCEA Level 2 achievement result for all 18-year-olds is 81.2%, a 6.9% increase since 2011 and on track to achieve the 85% target in 2017. However, the whole population, including Māori and Pasifika, needs to benefit from this increase. These groups are not on track to achieve the target. Targeted efforts have lifted outcomes in a short space of time and the equity gap is falling, but not fast enough.

Gaining 85% NCEA Level 2 qualifications for Māori and Pasifika students requires both reconnecting young people not in employment, education or training (NEET) into learning programmes, and increasing the retention, engagement and achievement of Māori and Pasifika students in schools.

The target is challenging as we seek to engage those at the margin and is not something we can achieve alone. We are working with education providers, communities and across government to raise achievement as reported below and on pages 33 to 34.

Improving the quality of teaching by implementing Investing in Educational Success

Research has shown that, within schools, the quality of teaching has the biggest influence on student achievement. We have some of the best teachers and leaders in the world. However, there are barriers to sharing best practice and working together. We are implementing Investing in Educational Success, a \$359 million multi-year programme, to lift and share teaching and leadership practice through three initiatives.

First, we are supporting schools and early childhood centres to join together as Communities of Schools. These are groups of schools and early childhood centres that come together to raise achievement for children and young people by sharing expertise in teaching and learning, supporting each other and forming student pathways through education. Communities set shared achievement goals based on information about their students' educational needs. Resources, including leadership and additional teaching roles, are provided to help the schools work together to achieve the goals.

By 30 June 2015, there were 29 Communities of Schools, in locations across the country, comprising 220 schools and over 80,000 students. We are working with them to develop their achievement challenges and they will then appoint staff (supported by an independent panel of advisors) to the new leadership and teaching roles. We are working with additional schools interested in joining the scheme, with a further tranche of approvals expected in October 2015.

Secondly, we have set up a new \$10 million Teacher-led Innovation Fund that enables teachers to develop innovative and effective teaching practice to improve learning outcomes, especially for Māori students, Pasifika students, students with special education needs, and children and young people from low socio-economic backgrounds. The Minister of Education announced the successful applicants from the first round of the funding in July 2015, with 39 projects winning funding worth a total of about \$2.5 million.

Thirdly, school boards can now apply for a Principal Recruitment Allowance. This supports schools that are most in need, and who have a principal vacancy, to offer higher remuneration that helps to attract experienced principals to provide the leadership needed to lift student achievement.

These initiatives are being implemented with support from sector organisations such as the Post Primary Teachers' Association, the New Zealand Schools Trustees Association (NZSTA) and the Secondary Principals' Association of New Zealand. These organisations played a vital role in 2014/15 by helping to develop policies and guidance for the new initiatives, and establishing the independent panels to advise on staff appointments and evaluate funding applications.

A Heads of Agreement has also been reached for collective bargaining with the New Zealand Educational Institute Te Riu Roa on a model for primary and area schools to expand Communities of Schools to Communities of Learning, which will include the pathway from early childhood to tertiary education.

Improving educational participation and achievement for Māori

Targeting effort to achieve improved results

Nearly one in four students in our total student population are Māori. *Ka Hikitia – Accelerating Success 2013–2017* is our strategy to realise the aspiration of Māori enjoying and achieving education success as Māori. Every part of the education system needs to support strong engagement, retention and achievement in education for all Māori.

Since *Ka Hikitia* was first established in 2008, indicators of improvement show:

- the numbers of Māori learners participating in early childhood education (ECE) has increased
- Māori performance in National Standards (reading, writing and mathematics) has increased
- the numbers of Māori 18-year-olds with NCEA Level 2 or equivalent qualification has increased significantly.

However, rates still lag behind those of the total student population. Education agencies and the sector are working more closely together to align and step-up effort. Improved coordination of support, aligned to the needs and opportunities to partner with communities, industry and iwi, is providing better tailored and targeted programmes, resources and service delivery at a regional and local level. Investing in Educational Success, and the formation of Communities of Schools, will reinforce this approach and benefit Māori learners.

To progress *Ka Hikitia* and a more coordinated approach, this year we have:

- provided targeted support to the schools with the greatest Māori achievement challenge, to undergo self-review to inform their interventions and decision-making to raise Māori achievement
- implemented the Building on Success professional learning and development project in 105 secondary schools, which have approximately 6,500 teachers and 26,000 Māori students. Early data

is showing that the changes being implemented are leading to improved outcomes for students

- supported whānau to understand how NCEA works, and then helped them with developing Whānau Education Action Plans. We also trained iwi Champions to develop and support over 1,000 whānau to complete these plans with whānau
- developed *Ka Hikitia – Case Studies*, a series of five online video case studies, which support conversations between parents, whānau, teachers, boards of trustees and principals about how schools and whānau can accelerate better outcomes for their tamariki and rangatahi
- worked with NZSTA to develop *Hautu* – a cultural competency self-review tool for boards of trustees, which will help boards to assess, plan and increase their cultural responsiveness. NZSTA has started running Performance, Learning and Development workshops with boards and some local iwi.

Engaging parents, whānau and iwi to improve student achievement

We have been working with whānau and iwi around the country by:

- supporting 11 iwi with developing Whānau Education Action Plans with a focus on NCEA
- providing 45 NCEA and whānau workshops to 1,436 participants. Of these, 99% of whānau who provided feedback reported a rating of feeling more confident and better equipped to support their children with NCEA
- supplying education information to 376 whānau who have requested support following an event or referral. We also provided information to a total of 6,352 participants at 157 community presentations and events.

Whānau Education Action Plans improve outcomes for students

The mother of a Year 11 student was worried because he was in with a 'party crowd', skipping school and was a long way off passing NCEA Level 1. She met with an iwi Champion and they drew up a Whānau Education Action Plan. The mother took the plan to her son as a way of positively starting a conversation with him. He agreed he needed to do more school work to pass, came up with some of his own goals and started working to achieve them. At the end of the year he passed Level 1 with 97 credits, including 15 Level 2 credits.

Supporting Māori language and culture in education

Under the Treaty of Waitangi, we have joint responsibility with iwi, hapū and whānau to sustain and support the Māori language and culture. We continue to make sure the education system provides clear learning pathways for Māori learners to learn and speak Māori so they can succeed in New Zealand and the world. We will also continue to support Māori-medium education and Māori language as a subject in English-medium education to contribute to the retention and revitalisation of Māori language.

Tau Mai Te Reo - The Māori Language in Education Strategy 2013-2017 (Tau Mai Te Reo) expresses what the Ministry and education sector agencies will do for learners of Māori language in education. Māori language in education includes Māori-medium education and Māori language in English-medium. We have worked across the Ministry and with education sector agencies to improve the alignment and accountability of 67 initiatives with *Tau Mai Te Reo* priorities.

Most Māori students are learning in an English-medium setting. Around 12% of Māori learners participate in Māori-medium education. Around a further 15% of Māori learners receive some teaching and learning of the Māori language as part of English-medium education. Although based on relatively small numbers, achievement data indicates that

learners in Māori-medium education settings acquire NCEA qualifications at rates higher than Māori in English-medium settings.

We have provided a range of programmes tailored to Māori-medium education to support and enhance the Māori-medium education pathway. We have:

- contracted professional learning and development providers to work with Māori-medium teachers and leaders across a range of areas including assessment, curriculum development and specific subject areas, such as Māori language in English-medium
- continued developing a full suite of Achievement Standards aligned to the outcomes of Te Marautanga o Aotearoa and assessment support resources for Māori-medium students to use for credit towards the NCEA and national qualifications. The project is an important advance for Māori-medium schooling because, for the first time, wharekura students can gain secondary school qualifications through assessment against standards aligned with the curriculum outcomes underpinning their studies. Previously, Māori-medium students have used materials that were developed for English-medium.
- worked collaboratively with Te Ataarangi Incorporated Ltd to support intergenerational transmission of the Māori language through a Kura Whānau Reo programme (jointly funded with Te Taura Whiri i te Reo Māori) to enable whānau to participate fully in their child's education.

We continue to publish and provide a range of resources and publications tailored to Māori-medium and Māori language in English-medium.

Improving educational participation and achievement for Pasifika

Targeting effort to achieve improved results

The *Pasifika Education Plan 2013-2017 (PEP)* provides the education sector's vision and investment approach to accelerate and raise the educational achievement for Pasifika learners. The PEP puts Pasifika learners,

with their parents, families and communities, at the centre of the education system to demand a consistently high-quality and effective education for Pasifika success. Our PEP partner agencies are working more collaboratively to accelerate implementation of the PEP and focus investment.

Over the past year, there have been improvements in the educational outcomes for Pasifika students, including:

- more Pasifika children are participating in ECE
- Pasifika achievement against the National Standards and NCEA Level 2 has increased
- continual growth in the retention and completion rates of Pasifika students in tertiary education.

Engaging parents, families and communities to improve student achievement

A core element of implementation of the PEP is Pasifika PowerUP, an education programme which actively supports Pasifika parents and families to champion their children's learning, and provides academic support for secondary and primary students. The key to Pasifika PowerUP is the strength and collective power of parents, families and communities championing Pasifika educational success. Delivered at 15 PowerStations in community settings, PowerUP is helping to accelerate Pasifika participation in early learning, and engagement and achievement in National Standards and NCEA.

Benefits are already visible from the nationwide rollout of the PowerUP programme in 2014. Over 1,200 families were involved, with high numbers of secondary and primary students eager for extra support. Parents and families are gaining a better understanding of the education system and are engaging more often with their children's teachers and schools.

With 17 centres and over 349 children enrolled, the Achieving Through Pasifika Languages programme supports schools and/or community groups to establish and operate centres that support the achievement of Pasifika bilingual learners in their home language. It focuses on learners in English-medium classrooms from Years 1-8.

Targeting effort to improve Pasifika ECE participation

To improve Pasifika participation in ECE parents/caregivers need to better understand the benefits of early learning. The Early Learning Taskforce, through the Pasifika Church Partnership Strategy, is raising awareness of the importance of ECE with Pasifika families to increase the level of enrolment and participation.

- Four church communities, with a total membership of over 50,000 Pasifika people, have joined together for a national approach to early learning that meets their children's needs (primarily through playgroups).
- Through our support, another church network with 73 congregations and a total membership of 25,337 identified that 414 of its children were not participating in ECE – it has since placed 146 of these children in ECE services.
- A church network in Auckland also placed 41 of its 46 non-participating children into certificated playgroups operating in church halls.

Supporting Pasifika languages and culture in education

Pasifika languages are used as the medium of instruction in a small number of schools across the country.

We provide a range of materials to support the teaching of Pasifika languages, including teaching guidelines for Cook Islands Māori, vagahau Niue, Tongan, gagana Tokelau, and revised language guidelines for gagana Sāmoa, as well as multimedia resources in the Learning Language Series to support the guidelines and storybooks.

Transitioning smoothly into English-medium schooling was the goal of the Ministry's Pasifika Dual Language Pilot for New Entrants. The pilot programme involved 152 Samoan children from seven schools in Mangere. It used dual language books to support

academic success and English-language literacy for children from Pasifika immersion early childhood centres, or those who had not participated in ECE. Positive changes occurred across the board – for the children, their families and 'aiga, as well as the teachers. New dual language books in the four other Pasifika languages will be now developed.

Facilitating inclusive education

Success in education increases the likelihood of young people becoming more independent, and better able to participate in and contribute to society. The implementation of the Government's vision for an inclusive education system, Success for All, Every School, Every Child is resulting in a significant increase in schools demonstrating more inclusive practices for all students, including those with disabilities.

Strengthening system-level support for students with special education needs

We promote the inclusion of all students in education and support schools and kura to be more inclusive. This involves providing a wide range of tailored support, resources and services to help children and young people who need additional support to achieve and succeed. It also includes school-wide approaches.

Resource teachers are funded to work with schools, teachers and Year 1-10 students with learning and behaviour difficulties. They have a particular focus on supporting Māori and Pasifika students, and children and young people moving into state care. In 2014, 13,214 individual students received support. We are trialling a nationally consistent outcomes framework so that we can report on the difference the service is making for students

Positive Behaviour for Learning (PB4L) School-wide initiatives reached over 240,000 students to create positive learning and teaching environments in over 600 schools. Independent evaluations in New Zealand published in early 2015 indicated these positive impacts for students and teachers: decreases in major behaviour incidents over time (as reported by 86% of primary and 81% of secondary/intermediate coaches) and support for positive changes

to the school culture that are respectful and inclusive (as reported by 78% of school coaches and 68% of curriculum leaders). Other programmes within the PB4L portfolio also showed positive results, including the Incredible Years Teacher, Incredible Years Parent, My Friends Youth, Check and Connect and Restorative Practices.

To complement these specialist services and support we:

- provided funding for the Ongoing Resource Scheme (ORS), which supports specialist services for approximately 8,500 children with the highest special education needs
- increased teacher-aide hours to provide additional in-class support for approximately 1,500 students with special education needs
- designed curriculum materials and resources to help teachers adapt their classroom programmes so all students are active and successful learners
- worked with the sector to develop and make available more than 20 'how to' online guides to help teachers and school leaders meet the diverse needs of all learners
- undertook several initiatives to raise achievement for New Zealand Sign Language students, including developing Achievement Standards in New Zealand Sign Language for NCEA and providing clear learning and career pathways for deaf students.

Improving outcomes for students with special education needs

The Education Review Office's (ERO's) March 2015 report *Inclusive Practices for Students with Special Needs in Schools* shows good progress is being made on inclusive practices in our schools. It found that schools have become much more welcoming places for children with special educational needs. Key findings were:

- 78% of schools in 2014 were found to be mostly inclusive, up from 50% in the previous 2009 ERO report
- a massive reduction in the number of schools with few inclusive practices, down from one in five in 2009 to one in 100 in 2014.

Our 2014/15 client satisfaction survey showed that 75% of parents and educators were satisfied with the overall quality of the services provided by special education, and similarly were satisfied with the children's progress after receiving these services. We continue to monitor access to services and the effectiveness of the services, and work to ensure they support Māori and Pasifika children.

Streamlining special education services to improve access

The Special Education Update is currently looking at the whole education system for all children and young people aged 0-21, not just the services provided by the Ministry. It is considering funding arrangements, service design, workforce, stewardship and managing information about the total system investment.

The Update follows the *Review of Special Education 2010* report, which focused primarily on improving inclusive practices for children and young people who need additional support. The ERO report in 2015 shows big gains and a strong platform to now focus on student achievement. We want to ensure the right support is available at the right time for all children who need it.

We have held more than 150 hui and forums around the country to hear feedback on proposed service improvements. These were attended by about 3,000 people, representing parents, educators in early childhood, primary and secondary schools, special schools, education and disability sector partners and government agencies. The forums were also attended by people who work in special education, including resource teachers, Ministry staff and others.

Ensuring participation and engagement of at-risk students

Better monitoring and improving attendance services

If children and young people are absent from school they clearly will not succeed in education and may not reach their full potential. We conducted our annual one-week snapshot survey of attendance across schools in June 2014. It showed a slight increase in the truancy rate over the last two years but the total absence rate has been decreasing since 2009.

We have been evaluating and enhancing the Attendance Service, and early indications are that the service is working well. About 60% of schools are signed up to use the service, up from about 40% in 2013. The introduction of the service has contributed to increased awareness amongst schools about the importance of reporting absences and we are encouraging more schools to use the service.

Implementing Partnership Schools to provide another schooling option

The Government is investing in Partnership Schools to provide another option to help raise educational achievement, in particular for those groups of students who have for a long time been under-served by the mainstream system.

Five Partnership Schools | Kura Hourua Schools were operating at the beginning of 2014 in Auckland and Northland. Another application round was held in 2014, with four more Partnership Schools opening in Term 1, 2015. Information, including reporting by schools on performance measures, is being proactively released and made publically available. However, it is too soon to be able to fully assess the impact Partnership Schools have had in providing positive educational outcomes.

Supporting students with English as their second language

We have continued to provide funding for English as a Second Language (ESOL) support for migrant and refugee background students in schools, supporting access to education for all. In 2014/15, approximately 34,930 students in 1,362 schools were provided with ESOL-funded tuition from an annual budget of \$28.114 million. These students represent 157 different ethnic groups from 166 different countries of birth and 126 different languages.

We have developed Accelerated English Language Learning (formerly ESOL Virtual Classroom), a new online ESOL resource for intermediate and secondary schools. This short-term intensive intervention is designed to accelerate English language learning to help students catch up with their peers and achieve within the qualifications framework. A scaled-up programme has started well with an increased number of students (53) participating, and growing interest from schools as they become aware of the opportunity.

Targeted initiatives to provide additional support

We are progressing a multi-agency intervention called Count Me In, involving the Ministry of Social Development, justice sector agencies, Te Puni Kōkiri, the Ministry of Pacific Island Affairs and iwi to improve education outcomes for vulnerable students with a focus on Māori and Pasifika.

We also provided education officers in some Youth and Rangatahi Courts. The service covers nine Youth Courts and five Rangatahi Courts, reaching around 1,100 at-risk young people in 2014. Preliminary data suggests that education officer involvement increases educational re-engagement and has helped to decrease the risk of re-offending.

Working with schools, and the wider education sector, we:

- ran 23 Teen Parent Units, with 764 students enrolled in 2014. We also piloted the Teen Parents in the Mainstream pilot programme, which assists up to 100 teenage parents living in areas where there is no Teen Parent Unit
- operated 28 Service Academies from which 93% of students reported they will be continuing to education, employment or training after leaving the Service Academy
- provided boarding allowances for rural and at-risk children to access education at boarding schools
- released an updated guide for schools on teaching sexuality education, which now addresses issues of consent, coercion and cultural differences
- are contributing to the Draft Action Plan for Increasing Lesbian Gay Bisexual Transgender Intersex (LGBTI) youth well-being and active citizenship in New Zealand
- published the 2015 edition of *Bullying Prevention and Response: A Guide for Schools*, which was developed by the Bullying Prevention Advisory Group, chaired by the Secretary for Education. It emphasises the role of community in preventing bullying and supports schools to create positive environments in which it cannot thrive.

To provide early support to vulnerable children, we developed a proposal for a Year 9 specific initiative. A trial in Gisborne will assign Champions to 80-100 young people entering Year 9 in 2016 to see if early intervention can improve their education and life outcomes. The Champions will follow this cohort through their secondary education until they leave school.

New Zealanders have skills and knowledge for work and life

New Zealand needs an education system that provides its people with the skills, knowledge and qualifications they need to be successful in life and in an increasingly global economy. This will also help to ensure we live in a successful country, as more businesses are able to access the skilled workers they need to drive broader economic growth and prosperity.

The *Tertiary Education Strategy 2014-2019* (the Strategy) sets out the Government's direction for improving the contribution of tertiary education for New Zealand. It has six strategic priorities:

- Delivering skills for industry
- Getting at-risk young people into a career
- Boosting achievement of Māori and Pasifika
- Improving adult literacy and numeracy
- Strengthening research-based institutions
- Growing international linkages.

Central to achieving these priorities is a more outward-facing and engaged tertiary education system, with strong links to industry, communities and the global economy. Over 2014/15, we have worked with the sector and other agencies to help them implement the Strategy, and to deliver more relevant and responsive tertiary education that supports all New Zealanders to succeed.

Delivering skills for industry

To be effective, an education system needs to provide qualifications that open doors to future opportunities and provide the skills needed in a modern society and the modern workplace. This requires cooperation between schools, industry and tertiary education organisations about the types of skills that are most needed, and how best to develop them to support progression through education.

We also need investment in the right areas to deliver value to New Zealand industries and businesses. The tertiary education system also needs to build on the progress it has made in helping students and their families, and those in need of up-skilling or re-skilling, to make informed study choices.

Targeting investment to support innovation and economic growth

A particular focus has been advice on aligning tuition subsidy funding with costs of delivery, particularly in priority areas such as science. The current model incentivises tertiary education institutions to under-deliver in areas of relative under-funding and over-deliver in areas of relative over-funding. Significant mismatches have the potential to undermine the quality of provision.

Since 2012, the Ministry has analysed data from the New Zealand Benchmarking Tool¹ to identify and advise the Government on areas of relative under-funding. Budget 2015 saw significant tuition subsidy funding increases for science, agriculture and horticulture and some health sciences at degree-level and above. These increases went primarily to universities and will bring funding in these priority areas into closer alignment with costs of delivery. This builds on similar announcements in the 2013 and 2014 Budgets.

We are beginning to see the impact of this targeted approach to investment. Recent capital investments by tertiary education providers and the Government will build additional capacity to deliver more of the science, technology, engineering and mathematics skills needed for innovation and economic growth. For example, Budget 2015 funded 50 additional engineering places in 2016, rising to 300 additional places by 2019.

¹ The New Zealand Benchmarking Tool gathers data from tertiary education institutions and measures this against various educational and financial performance benchmarks.

Boosting workforce skills

People with higher levels of qualification are more likely to participate in the labour market, face lower risks of unemployment, have greater access to further training and receive higher earnings on average.

As the number of young people achieving NCEA Level 2 continues to improve, there is a need to focus on progression for young people into NCEA Level 3 and further education at Level 4 and above. The Government's Better Public Services target relates to the percentage of 25-34-year-olds who have a qualification at Level 4 or above. In 2012, a target of 55% for 2017 was set. In 2014, the Government updated the target to be 60% of 25-34-year-olds having a qualification at Level 4 or above in 2018. The target was revised as it was expected that the 55% target would be met before 2017, given recent trends in the measure and other positive trends in tertiary completion rates. The more ambitious target was to signal the target is not an end in itself.

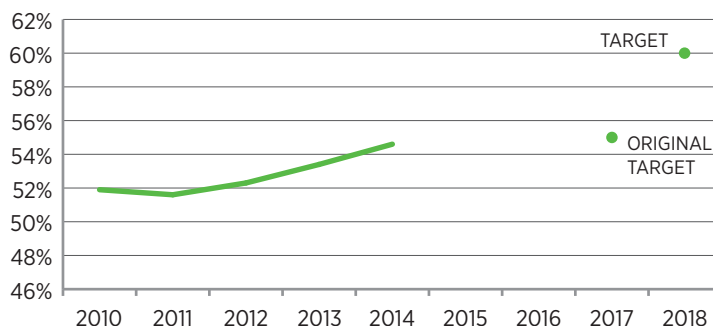
In the year to March 2015, 54.2% of 25-34-year-olds had a qualification at Level 4 or above, in line with 54.1% in the year to March 2014, but up from 52.6% in the year to March 2013.

We are looking to address system issues to ensure schools and tertiary providers have progression pathways linked to industry needs, and approaches to support more young people to transition into study at Level 4 and above, and into careers.

This section of the report outlines some of the steps taken during 2014/15 to improve results and how we are working collaboratively to deliver on the new target.

Indicator 4: Increase the proportion of 25-34-year-olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above)

Better Public Services: Boosting Skills and Employment, Result 6



Year to December (all numbers %)	2010	2011	2012	2013	2014	Revised Target 2018
25-34-year-olds	51.9	51.6	52.3	53.4	54.6	60.0

Improving employer linkages

Employers and communities know what skills and knowledge students need to succeed after study. We need to help employers and communities contribute more to the design and delivery of education and training, strengthening planning and better anticipating demand for skills.

The Ministry has supported the Tertiary Education Commission (TEC) to set up three new ICT Graduate Schools. These will provide a vital link between hi-tech industries and tertiary education, particularly universities and polytechnics. When fully established, ICT Graduate Schools will deliver more ICT graduates with work-relevant skills and more direct pathways into employment.

To encourage employers to support employees into an apprenticeship and help them become highly skilled, the Government extended the Apprenticeships Re-boot scheme until 31 December 2014, supporting an additional 6,000 apprentices. This doubled the number of apprentices that could have their training costs subsidised since the scheme was first announced. We worked with TEC and Ministers to enable this extension to occur.

A Nation of Curious Minds - He Whenua Hihiri i te Mahara is the Government's plan to encourage and enable better engagement with science and technology across New Zealand society. The Ministry worked with the Ministry of Business, Innovation and Employment (MBIE) and the Prime Minister's Chief Science Advisor to develop the plan. Since then we have been working to enhance the role of education in science and technology by providing opportunities for teachers and students to engage with scientists and industry, both inside and outside the classroom.

Improving access to information for decision-makers

All students need to know the skills and qualifications that are valued by employers and that will help them achieve their career ambitions and life goals. But information about students' study choices is not always presented in a way that is easy for them to find and use. Alongside other tertiary education and skills agencies, we are

providing learners with increasingly rich, user-friendly information about the tertiary system and post-study outcomes to inform their decision-making.

We have continued to develop and publish data on graduates' employment outcomes. This information underpins Careers New Zealand's Compare Study Options (see text box) and is incorporated into the MBIE *Occupation Outlook* report. This report, together with a mobile app, allows students and their families to easily compare the job prospects and incomes of 50 different careers and help them make good study choices, both in tertiary education and secondary school.

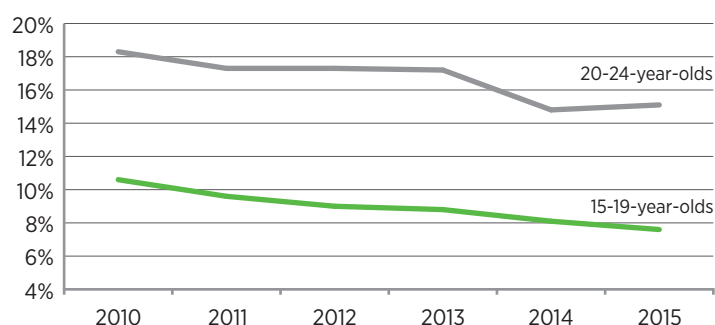
Government agencies are establishing an online tool, Rate My Qualification, to assess the degree to which qualifications from tertiary education providers fulfil labour market requirements. It incorporates the views of employers and recent graduates. We undertook a pilot survey with selected industries in early 2015. Findings from the pilot will inform the TEC's design and rollout of Rate My Qualification from 2016.

Using data to make informed study choices

With the vast number of study options now available at tertiary level, we saw a need for a web tool that would allow young people to compare careers and make informed study choices. This meant gathering together information from a number of government agencies. We worked with Statistics New Zealand to combine the data - students can now find out median salaries, employment rates and a range of other information about courses they are considering. In its first week, Compare Study Options, hosted on the Careers New Zealand website, had a staggering 41,000 views. As well as providing information for students, providers are able to use the data to better meet students' needs.

This initiative won the Digital Excellence Award at the 2015 IPANZ Public Sector Excellence Awards.

Indicator 5: Decrease the proportion of the youth population not in employment, education or training



**Year to June
(all numbers %)²**

	2010	2011	2012	2013	2014	2015
15-19-year-olds	10.6	9.6	9.0	8.8	8.1	7.6
20-24-year-olds	18.3	17.3	17.3	17.2	14.8	15.1

Getting at-risk young people into a career

New Zealand has a significant proportion of young people who are not in education, employment or training. This group is vulnerable, particularly in periods of poor economic performance when they are often the first to lose their jobs. Many of them have been poorly served by the formal education system, making them especially challenging to re-engage. To set them up for success we need to increase education retention and reconnect those who have already left the system.

Youth Guarantee, led by the Ministry and the TEC, is the major initiative in place to ensure all 16-19-year-olds have the opportunity to achieve at least an NCEA Level 2 qualification or its equivalent, enabling progression into higher levels of study, training or employment. Students with NCEA Level 2 are 24% more likely to find work than those without qualifications.

Youth Guarantee aims to increase achievement, improve retention and progress young

people into further learning, training or work by providing a wider range of learning opportunities, making better use of the education network, and creating clear pathways from school to work and study. The Youth Guarantee programme includes Vocational Pathways, Youth Guarantee partnerships, secondary-tertiary programmes (including Trades Academies), fees-free places and associated funding mechanisms.

In 2014, 5,086 students participated in Trades Academies, and 13,283 participated in Youth Guarantee fees-free programmes.

The collective impact of the Youth Guarantee programmes is seen in the increase in NCEA Level 2 attainment, the high volumes of young people taking advantage of the new pathways into education, and the positive feedback received from participating students and educators. The Ministry and the TEC are also working in partnership to dismantle legislative, funding and other system barriers at the secondary-tertiary education interface. This will create a far wider range of choices that allow more young people access to education and the qualifications they need to progress further.

² Source: Revised Statistics New Zealand data following the 2013 Census.

The challenge for the tertiary education system is to retain the recent increased focus on student achievement, while helping those in need of up-skilling or re-skilling to make informed study choices. We have been working to ensure that the training learners undertake, and the qualifications they complete, provide them with good career opportunities.

We have built on these initiatives to strengthen the links between secondary schools, tertiary providers and employers, so students can transition smoothly from school to tertiary education and into employment. We are supporting tertiary education organisations, schools and industry to work together to ensure that young people gain relevant qualifications and core personal skills that will support them into sustainable employment. We are also working with employers and communities to develop a range of ways to re-engage learners while they are still at school. Trades Academies are one way we are achieving this.

Re-engaging learners while they are still at school

Trades Academies gave a Year 12 student at Lytton High School in Gisborne a chance to focus his learning on the forestry industry, as he wanted to work in that area. As part of this, he has been working as a logger one day a week over the last two terms to earn 20 sector-related credits toward his Vocational Pathway award in the Primary Industries. This will help him progress more easily to tertiary study and work in forestry.

He said “I don’t want it to stop here, I don’t just want to be a logger, I want to be a manager.”

Boosting achievement of Māori and Pasifika

The Māori education strategy *Ka Hikitia - Accelerating Success 2013-2017* and the *Pasifika*

Education Plan 2013-2017 both provide the context for the Government’s *Tertiary Education Strategy 2014-2019*, in particular the priority to boost achievement of Māori and Pasifika.

Māori and Pasifika have made significant gains in participation and achievement in tertiary education in recent years. Māori participate in formal tertiary education at higher rates than other ethnic groups,³ but students tend to enter the tertiary system at lower levels of study, disproportionately in Levels 1 to 4. Pasifika learners are less likely than the general population to leave school with NCEA Level 3 and progress towards achieving parity with the general population has been slow and uneven.

This means that more progress is needed, particularly for achievement at higher-level qualifications which have a greater return on investment than for a lower-level qualification. We are working to ensure the tertiary education system improves the achievement of Māori and Pasifika learners through all six of the *Tertiary Education Strategy 2014-2019* priorities as outlined elsewhere in this section.

In addition we have focused on encouraging more relevant provision for Māori and Pasifika learners, through engagement with the TEC, the New Zealand Qualifications Authority and Youth Guarantee. Culturally-responsive provision better engages Māori and Pasifika learners and ensures greater educational success. Formally engaging Māori and Pasifika parents, families and whānau, and communities in tertiary education programmes can add a cultural dimension that strengthen the commitment of learners to their studies and better connects them to their communities.

Performance-based funding ensures that tertiary education providers are both accountable for continually improving educational outcomes for their students, and have the right incentives in place to encourage this.

The Government’s Māori and Pasifika Trades Training Initiative is boosting the number of Māori and Pasifika learners achieving at higher levels. In recognition of this, we advised on the Government’s Budget 2015 commitment to scale up the initiative, this first stage of which is to fund 500 additional places.

3 *Profile and Trends 2014: New Zealand’s Annual Tertiary Education Enrolments*. Available at www.educationcounts.govt.nz/publications/80898/profile-and-trends-2014.

Improving adult literacy and numeracy

Basic skills in literacy, language and numeracy are essential to full participation in the modern world. Adult learners need access to a diverse and flexible range of literacy and numeracy programmes that reflect their different needs and abilities, and support their achievement.

To ensure people have these basic skills, we began a policy review of current literacy and numeracy funds, working alongside employers, tertiary education organisations and the TEC. This review will be completed by the end of 2015 and will identify opportunities to better support adults with low literacy and numeracy skills, particularly those in the workplace. We are also working with the Adult, Community and Education sector to ensure people have access to quality informal learning, particularly second chance learners who may use this pathway to come back into formal education.

The Ministry received additional funding through Budget 2015 for the TEC to increase the number of questions on the youth option of the Literacy and Numeracy for Adults Assessment Tool to ensure it remains responsive to the literacy and numeracy needs of learners, the education system and industry. The additional questions will be added in 2016/17. The youth option of this tool helps with three of the key priorities from the *Tertiary Education Strategy 2014-2019* – including lifting adult literacy and numeracy, getting at-risk young people into a career, and boosting achievement for Māori and Pasifika.

Strengthening research-based institutions

Research-based tertiary institutions are important to New Zealand as they produce graduates with the advanced research skills that employers need, provide a skilled research workforce, and produce excellent research across a wide range of subject areas and disciplines.

New Zealand needs strong, internationally recognised research-based tertiary institutions that undertake high-quality research, support innovation and economic growth, and maintain and develop strong international connections. The strong international reputations of New Zealand's universities, in particular, attract quality staff and students to our shores.

During 2014/15, we have supported the TEC to implement changes to the Performance-Based Research Fund (PBRF) and Centres of Research Excellence (CoREs), following reviews of these two funds during 2012-14.

Changes to the PBRF will mean that it is simpler to operate, better values the perspectives of research users, supports the sustainability of the tertiary education research workforce, and provides strengthened reporting on research performance. Changes to the settings for CoREs ensure that they have clearly defined expectations, and are able to more effectively demonstrate their performance, including the impact of their activities.

We have also approached wānanga to develop a better understanding of their research aspirations. Māori knowledge and research is unique to New Zealand, and wānanga have a role to play in providing greater opportunities for Māori to achieve in research and development, and improve Māori research capability.

Growing international linkages

A global market for skilled workers, strong international competition in export education and the Government's ambitious goal to increase the value of international education to \$5 billion by 2025, make building the international relevance of New Zealand's education system a priority.

Building international connections to benefit New Zealanders

Over 2014/15, we have been working:

- to extract greater value from our bilateral and multilateral education relationships through learning from international evidence and best practice to strengthen the New Zealand education system
- with other agencies on policy to increase international connections and New Zealanders' ability to operate effectively across cultures.

The Ministry has worked with the International Education Senior Officials Group to support education providers to:

- develop solutions to equip New Zealanders with the capabilities required for the global economy, for example, investment in language learning at the school level,

and report on New Zealand students' international capabilities and overseas study opportunities for tertiary students

- sharpen the focus of education co-operation and working group agreements to align with international education market priorities, and with opportunities to strengthen the New Zealand education system through international evidence and best practice, including more targeted use of Ministerial and senior official engagement.

We have participated in multilateral fora representing New Zealand's education interests, from the Organisation for Economic Cooperation and Development (OECD) and 19th Commonwealth Education Ministers' Meeting through to APEC (the Asia Pacific Economic Cooperation forum), the East Asia Summit and as Associated Member and Secretariat to the New Zealand National Commission for UNESCO (United Nations Educational, Scientific and Cultural Organisation).

We have also progressed international education objectives through the Government's 'New Zealand Inc' strategies. For example, Chinese Vice-Minister Hao Ping accompanied President Xi Jinping to New Zealand in November 2014 and co-chaired, with the Secretary for Education, the 8th China New Zealand Education Joint Working Group. This resulted in the signing of an arrangement around mutual recognition of academic qualifications in higher education, and an arrangement to operationalise a vocational education and training model programme.

Supporting development of export education

Export education, New Zealand's fifth largest export earner valued at \$2.85 billion, is vital to the continuing growth of both the economy and the education sector. International students make a significant social, cultural and economic contribution to New Zealand while they are here and remain connected as ambassadors for this country when they return home – a resource which businesses can draw on to build skills in our workforce, to grow research capability and to foster wider economic connections in key export markets. We have worked with other agencies to increase the economic value of international education onshore and offshore.

Over 2014/15 our policy advice has focused on:

- establishing the legislative and regulatory basis for a new Pastoral Care Code and Disputes Resolution Scheme for international students
- establishing an agreed inter-agency framework for the pastoral care of international students
- developing a greater understanding in our future workforce of the cultures and languages of our key markets, through supporting New Zealanders to study overseas, and through learning in New Zealand schools
- working with Education New Zealand to address barriers to growth identified through the Sector Roadmaps
- completing two phases of a study into tertiary education organisation internationalisation, with the third and final phase due for completion in the first half of 2015/16
- collecting the Export Education Levy (EEL), administering the EEL Trust Account and reporting on income and expenditure.

Developing language skills to support trading linkages

We established the Asian Language Learning in Schools initiative in late 2014 to provide a \$10 million contestable fund for start-up and support funding of Asian language programmes in schools. It will support partnership arrangements between schools and external cultural organisations, and strengthen the quality of teaching and learning in existing or emerging Asian language programmes. This year, 22 groups involving 129 schools have been selected and are currently planning their programmes ready to begin teaching in 2016. The range of languages currently supported includes Mandarin, Japanese and Korean. We expect the range of languages to increase in the next funding round.

Effective stewardship of the education system

The Ministry of Education is the lead advisor to the Government on education: early childhood education (ECE), primary and secondary education, and tertiary education. We are also the steward of the education system. Stewardship in this context means two key things: a focus on the long-term health and performance of the education system as a whole; and, where needed, the provision of support to enable sector leaders to raise achievement.

Our stewardship priorities, reported on below, outline the ongoing support and services we provide to maintain the education system and grow achievement and engagement across the system.

We use international engagement to inform and benchmark our system in comparison with other high-performing education systems globally, and to showcase aspects of New Zealand best practice in education internationally.

Achieving more through effective collaboration

Government education agencies working collaboratively to maximise results

There are eight separate agencies in New Zealand with responsibilities for our education sector – the Ministry of Education, the Education Review Office, the New Zealand Qualifications Authority, the Tertiary Education Commission, Careers New Zealand, Education New Zealand, the New Zealand Teachers Council/the Education Council of Aotearoa New Zealand (from 1 July 2015) and Te Aho o Te Kura Pounamu – the Correspondence School. Each of these agencies holds responsibility for a key part of the education system in New Zealand.

The Secretary for Education has established the Education System Stewardship Forum, comprising these eight agencies, to develop a more collaborative and strategic approach to stewardship of the education system.

The chief executives of the agencies meet regularly and are working as a team to improve the system. Around four times a year all of the Leadership Teams of the agencies meet for a day to work on the system together. As the relationships have strengthened we have seen increasing examples of multi-agency responses, with:

- agencies taking more collective responsibility for the Better Public Sector Goal for 85% of 18-year-olds to have an NCEA Level 2 or equivalent in 2017, and in particular aiming to achieve the goal for every population group
- joint datasets regularly being used to provide a bigger and more sophisticated picture of the education landscape, along with combined analytical power being applied to find patterns and solutions
- media queries targeted to a single agency being discussed amongst all agencies to ensure that consistent sector-wide responses can be provided
- emerging risks identified at senior levels and the management of these distributed amongst those who can contribute mitigating actions.

For 2015, the collective agencies agreed to place their energies behind three key priorities for the education sector:

- addressing the disparity of outcomes for Māori and Pasifika visible within the Better Public Services measures
- progressing work on digital assessment and tools that support the harnessing of technology to the benefit of learners
- Māori-medium pathways.

Looking ahead, the group will be working together to develop a 10-year vision and four-year excellence horizon for a learner-centric education system using a Performance Improvement Framework (PIF) approach. This is the first time PIF has been used for a multi-agency system.

Collaborating with others to progress shared goals

For the most vulnerable families, ECE and schooling needs to be part of a coordinated package of support, alongside health and other social and community services to ensure these children and young people can thrive and achieve. Well-targeted, early support is a sound investment with good social and economic returns.

Along with the Ministries of Health, Social Development and Justice, and the New Zealand Police we have supported the Social Sector Trials in 16 communities around New Zealand. These are testing an alternative approach to social service delivery where communities influence how cross-agency resources are used to deliver more collaborative, directed and effective social services. We also contributed to the development and establishment of the first four Children's Teams, which bring together professionals from health, education, welfare and social service agencies to work through a single integrated plan with each vulnerable child and their family.

As part of our contribution to the Government's Children's Action Plan, we led the development of cross-agency workforce safety checking best practice guidelines, cross-agency guidelines on producing child protection policies and workforce safety checking regulations. This supports the implementation of the Vulnerable Children Act 2014, which applies to all state sector employees.

We are also developing a Child Protection Policy to guide how the Ministry recognises and responds to child abuse and neglect. This will support a culture of child protection across the Ministry which aligns with cross-agency support for vulnerable children. We have also updated our contract templates to extend this requirement to organisations providing children's services on our behalf.

Together with the Ministries of Social Development and Health we are implementing demonstration projects in Christchurch and Waikato for a new approach to disability support. The programme, Enabling Good Lives, spans three years. Key elements of the approach include a vision and principles to guide decision-making and individualised funding allocation for participants.

The *Youth Crime Action Plan 2013-2023* report is a 10-year cross-government plan involving the Ministries of Justice, Social Development, Health and Education, the New Zealand Police and Te Puni Kōkiri to reduce crime by children and young people and help those who offend to turn their lives around. Our role is to keep these students engaged, not only to help prevent offending or re-offending, but also to give these children and young people another option in life through educational achievement.

Providing better advice to government

Our role as steward of the education system places a premium on policy analysis and advice that supports the long-term health and performance of the whole system, not just the performance of its individual parts. We are taking a more evidence-driven, end-to-end, approach to policy design.

We are currently in the process of, or have undertaken, a number of activities to build policy capability, including:

- appointing five policy directors to lead strategic policy initiatives and develop a whole-of-Ministry approach to policy delivery
- establishing a policy governance board to drive integrated policy delivery and oversight
- building engagement and coordination between policy teams across the Ministry
- developing better and more consistent quality assurance processes
- creating opportunities to host policy staff in area offices to provide better links between policy and delivery.

We are also supporting the professional development of our policy staff by:

- developing a strategy to build the cultural understanding of policy staff
- providing consistent and coordinated opportunities for training and development
- developing visible and attractive career pathways for our policy workforce.

Most of these activities are developed within and led by the Ministry's policy community.

We survey our Ministers annually on their satisfaction with the service we provide and for 2014/15 they have assessed us as 7.0 and 7.5 out of 10.

Significant service delivery for the education system is undertaken through a series of Crown entities, for which we have a monitoring and stewardship role. Our Ministers have indicated their satisfaction with our monitoring role, rating us as 7.0 out of 10.

Public perception of our performance has also improved, with a February UMR Research survey reporting a nine percent improvement in excellent/good ratings from 2013 to 2014⁴.

Using and sharing data and evidence to improve decision-making

Properly collected, interpreted and applied data can provide insight about how well students are achieving, and how they can be supported to do better.

We are seeking to ensure decision-making is informed using evidence. We build our evidence base from the collection and analysis of data, quality research and evaluation, and participation in national and international studies.

We hold a wealth of evidence that tells us about the experience and achievement of students, broken down by a range of criteria including region, age, ethnicity and gender. This includes the Public Achievement Information programme, which provides transparent information about the performance of the education system at national, regional and local levels. Profiles show results for ECE participation, National Standards and Ngā Whanaketanga Rumaki Māori achievement, as well as the percentage of students achieving key NCEA qualifications.

Information tailored specifically for iwi

Iwi Education Profiles are part of the Public Achievement Information Plan, which is designed to share information about the education system with the public and available on the Education Counts website.

New Iwi Education Profiles, released in February 2015, provide an iwi-by-iwi breakdown of how Māori students are performing in the education system. For the first time iwi, hapū and whānau can clearly see how their children are progressing from early learning to 18 years of age. They can use these profiles to work with local early learning providers, schools and tertiary institutions to increase the achievement and opportunities of their young people. The profiles will be especially useful for schools within Community of Schools when setting achievement targets.

We are making an important shift towards using data to better understand the experience of individuals at the aggregate level instead of relying on averages. This data will help us to explore, deliver and adapt innovations targeted at the needs of individuals.

We are currently attempting to understand the experience of individuals as they move through the education system and their likelihood to achieve an NCEA Level 2 qualification, which sets students up with future opportunities for education and employment. Evidence and data on risks and obstacles to NCEA Level 2 achievement will allow us to improve outcomes and inform investment decisions for individuals and population groups.

⁴ UMR Research, *Annual Review: Mood of the Nation*, February 2015.

Providing tailored services and support to raise achievement

A key task for the Ministry, with other education agencies, is to make sure our education system meets the learning needs of all New Zealanders based on their culture and identity. We have enhanced our sector enablement and support, providing key roles at the local level and an operating model that supports localised decision-making, which draws on the best national and international evidence.

Most learners are in English-language settings, but the system enables learning in Māori-medium, Pasifika-language or bilingual settings that recognise and build on children's identity, language and culture.

Building on Success is an example of an evidenced-based professional development initiative that contributes to key Ministry strategies and priorities, *Ka Hikitia – Accelerating Success 2013-2017*, and to achieving the equity outcomes for Māori in the Better Public Services Level 5 target of 85% of 18-year-olds achieving Level 2 or an equivalent in 2017. It is designed to build cultural and system change in a school so the school can improve capability and deliver equitable outcomes for Māori students. Teachers are challenged to keep sight of whether their changed practices are making a difference for their Māori students, including enhancing their literacy and numeracy. The services providers are also supporting schools to develop an academic counselling approach for students engaged in NCEA. By 30 June 2015, Building on Success involved over 100 schools, 6,500 teachers and 91,000 students, including 27,000 Māori learners.

Investing more effectively to raise achievement

Our stewardship role requires us to focus on the long-term sustainability of the education system. Through advice to Ministers on the Budget process and funding for Vote Education and Vote Tertiary Education, we have been seeking to ensure resources are directed where they can make the most difference. We are committed to providing policy advice that supports the targeting of investment.

In Vote Education, 87% of expenditure is demand-driven, and in the main based on formulas involving student numbers. In relation to the demand-driven portion of expenditure, we give our Ministers timely advice on future trends and the impact of these on both the means and financial implications of the provision of education. In relation to the more discretionary areas of expenditure, we consider and advise on good practice to deliver specific education outcomes and, in particular, outcomes related to raising the educational achievement of specific target student groups. These considerations guide our advice on investment decisions.

In tertiary education, our advice on effective investment is driven by evidence on the outcomes of tertiary education for graduates through the Employment Outcomes of Tertiary Education dataset and Student Loan Valuation. It is also driven by good information about the cost of providing tertiary education through the New Zealand Benchmarking Tool. We are an extensive user of 'big data' through the Statistics New Zealand Integrated Data Infrastructure, which enables us to link investment in tertiary education to real world outcomes for learners, business and the wider community.

We have finished the first stage of our Value for Money programme which looked at areas where we could reduce costs and make the Ministry more effective and efficient, while building the Ministry's capability and capacity. This work has identified areas where the Ministry can make changes that will save money by combining functions, changing how we work and improving how we manage and use information to make better decisions. The next stage of the programme is currently underway and our focus will be to make changes to the areas we have identified.

We have improved procurement by using All-of-Government Panels and syndicated contracts wherever possible. This has reduced costs and simplified processes for those who work with us. We have also continued to improve our project and programme management.

Organisational health and capability

Better aligning our resources to achieve results

We have improved our strategy, planning and financial management to enable us to better target resources. During the year we have reviewed our strategic framework which is now set out in the *Four Year Plan 2015-2019*. It has been used to shape the Estimates of Appropriation, Output Plan and business plans for 2015/16 to ensure our work is aligned with the new priorities. We are currently reviewing our overall performance measurement framework to align with our plan-on-a-page and to more effectively communicate the Ministry's performance story.

We are using a new operating model in which our priority work is delivered by cross-Ministry time-limited project teams, drawing together the key skills and experience we need and supported by our leadership. This approach enables whole-of-system thinking and prioritises using talent where it is most needed. It also provides excellent development opportunities for our people. In addition, this approach models what we are trying to achieve in all of our activity, helping to embed our behaviours in everyday work.

The operating model also drives better access to information, data, evidence and analysis to inform the decisions that are made with the sector. As a result, we can focus our efforts in ways that will make the most difference, and on the longer-term issues facing education.

Our leadership team has been rejuvenated with new talent, and the establishment of three new groups reflects the importance of:

- strategic policy advice and policy leadership focusing on the education system as a whole
- system-wide evidence-driven practice
- stronger internal strategy and planning functions to ensure our work is fully aligned with our *Four Year Plan 2015-2019*.

Our broader leadership cohort is effectively leading change across the organisation having successfully embedded our new organisational behaviours into how we work.

We have clear expectations for how we work in a set of Ministry behaviours

We get the job done
Ka oti i a mātou ngā mahi

We are respectful, we listen, we learn
He rōpū manaaki, he rōpū whakarongo,
he rōpū ako mātou

We back ourselves and others to win
Ka manawanui ki a mātou me ētahi
ake kia wikitoria

We work together for maximum impact
Ka mahi ngātahi mo te tuinga nui tonu

Great results are our bottom line Ko ngā huanga tino pai a mātou whāinga mutunga

We are preparing Ministry staff for the changes associated with new health and safety legislation. As part of this programme of work, we have developed strong governance, we will be making sure managers and staff are aware of their health and safety accountabilities, and we have rolled out an on-line training module to ensure all staff improve their core health and safety knowledge.

Developing our people

We have approximately 2,500 full-time equivalent roles working across about 40 locations around New Zealand and in national office.

To continue attracting, recruiting and developing the right people with the right skills we have implemented a number of development programmes and processes across the Ministry. We continue to explore channels to attract talent whilst ensuring we have a strong and diverse workforce.

The number of staff who left the Ministry in 2014/15 is slightly higher than the public sector average (unplanned turnover was 12.3% compared with 10.7%), but we are using information gathered in exit interviews to better understand why people leave.

We are retaining a high percentage of staff in their first two years of employment. Of the permanent employees who started in 2014/15, we retained 98.2% in some capacity as at the end of June 2015. Of those permanent employees who started during 2013/14, we retained 95.7% in some capacity as at the end of June 2015. We have also performed strongly in a number of equal employment opportunity areas, particularly Māori in senior management and representation of women in management and senior management.

Accommodating our people

In early 2016, the Ministry is relocating its national office accommodation. This relocation means most Ministry staff will be working in the same building and this will reduce both the number of buildings and the amount of space we currently lease. Work is underway to make sure the move goes smoothly and that the change to modern, flexible work spaces, supported by technology and tools, will deliver the best possible policy advice and more efficient services.

This year we have also signed a lease for a new Christchurch office in the central business district where the Ministry is co-locating with the Ministry of Health and Housing New Zealand Corporation. We will move into this building in March 2017 to support the Government's project to return to Christchurch's city centre. The Ministry will also be moving its Gisborne office in November 2015, co-locating with the Inland Revenue Department, the Department of Internal Affairs and the Ministry of Social Development in a new building.

Improving our Information Technology (IT) infrastructure and information management

Tailoring our asset management system

We have progressed the development of a new asset management system Helios to support the cost-effective management of the education infrastructure estate. Development work is currently underway to customise it to meet our specific needs. It is envisaged that the system will be operational mid-2016. The completed system will enable tracking of progress on all school property works, and provide the level of information needed about the condition and performance of assets to support the early identification of issues and opportunities to achieve capital efficiencies.

Increasing our IT resilience

In a disaster, schools are often used as temporary shelters. Vital information about schools is held in Ministry applications making the quick recovery of our systems, after a disaster, critical. We conducted a successful disaster recovery exercise in May 2015, which involved operating for several weeks from our back-up data centre facility. Such exercises will now take place on a regular basis to provide assurance that critical IT systems remain available in the event of an actual disaster scenario.

Managing information

As trusted holders of our customers' sensitive information, safe and secure information management is always a priority for our people. We understand that this information demands careful handling when using it to make informed decisions that will help lift student achievement across the education system. Privacy is factored into everything we do. All sensitive personal information is carefully managed as soon as we are given it. Keeping the trust of the people who share their information with us is essential to the way we manage and share data.

Nature and scope of functions

Our purpose

We lift aspiration and raise educational achievement for every New Zealander.

Our vision

Our vision is to see all children and students succeed personally and achieve educational success.

We want every New Zealander to:

- be strong in their national and cultural identity
- aspire for themselves and their children to achieve more
- have the choice and opportunity to be the best they can be
- be an active participant and citizen in creating a strong civil society
- be productive, valued and competitive in the world.

Our work and investment priorities are focused on activities that will help the education system flourish and make it possible for everyone to succeed.

Our role

The Ministry of Education is the lead advisor to the Government on education: early childhood education, primary and secondary education and tertiary education. We are also the steward of the education system. As steward, we also ensure the system reflects and fulfils our responsibilities under the Treaty of Waitangi.

What we do

We need to make sure the system works for every learner, at every stage, and as a whole; and help educational leaders deliver the best outcomes for each and every child and student. To achieve this we:

- licence early learning providers, to ensure they are set up appropriately to provide education and support to children
- support schools and teachers to raise achievement through advisory and support initiatives, as well as learning programmes for individual students and their families or whānau
- provide special education services to children and young people, and support to early learning services and schools
- deliver direct infrastructure services to help schools function – property, transport and information technology
- administer the funding for early learning services and for schools, and hold responsibility for tertiary education funding which is administered by the Tertiary Education Commission
- gather, analyse, publish and use evidence, data and knowledge across the system
- provide advice to government across the system.

Our Ministers

The Ministry administers two Votes as shown in the following table.

Minister and Portfolio	Associates	Vote
Hon Hekia Parata Responsible Minister for the Ministry of Education Minister of Education	Hon Nikki Kaye Associate Minister of Education David Seymour Parliamentary Under- Secretary to the Minister of Education	Education
Hon Steven Joyce Minister Responsible for Novopay		Education
Hon Steven Joyce Minister for Tertiary Education, Skills and Employment	Hon Louise Upston Associate Minister for Tertiary Education, Skills and Employment	Tertiary Education

Our education system partners

Within government, the New Zealand education sector has a large number of specialised agencies focused on delivering their part of the education system. We work with these agencies to improve and manage the performance of the education system to maximise results for New Zealand.

Careers New Zealand – Helps people make the best decisions about jobs, training and careers, at any age or stage of their lives.

Education New Zealand (ENZ) – The lead government agency for the promotion of New Zealand education internationally. ENZ works to build awareness of New Zealand as a study destination and to pave the way for exporting education institutions and businesses.

Education Payroll Limited (EPL) – A government-owned company managing the payroll for schools to ensure an accurate and reliable payroll service.

Education Review Office (ERO) – Te Tari Arotake Mātauranga – Reviews and reports publicly on the quality of education in all New Zealand schools and ECE services. The ERO also publishes national reports on current education topics.

Network for Learning (N4L) – A Crown-owned company providing schools with a government-funded package that includes access to a secure network, uncapped monthly data, online content filtering and security services.

New Zealand Qualifications Authority (NZQA) – Mana Tohu Mātauranga o Aotearoa – Ensures that New Zealand qualifications are regarded as credible and robust, nationally and internationally.

Te Aho o Te Kura Pounamu – The Correspondence School – Provides distance education from early childhood to Year 13.

Tertiary Education Commission (TEC) – Te Amorangi Mātauranga Matua – Responsible for government-funded tertiary education and training offered in New Zealand.

The Education Council of Aotearoa New Zealand – Matatū Aotearoa – The professional and regulatory body for registered teachers working in early childhood centres, schools and other education institutions in New Zealand, representing teachers in both English and Māori settings. The Council aims to support the professional status of teachers and high quality teaching and learning.

Our organisation (as at 30 June 2015)

The Secretary for Education (Peter Hughes) leads the organisation which is structured to support our stewardship role and achieving the priorities set out in our *Four Year Plan 2015-2019*.

Working internally and with other agencies to get a clearer view of the longer-term education system issues and responses, the **Education System Performance Group (Deputy Secretary, Dr Andrea Schöllmann)** provides an integrated education system policy function covering the learning journey from age 0-18.

To support the sector and better invest our resources, the **Evidence, Data and Knowledge Group (Deputy Secretary, Lisa Rodgers)** is tasked with strengthening our ability to turn data into knowledge that the sector and the Ministry can act on to raise student achievement.

The **Early Learning, Parents and Whānau Group (Deputy Secretary, Rawiri Brell)** provides leadership and policy advice on early learning, the role of parents and whānau, and boosting outcomes for learners who are least effectively served by the system, particularly Māori and Pasifika children and young people.

The **Student Achievement Group (Deputy Secretary, Dr Graham Stoop)** focuses on raising the quality of teaching and leadership and system performance through setting the direction of what and how students learn, building sector capability and an effective workforce, and encouraging innovation in the development of new pedagogy and the use of digital technology.

The **Graduate Achievement, Vocations and Careers Group (Deputy Secretary, Claire Douglas)** delivers policy advice, strategy and research on tertiary education and achievement, and secondary-tertiary transitions.

The **Priority Education Assignments Group (Deputy Secretary, Apryll Parata)** is a mechanism for deploying resources to the Minister's and Secretary's priority initiatives.

The **Sector Enablement and Support Group (Deputy Secretary, Katrina Casey)** is the key sector-facing part of our organisation and provides a single point of contact for early learning providers and schools.

Education Infrastructure Services (Head of Education Infrastructure Services, Kim Shannon) is responsible for managing our property, payroll, transport and school IT services together within a single integrated business group.

The **Strategy, Planning and Governance Group (Deputy Secretary, Ellen MacGregor-Reid)** is responsible for the development, coordination and oversight of organisation strategy and planning.

The **People, Capability and Resources Group (Deputy Secretary, Zoe Griffiths)** works across the Ministry and is responsible for the organisational capability to ensure the critical people, processes, systems and infrastructure are in place to achieve the business strategies of the Ministry.

Our governance arrangements

We have various governance arrangements in place to ensure appropriate scrutiny of the Ministry's performance. We have a Risk and Assurance Board with three independent members, one of whom chairs this board. An internal Performance Board, chaired by the Secretary for Education, reviews key corporate indicators on a monthly basis. There are various other governance boards providing oversight and assurance in areas such as ICT, infrastructure, policy and value for money.

Statement of Responsibility

I am responsible, as Chief Executive of the Ministry of Education (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report
- the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2015 and its operations for the year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2016 and its operations for the year ending on that date.



Peter Hughes
Secretary for Education
29 September 2015



Independent Auditor's Report

TO THE READERS OF THE MINISTRY OF EDUCATION'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of the Ministry of Education (the Department). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit on her behalf of:

- the financial statements of the Department on pages 78 to 112, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, the statement of comprehensive revenue and expenses, statement of changes in taxpayers' equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Department for the year ended 30 June 2015 on pages 7 to 36 and 48 to 74;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2015 on pages 125 and 126; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 113 to 124 and 126 to 129 that comprise:
 - the Statement of Revenue and Receipts, Statement of Non-Departmental Assets, Statement of Non-Departmental Liabilities, Statement of Commitments, Statement of Contingent Liabilities, Statement of Contingent Assets and Statement of Unappropriated Expenditure for the year ended 30 June 2015;
 - the statement of trust monies for the year ended 30 June 2015; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Department:
 - presents fairly, in all material respects, for the year ended 30 June 2015:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;
 - complies with generally accepted accounting practice in New Zealand.

- the statements of expenses and capital expenditure of the Department on pages 125 to 126 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 113 to 124 and 126 to 129 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the Statement of Revenue and Receipts, Statement of Non-Departmental Assets, Statement of Non-Departmental Liabilities, Statement of Commitments, Statement of Contingent Liabilities, Statement of Contingent Assets and Statement of Unappropriated Expenditure for the year ended 30 June 2015; and
 - the statement of trust monies for the year ended 30 June 2015

Our audit was completed on 29 September 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Secretary for Education and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Secretary for Education;
- the appropriateness of the reported performance information within the Department's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Secretary for Education

The Secretary for Education is responsible for preparing:

- financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Secretary for Education's responsibilities arise from the Public Finance Act 1989.

The Secretary for Education is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Secretary for Education is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in relation to providing assurance services in relation to education payroll and school payroll reporting and advisory services associated with the EDUCANZ transition programme. Other than the audit and these assignments, we have no relationship with or interests in the Department.



Stuart Mutch

Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand



PART 2

Statements of Service Performance

The Statements of Service Performance set out our service objectives, our actual achievements against our targets and financial information on the costs of the activities undertaken. They are audited and provide year-end reporting against the Estimates of Appropriation 2014/15 for Vote Education and Vote Tertiary Education.

Vote Education – Departmental output performance

Portfolio Minister – Minister of Education

Interventions for Target Student Groups

Scope of Appropriation

Expenditure on policies and services focused on targeted student groups' or individuals' participation in education. This includes providing services to individuals with special education and developmental needs, providing additional funding for the support of students with special education needs, providing alternative education options, working with individuals and relevant stakeholders to resolve participation issues, and administering scholarships and awards for individuals.

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve equitable participation and outcomes in education for targeted student groups who would otherwise be disadvantaged in the educational system. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Targeted Student Participation Interventions				
Reduce truancy rates for frequent truants in years 9 and 10.	Reduce to: Total – 1.1%	1.3%	Total – 1.1%	Not achieved The Attendance Survey for 2014 indicates a slight increase in the truancy rate over the past two years but the total absence rate has been decreasing since 2009. We are increasing our focus on areas indicated in this survey, and continuing to work on getting children and young people going to school and staying there.

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Reduce average time excluded learners are out of school.	Average days excluded 40.0	Average days excluded 43.0 (mean) ⁵	Average days excluded 49.0	Not achieved There were 767 exclusion cases closed between July 2014 and June 2015 where the student returned to some form of schooling. We continue to work with excluded students, schools, families and whānau to facilitate re-engagement in education.
Reduce suspension rates (removed from school until the board of trustees makes a decision) – per 1,000 students.	All 4.8	All 3.54	All 4.1	Achieved
Increase the percentage of children who have attended early childhood education prior to starting school.	All 97% Māori 96% Pasifika 94% Decile 1-3 school students 95%	All 96.2% Māori 94.0% Pasifika 91.2% Decile 1-3 school students 92.5%	All 95.9% Māori 92.9% Pasifika 90.3% Decile 1-3 school students 91.5% ⁶	Not achieved We did not meet our interim target but have intensified efforts to reach the 2016 98 percent target. (See page 11 of Part 1)
Special Education Needs Interventions				
Parents and educators are satisfied with the Ministry's overall quality of service delivery. (See Note 1)	75%	75%	Parents - 76% were satisfied with the overall quality of service delivery Educators - 67% were satisfied with the overall quality of service delivery	Achieved

⁵ The mean calculation (our historical methodology for measuring the average time) is highly influenced by outliers i.e. learners who are excluded for a very long period of time. A more accurate representation of performance would be the median, which is not skewed by outliers. For the 2015/16 financial year the median will be used for reporting performance.

⁶ Previous year data is updated each year to recognise that students may have gone back to school.

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Percentage of eligible children receiving a service within 90 days of referral for Communications, Behavioural, Early Intervention and ORS services.	At least 80% for each service	Early Intervention Service 53.9%	Early Intervention Service 63.4%	Not achieved Demand for this service has exceeded our capacity to deliver.
		Communication Service 67.1%	Communication Service 74.8%	Not achieved Demand for this service has exceeded our capacity to deliver.
		Behaviour Service 92.2%	Behaviour Service 94.1%	Achieved
		Ongoing Resourcing Scheme 89.2%	Ongoing Resourcing Scheme 94.5%	Achieved
The number of children receiving special education core services (early intervention, communication, behaviour and Ongoing Resource Scheme services). (See Note 2)	27,090 – 33,110	34,389	32,849	Achieved Demand for these services has risen, with children and young people also staying longer as a result of increasingly complex needs.
Parents and educators are satisfied with their child's progress after the special education service. (See Note 1)	75%	76%	New measure	Achieved
Parents participating in Incredible Years Parent programme, within funded allowance.	3,000	3,331 (demand driven)	2,930 (demand driven)	Achieved
Teachers participating in Incredible Years Teacher programme, within funded allowance.	2,500	2,501 (demand driven)	2,390 (demand driven)	Achieved
Increase in schools participating in School-Wide framework.	90 – 110	90 (demand driven)	118 (demand driven)	Achieved
Contracted providers of Positive Behaviour for Learning deliver Incredible Years Parent programmes in accordance with Incredible Years protocols and standards.	100%	100%	100%	Achieved

Note 1 – As measured through the annual Special Education Client Satisfaction Survey. For the purpose of this measure, 'satisfied' means all those who selected a positive response ie, four or five on the five point scale. The percentage of respondents not included can be either neutral (ie, selected the mid-point) or have a negative response (one or two on the five-point scale).

Note 2 – This includes services provided by both the Ministry and funded specialist service providers and is calculated by adding the total number of children receiving each core service. Children who receive one service then later receive a different service (for example, they receive an early intervention service before school and then behaviour service once they attend school) will be counted twice.

Financial performance

	2013/14	2014/15		2015/16	
	Actual	Budget	Supplementary Estimates	Actual	Forecast (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
From the Crown	270,376	266,065	276,208	276,208	281,586
Other	1,234	1,700	2,953	1,778	1,700
Total revenue	271,610	267,765	279,161	277,986	283,286
Total expenses	271,610	267,765	280,061	278,788	283,286
Net surplus/(deficit)	-	-	(900)	(802)	-

The decrease from the 2013/14 Actual to the 2014/15 Budget mainly related to planned funding changes in the following programmes of work:

- Integrated Change Management
- Education Sector Authorisation and Authentication
- Positive Behaviour for Learning
- Development of Resource Teachers Learning and Behaviour
- Residential special schools.

The increase in both the Supplementary Estimates and the Actual expenditure from the Budget reflects:

- increased expenditure for the Ongoing Resourcing Scheme (ORS) met from transfers from non-departmental appropriations
- increased expenditure for teacher aide support met from transfers from non-departmental appropriations
- increased expenditure for the Incredible Years programme and the Intensive Wrap-around Service met from transfers from non-departmental appropriations
- a change in cost allocations between departmental output appropriations approved during the year.

Payroll Services

Scope of Appropriation

This appropriation is limited to expenditure on policies and legislative requirements to deliver payroll services to school employees. This includes providing support, advice and services to ensure school staff are paid accurately and on time.

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve effective management of payroll services provided and to enable the provision of a quality service for school employees. This appropriation contributes to the following long-term outcome:

- Every child and student achieves educational success.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
All payments to eligible payees (permanent and temporary employees) will be accurately calculated.	99.5%	99.8%	99.59%	Achieved
Percentage of payroll payments calculated and sent to financial institutions to allow payments to be processed on or before advised pay dates.	99.5%	100%	New measure	Achieved

Financial performance

	2013/14 Actual \$000	2014/15 Budget Supplementary Estimates \$000		Actual \$000	2015/16 Forecast (unaudited) \$000
REVENUE					
From the Crown	-	15,763	34,138	34,138	-
Other	-	-	7,000	29,549	-
Total revenue	-	15,763	41,138	63,687	-
Total expenses	-	15,763	41,138	39,757	-
Net surplus/(deficit)	-	-	-	23,930	-

This was a new appropriation established in 2014/15. The increase in the Crown Revenue reflects additional funding to meet expenditure.

The increase in Other Revenue reflects:

- in the Supplementary Estimates, the cash settlement in respect of Talent2 NZ Ltd
- for Actual expenditure, the cash settlement and the recognition of the non-cash transfer of assets from Talent2 NZ Ltd through the Ministry accounts to Education Payroll Limited, as per accounting standards.

The increase in expenses reflects additional operational expenditure and the costs to transition payroll services from Talent2 NZ Ltd. The surplus mainly reflects the non-cash recognition for the asset transfer through the Ministry from Talent2 NZ Ltd to Education Payroll Limited.

From 2015/16 onwards these costs have been transferred to the departmental output class Support and Resources for Education Providers.

Policy Advice

Scope of Appropriation

This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on education-related matters.

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve the provision of quality advice to Ministers to ensure that education policy and programmes support the performance of the education system. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Independent assessment of the quality of the Ministry's policy advice. (See Note 1)	70%	73%	75%	Achieved
The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey). (See Note 2)	7.0	7.5	Minister of Education did not complete a survey but expressed her satisfaction verbally	Achieved
The total cost per hour per person of producing policy outputs. (See Note 3)	\$120-\$135 per hour (See Note 4)	\$120	\$129	Achieved

Note 1 – The independent assessment of the Ministry's policy advice will have a technical robustness score, using the measurement of robustness provided by the Treasury.

Note 2 – The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice on a scale of 1 – 10, where 1 means unsatisfied and 10 means extremely satisfied.

Note 3 – This measure provides the total cost of an hour of professional staff time devoted to both policy advice and other policy outputs. Total cost includes the cost of labour, overheads, support staff, direct costs and outsourced work to support output production.

Note 4 – This was updated from \$112 per hour in the Supplementary Estimates of Appropriation 2014/15 to reflect a change in the Treasury formula used to calculate the result.

Financial performance

	2013/14	2014/15			2015/16
	Actual	Budget	Supplementary Estimates	Actual	Forecast (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
From the Crown	12,363	11,653	14,857	14,857	11,501
Other	-	-	-	-	-
Total revenue	12,363	11,653	14,857	14,857	11,501
Total expenses	12,363	11,653	14,857	14,052	11,501
Net surplus/(deficit)	-	-	-	805	-

The decrease from the 2013/14 Actual to the 2014/15 Budget mainly related to one-off additional expenditure that was incurred in 2013/14.

The increase in both the Supplementary Estimates and the Actual expenditure from the Budget reflects the change in the cost allocations between departmental output appropriations approved during the year.

School Property Portfolio Management

Scope of Appropriation

Expenditure on goods and services focused on providing the land, buildings and other facilities that make up the property portfolio of the state school sector. This includes purchasing and constructing new property, upgrading existing property to maintain the quality of the portfolio, disposing of surplus property, and managing teacher and caretaker housing.

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve a school sector property infrastructure that ensures a fit-for-purpose learning environment. This appropriation contributes to the following long-term outcome:

- The education system is relevant and reaches all children and students.

Output performance measures and standards

Performance measure	Budget standard	Actual performance	Performance	Comment
	2014/15	2014/15	2013/14	
The Ministry manages fluctuations in demand for school buildings.	The Ministry develops policy and implements supply agreement(s) for a national transportable classrooms programme by 31 December 2014.	Policy advice developed and Cabinet decisions implemented by 31 December 2014. Supply agreement for classrooms signed 6 July 2015.	Achieved The Ministry developed a strategy regarding the use of transportable buildings by 31 December 2013	Not achieved The procurement process was adjusted to ensure best product and value was attained, delaying implementation of the supply agreement.
The Ministry is seen as a high quality property manager and advisor to Government. The Ministry will assess itself against the index in July 2013 and July 2014 and the results will be independently reviewed.	The Asset Management Maturity index in the Capital Asset Management framework will increase from 59% Upper Core (in October 2011) to 83% Lower Advanced (by June 2015).	Lower Advanced (81%) attained by 30 June 2015 ⁷	75%	Achieved We achieved the "Lower Advanced" level which is rated between 80% and 85%.
School property capital maintenance and improvements are prioritised in line with Policy Guidelines. The prioritised programme of work is reflected in the Ministry's School Property Capital Plan.	The School Property Capital Plan is delivered with a variance of less than 20% by 30 June 2015.	2014/15 actual capital spend was \$632.6m, a 5.3% under-spend on the budget of \$668m.	Achieved 2013/14 actual capital spend was \$485.523m, a 5% under-spend on the budget of \$510.965m	Achieved

⁷ The Ministry uses Asset Management Maturity ratings to help monitor progress in its continuing development of school property asset management practices. The assessment is a framework that is widely used across the public sector as a leading indicator of investment management capability. Progression through the maturity levels is the priority rather than the scores within the band.

Performance measure	Budget standard	Actual performance	Performance	Comment
	2014/15	2014/15	2013/14	
The Ministry fosters improved and cohesive relationships with boards of trustees and principals through information, discussion and two-way feedback. (See Note 1)	The Bi-annual Satisfaction Surveys for 2014/15 have 80% scoring 'satisfied' or higher.	The Bi-annual Satisfaction Surveys for 2014/15 had 95% scoring 'satisfied' or higher.	Achieved The Regional Sector Property Forum was held in May 2014 and 90% of respondents were 'satisfied' or 'very satisfied'.	Achieved
New schools provide fit-for-purpose spaces to support teaching and learning outcomes Post Occupancy Evaluations provide feedback into design standards and allow identified issues to be rectified.	100% of new schools have evaluation completed within 12 months of opening.	100%	New measure	Achieved
The Ministry will upgrade schools to be ready to access ultra-fast broadband and Network for Learning content on a timely basis.	91% by 30 June 2015	93% by 30 June 2015	70%	Achieved 2,182 schools were upgraded

Note 1 - For the purpose of this measure 'satisfied' means all those who selected a positive response of four or five on a five-point scale.

Financial performance

	2013/14 Actual	2014/15 Budget	2014/15 Supplementary Estimates	2014/15 Actual	2015/16 Forecast (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
From the Crown	1,437,998	1,431,235	1,502,837	1,502,837	1,530,857
Other	90,099	9,825	27,462	24,388	6,929
Total revenue	1,528,097	1,441,060	1,530,299	1,527,225	1,537,786
Total expenses	1,456,120	1,441,060	1,523,964	1,520,579	1,537,786
Net surplus/(deficit)	71,977	-	6,335	6,646	-

The decrease from the 2013/14 Actual to the 2014/15 Budget mainly related to reduced:

- funding for the Greater Christchurch Schools Infrastructure Renewal programme for technical and engineering reports
- capital charge due to a one-off insurance recovery impact
- expenditure for claims related to defective buildings, including product liability.

The increase in both the Supplementary Estimates and the Actual expenditure from the Budget reflects:

- increased capital charge and depreciation costs due to a higher asset base arising from the June 2014 revaluation
- additional legal costs associated with weathertightness issues
- increased costs for rationalisation of school property funded through increased third party revenue.

Stewardship of the Education System

Scope of appropriation

This appropriation is limited to services (other than policy advice) provided by the Ministry of Education in its role as steward of the education system (other than tertiary education). It includes services to support Ministers in discharging their portfolio responsibilities (other than policy decision-making).

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve a shared strategic direction and alignment across the education system. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Research and Analysis				
All major research, evaluation and analysis projects are peer reviewed for quality and to ensure the objectives have been met.	100%	100%	100%	Achieved
Research, evaluation and analysis projects are provided within the agreed timeframes.	100%	100%	100%	Achieved
Monitoring the Education System				
Forecasts of enrolment numbers, and expenditure for early childhood education and primary and secondary schooling, are accurate.	That forecasts are accurate to within an average of 3% of actual values	Forecasts were accurate to within 1% of actual values	Achieved	Achieved
The Government's ownership and purchase interest in Crown agencies is explicitly measured and monitored through quarterly monitoring reports submitted to the Minister of Education.	100%	100%	Achieved	Achieved

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Support for the Education Minister				
The percentage of Ministerial Correspondence provided that is factually accurate, meet any legislative requirements, and contains no avoidable errors, measured by rejection rates by the Office of each Minister.	95%	99%	New measure	Achieved
The percentage of Parliamentary Question responses that are factually accurate, meet any legislative requirements, and contain no avoidable errors, measured by rejection rates by the Office of each Minister.	95%	100%	New measure	Achieved
The percentage of Ministerial Official Information Act (1982) Request responses that are factually accurate, meet any legislative requirements, and contain no avoidable errors, measured by rejection rates by the Office of each Minister.	95%	100%	New measure	Achieved
The percentage of Select Committee examination responses that are factually accurate, meet any legislative requirements, and contain no avoidable errors, measured by rejection rates by the Office of each Minister.	95%	100%	New measure	Achieved
Ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed.	95%	99%	New measure	Achieved
Parliamentary question responses provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders.	95%	100%	New measure	Achieved

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Ministerial Official Information Act request replies completed five days prior to the statutory time limit, unless otherwise agreed.	95%	96%	New measure	Achieved
Responses to Select Committee examinations provided to the Minister's Office so that answers can meet the timeframe set by the Committee(s).	95%	100%	New measure	Achieved

Financial performance

	2013/14 Actual	2014/15		2015/16 Forecast (unaudited)
	\$000	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
REVENUE				
From the Crown	33,014	31,283	33,995	33,995
Other	71	10	10	70
Total revenue	33,085	31,293	34,005	34,065
Total expenses	33,085	31,293	34,005	33,743
Net surplus/(deficit)	-	-	-	322

The decrease from the 2013/14 Actual to the 2014/15 Budget mainly related to:

- funding being provided only in 2013/14 for hosting the International Teaching Summit and associated events held during the 2013/14 fiscal year
- a one-off provision for a value-for-money work programme in 2013/14, which was partially offset by increased funding:
 - to support the transition to a new professional body for the education profession
 - for strengthening quality assurance requirements for initial teacher education and entry to teaching.

The increase in both the Supplementary Estimates and the Actual expenditure from the Budget reflects:

- the development of a business case which was funded through a transfer from departmental output class Support and Resources for Education Providers
- a change in cost allocations between departmental output appropriations approved during the year.

Support and Resources for Education Providers

Scope of appropriation

This appropriation is limited to expenditure on policies, regulations and services focused on the governance, management and operation of education providers.

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve effective management and monitoring of services provided to the sector that allows it to focus on educational success. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Regulation of Providers				
The Ministry will meet its contractual obligations with existing Partnership Schools/Kura Hourua on time.	≥95%	95%	New measure	Achieved
Education providers are satisfied with the quality of the Ministry licensing and relicensing actions (measured through the customer survey questions below). (See Note 1)	<ul style="list-style-type: none"> • At least 94% of providers report satisfaction with the overall quality of service delivery 	100%	91%	Achieved
<ul style="list-style-type: none"> • Satisfaction with the overall quality of service delivery and 	<ul style="list-style-type: none"> • At least 65% of providers report Ministry activities were an example of good value for tax dollars spent 	97%	88%	Achieved
<ul style="list-style-type: none"> • 'It's an example of good value for tax dollars spent'. 				
New early childhood education licences and certificates are granted within 30 working days of an application being received by the Ministry.	100%	87%	Achieved	Not achieved Thirty-one licences were issued outside the 30-day window due to applications being incomplete or requiring additional checks for regulatory compliance.

Performance measure	Budget standard	Actual performance	Performance	Comment
	2014/15	2014/15	2013/14	
The Ministry will continue relicensing early childhood education services (from the 1998 licence to the 2008 licence) within planned timeframes.	100% relicensed by November 2014	100% relicensed by November 2014	Achieved 99% of all licensed ECE services were operating on the 2008 regulatory framework.	Achieved
Resourcing Education Providers				
All resourcing payments will be accurate and timely in respect of:	100% accurate 100% on time	100% accurate 100% on time	Achieved	Achieved
<ul style="list-style-type: none"> • payment amounts • payment to the correct providers • schedules advised to public education service providers or agreements with those providers • timeframes notified to payees, and • fulfilling statutory requirements. 				
The Ministry will ensure that contracted transport providers deliver eligible students to school safely and on time (measured through school and provider feedback).	99.5% on time 100% safely	99.99% on time 99.99% safety	99.5% 99.5%	Achieved Not Achieved The equivalent of almost 40 million eligible student trips are made each year. Between July 2014 and June 2015 there were 37 safety incidents of which 18 were attributable to the provider.
Decisions on whether an intervention under Part 7A of the Education Act 1989 will be made within three months of the confirmed Education Review Office (ERO) report being published, request from boards of trustees (Board), referral from the sector or determination by the Ministry.	95%	96%	69% of interventions were approved within three months	Achieved

Performance measure	Budget standard	Actual performance	Performance	Comment
	2014/15	2014/15	2013/14	
Provision of Services				
100% of services eligible to participate in the Early Learning Information (ELI) project will be on ELI by June 2015	100%	99.77%	New measure	Not achieved Eight of 3,456 eligible services were not connected. We are working with those eight early childhood education services to determine the best approach to ensure each service is connected.

Note 1 – Survey of providers (based on State Services Commission Common Measurement Tool) results in scores of three (out of five) and above.

Financial performance

	2013/14	2014/15			2015/16
	Actual	Budget	Supplementary Estimates	Actual	Forecast (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
From the Crown	106,674	68,669	61,894	61,894	101,379
Other	814	1,140	1,140	680	1,140
Total revenue	107,488	69,809	63,034	62,574	102,519
Total expenses	107,488	69,809	63,934	63,445	102,519
Net surplus/(deficit)	-	-	(900)	(871)	-

The decrease from the 2013/14 Actual to the 2014/15 Budget mainly related to:

- reduced funding for remediation, investment in the sector, including eliminating the transaction backlog, future-focused improvements and increased operational expenditure related to Novopay
- transfer of the cost of Payroll Services to a separate departmental output appropriation Payroll Services.

The decrease in both the Supplementary Estimates and the Actual expenditure from the Budget reflects the changes for:

- the transfer of funding for a business case development to departmental output class Stewardship of the Education system
- decrease in cost allocations between departmental output appropriations approved during the year.

Support and Resources for Parents and the Community

Scope of appropriation

This appropriation is limited to expenditure on policies and programmes focused on parents' and the community's knowledge of and participation in the education system.

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve delivery of programmes and services focused on supporting parents, families, whānau and iwi to participate in and with the education system. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Engagement and Provision of Information to the Community				
The Ministry of Education establishes formal projects with iwi to jointly work with schools to increase the number of Māori achieving NCEA Level 2.	The Ministry and iwi establish formal projects to work with 40 identified priority schools.	Established formal projects to work with 43 identified priority schools.	New measure	Achieved
Community-based engagement, information and support programmes for parents, families, whānau and/or iwi operate in education priority areas and communities.	98% of programmes are delivered in priority areas.	98% of programmes were delivered in priority areas.	New measure	Achieved
Participants involved in or attending community engagement, information and support programmes report that they are more confident and better equipped to support and make informed decisions about their child's learning as a result of the programme.	At least 95% of participants surveyed on completion of their programme showed a rating of 'positive' or higher.	100%	99% of participants reported a rating of positive or higher.	Achieved

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
All contracted programme providers meet the required contract management standards and quality standards of the Ministry.	100% of evaluations of milestone reports reflect achievement of standards.	100% of evaluated milestone reports reflect achievement of standards.	90% of reports evaluated. All reports evaluated reflect achievement of standards.	Achieved
Provision of Services to the Community				
Participants receiving the parents and whānau programmes report that they are more confident and better equipped to support their children, as a result of the programmes, as measured through participant surveys.	At least 95% of participants surveyed on completion of their programme showed a rating of 'positive' or higher.	100% of participants surveyed on completion of their programme showed a rating of 'positive' or higher.	100%	Achieved
Number of child places created to meet the needs of targeted communities as a result of the Targeted Assistance Programme.	948 - 1,100	1,694 (demand driven)	New measure	Achieved

Financial performance

	2013/14 Actual	2014/15		2015/16 Forecast (unaudited)
	\$000	Budget \$000	Supplementary Estimates \$000	Actual \$000
REVENUE				
From the Crown	14,285	13,157	12,301	12,301
Other	1	10	10	-
Total revenue	14,286	13,167	12,311	12,301
Total expenses	14,286	13,167	12,311	11,519
Net surplus/(deficit)	-	-	-	782

The decrease from the 2013/14 Actual to the 2014/15 Budget mainly related to a planned reduced level of activity to engage communities.

The decrease in both the Supplementary Estimates and the Actual expenditure from the Budget reflects the change in the cost allocations between departmental output appropriations approved during the year.

Support and Resources for Teachers

Scope of appropriation

Expenditure on policies and services focused on supporting the work and enhancing the capability of teachers. This includes providing curriculum and achievement standards, teaching resources, professional development, and administering scholarships and awards for teachers and principals.

What is intended to be achieved with this Appropriation

This appropriation is intended to a highly effective workforce and resources to enhance learning in schools. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Provision of Teaching and Learning Resources				
All resources for teachers and learners are aligned to the New Zealand Curriculum and Te Marautanga o Aotearoa.	100%	100%	New measure	Achieved
Learning and Change Networks consisting of schools, communities and the Ministry will continue to be implemented to lift achievement for priority learners.	55 Learning and Change Networks	40 Learning and Change Networks	New measure	Not achieved The recent introduction of Investing in Educational Success, and in particular Communities of Schools, has meant recruitment of Learning and Change Networks has ceased.
	100 Mutukaroa Networks	98 Mutukaroa Schools	New measure	Not achieved With a smaller number but larger schools joining the Mutukaroa network, our 2014/15 investment in Mutukaroa has reached a greater number of students.
	5 Māori Achievement Collectives	10 Māori Achievement Collectives	New measure	Achieved
7 Science Focused Networks	8 Science Focused Networks (consisting of 65 schools)		New measure	Achieved

Financial performance

	2013/14	2014/15		2015/16
	Actual	Budget	Supplementary Estimates	Forecast (unaudited)
	\$000	\$000	\$000	\$000
REVENUE				
From the Crown	66,597	75,420	74,758	70,205
Other	89	10	2,210	10
Total revenue	66,686	75,430	76,968	70,215
Total expenses	66,686	75,430	77,868	70,215
Net surplus/(deficit)	-	-	(900)	-

The increase from the 2013/14 Actual to the 2014/15 Budget mainly related to:

- reinstatement of funding transferred to Support and Resources for Education Providers for Novopay expenses in 2013/14 only
- transfer of funding from 2013/14 to 2014/15 for the development of the Progress and Consistency Tool
- reduction of funding for the work programme for strengthening the teaching profession and lifting the quality of teaching.

The increase in both the Supplementary Estimates and the Actual expenditure from the Budget reflects increased funding and costs for the:

- implementation of a programme for achievement, retention and transition initiatives of Youth Guarantee Networks and Vocational Pathways
- development of a process for the selection and appointment to new roles under the Investing in Educational Success programme.

These were partially offset by a decrease in budget and costs as a result of the change in cost allocations between departmental output appropriations approved during the year.

Expenditure is significantly lower than Supplementary Estimates mainly due to delays in the launch of the Progress and Consistency Tool pilot system.

Ministry of Education – Capital Expenditure PLA

Scope of appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Education, as authorised by section 24(1) of the Public Finance Act 1989.

What is intended to be achieved with this Appropriation

This appropriation is intended to provide strategic assets, including the renewal and replacement of life-expired assets, in support of the delivery of the Ministry of Education's services and responsibilities for schools. This appropriation contributes to the following long-term outcome:

- The education system is relevant and reaches all children and students.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment ⁸
Capital maintenance of existing assets. (See Note 1) Expenditure is in accordance with schools' five-year programmed maintenance scheduling and the Ministry's planned programme of asset replacement and repair. In addition, all justifiable requests for special needs modifications are met.	\$251 million (39%)	\$313 million (50%)	New measure	There was an increase in weathertightness remediation activity, special needs modifications and expenditure to support schools' Five Year Agreements during 2014/15.
Major rejuvenation and modernisation. (See Note 2) Expenditure is in accordance with the schedules of the Greater Christchurch Education Renewal Programme, the School Network Upgrade Project, and the Ministry's programme of major redevelopments.	\$200 million (31%)	\$164 million (26%)	New measure	Additional time given to the design phase within the Christchurch Schools Rebuild Programme has delayed some planned construction dates. This is not expected to impact programme delivery as a whole.

⁸ The performance measures refer to the School Property Capital Plan budget of \$668 million. The School Property Plan included an allowance for additional activity in the Roll Growth and Major Redevelopment programmes and additional support for the ongoing five-year property programme. The budget standard was not updated to reflect this change.

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment ⁸
Expansion of capacity. (See Note 3) Expenditure is in accordance with the Ministry's Property Business Cases. This includes work on new schools/kura/wharekura, and the provision of new teaching spaces within existing schools.	\$190 million (30%)	\$155 million (24%)	New measure	Procurement savings and timing of construction for one significant new school project, and changes in timing of the acquisition of new school sites have resulted in lower expenditure in 2014/15.

Note 1 – Includes five-year programmed maintenance, special needs modifications, repair of defective buildings and earthquake resilience work.

Note 2 – Includes major redevelopments, Canterbury earthquake rebuilding and the School Network Upgrade Project.

Note 3 – Includes new schools/kura/wharekura (site purchase, development and construction), provision of buildings resulting from roll growth and special schools/satellites.

Financial performance

	2013/14 Actual	2014/15		2015/16 Forecast (unaudited)
	\$000	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Land	4,619	-	25,000	11,824
Property, Plant and Equipment	516,547	653,166	615,166	634,599
Intangibles	19,866	9,796	9,796	17,180
Total	541,032	662,962	649,962	663,603
				941,627

The Ministry is not required to have a separate annual appropriation for purchasing assets. Instead, section 24 of the Public Finance Act 1989 provides a permanent legislative authority for departments to manage their assets. Therefore, although the Actual exceeded the Supplementary Estimates it is not a breach of appropriation.

The Property, Plant and Equipment spend above includes other capital expenditure not included in the performance measures and further detail is included in the Notes to the Annual Accounts.

The expenditure change from budget is due to a reallocation of the capital expenditure to reflect the timing of investment of new assets and replacement of existing assets as more detailed planning is done. It also takes into consideration the impact of the master planning exercise for schools with significant infrastructural challenges (which includes remediate or rebuild decision) and the timing of projects (such as planning approval, site acquisition and contractual arrangements).

The significant increase in 2015/16 reflects:

- construction due to be undertaken for the Christchurch Schools Rebuild programme
- redevelopment of existing schools
- new schools and roll-growth classrooms.

Vote Tertiary Education – Departmental output performance

Portfolio Minister – Minister for Tertiary Education, Skills and Employment

Policy Advice

Scope of Appropriation

This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on tertiary education related matters.

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve the provision of quality advice to the Minister to ensure that tertiary education policy and programmes support the performance of the tertiary education system. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Independent assessment of the quality of the Ministry's policy advice. (See Note 1)	70%	73%	75%	Achieved
The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey). (See Note 2)	7	7	Minister for Tertiary Education, Skills and Employment did not complete a survey but expressed his satisfaction verbally	Achieved
The total cost per hour per person of producing policy outputs. (See Note 3)	\$120-\$135 per hour (See Note 4)	\$120	\$129	Achieved

Note 1 – The independent assessment of the Ministry's policy advice will have a technical robustness score, using the measurement of robustness provided by the Treasury.

Note 2 – The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice on a scale from 1-10, where 1 means unsatisfied and 10 means extremely satisfied.

Note 3 – This measure provides the total cost of an hour of professional staff time devoted to both policy advice and other policy outputs. Total cost includes the cost of labour, overheads, support staff, direct costs and outsourced work to support production.

Note 4 – This was updated from \$112 per hour in the Supplementary Estimates of Appropriation 2014/15 to reflect a change in the Treasury formula used to calculate the result.

Financial performance

	2013/14	2014/15			2015/16
	Actual	Budget	Supplementary Estimates	Actual	Forecast (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
From the Crown	5,856	5,347	5,347	5,347	5,347
Other	-	-	-	-	-
Total revenue	5,856	5,347	5,347	5,347	5,347
Total expenses	5,856	5,347	5,347	4,923	5,347
Net surplus/(deficit)	-	-	-	424	-

The decrease from the 2013/14 Actual to the 2014/15 Budget mainly related to a one-off additional expenditure that was incurred in 2013/14.

Stewardship of the Tertiary System

Scope of appropriation

This appropriation is limited to services (other than policy advice) provided by the Ministry of Education in its role as steward of the tertiary education system. It includes services to support Ministers in discharging their portfolio responsibilities (other than policy decision-making).

What is intended to be achieved with this Appropriation

This appropriation is intended to achieve a shared strategic direction and alignment across the education system. This appropriation contributes to the following long-term outcomes:

- The education system is relevant and reaches all children and students
- Every child and student achieves educational success
- New Zealanders have skills and knowledge for work and life.

Output performance measures and standards

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Tertiary and International Research and Analysis				
All major research, evaluation and analysis projects are peer reviewed for quality and to ensure the objectives have been met.	100%	100%	Achieved	Achieved
Research programmes are provided within the agreed timeframes.	100%	100%	Achieved	Achieved
Monitoring the Tertiary System				
Forecasts of student loans and allowances are accurate.	Forecasts are accurate to within an average of 3% of actual values.	Forecasts were accurate to within 2.5% of actual values	Achieved	Achieved
The Government's ownership interest in Crown agencies is explicitly measured and monitored through performance monitoring quarterly reports that are submitted to the Minister for Tertiary Education, Skills and Employment.	100%	100%	Achieved	Achieved
Provision of Tertiary and Other Information				
The quality and range of the Ministry's analytical outputs is assessed through an independent expert review. (see Note 1)	The quality of analytical outputs is assessed as 'Good' or better.	Very good	Achieved	Achieved

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Support for International Education				
International obligations and commitments are delivered on time, as specified in bilateral and multilateral agreements with other countries.	100%	100%	Achieved	Achieved
Support for the Tertiary Minister				
The percentage of Ministerial Correspondence provided that is factually accurate, meets any legislative requirements and contains no avoidable errors, measured by rejection rates by the Office of the Minister.	95%	96%	New measure	Achieved
The percentage of Parliamentary Question responses that are factually accurate, meet any legislative requirements and contain no avoidable errors, measured by rejection rates by the Office of the Minister.	95%	100%	New measure	Achieved
The percentage of Ministerial Official Information Act Request responses that are factually accurate, meet any legislative requirements and contain no avoidable errors, measured by rejection rates by the Office of the Minister.	95%	86%	New measure	Not Achieved One response was rejected in the first quarter. Improved monitoring has prevented further rejections.
The percentage of Select Committee examination responses that are factually accurate, meet any legislative requirements and contain no avoidable errors, measured by rejection rates by the Office of the Minister.	95%	100%	New measure	Achieved
Ministerial Correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed.	95%	100%	New measure	Achieved

Performance measure	Budget standard 2014/15	Actual performance 2014/15	Performance 2013/14	Comment
Parliamentary question responses provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders.	95%	100%	New measure	Achieved
Ministerial Official Information Act request replies completed five days prior to the statutory time limit, unless otherwise agreed.	95%	86%	New measure	Not achieved One response was completed late in the first quarter. Improved monitoring has prevented further late replies.
Responses to Select Committee examinations provided to the Minister's Office so that answers can meet the timeframe set by the Committee(s).	95%	100%	New measure	Achieved

Note 1 – Based on a five-point rating scale: 1 Very poor; 2 Poor; 3 Acceptable; 4 Good; 5 Very good.

Financial performance

	2013/14 Actual \$000	Budget \$000	Supplementary Estimates \$000	2014/15 Actual \$000	2015/16 Forecast (unaudited) \$000
REVENUE					
From the Crown	8,230	10,110	10,541	10,541	8,430
Other	-	-	-	-	-
Total revenue	8,230	10,110	10,541	10,541	8,430
Total expenses	8,230	10,110	10,541	10,212	8,430
Net surplus/(deficit)	-	-	-	329	-

The increase from the 2013/14 Actual to the 2014/15 Budget mainly related to the increased funding for the programme for International Assessment of Adult Competencies, as agreed in Budget 2012.



PART 3

Financial Statements

The Financial Statements cover all financial resources used by the Ministry to deliver the goods and services purchased by the Minister of Education and the Minister for Tertiary Education, Skills and Employment.

These statements are followed by a financial commentary, supplementary information, and notes to the Financial Statements that provide more detailed information.

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Financial Statements

For the year ended 30 June 2015

Statement of Comprehensive Revenue and Expenses for the year ended 30 June 2015

The Statement of Comprehensive Revenue and Expenses details the revenue and expenditure relating to all outputs (goods and services) produced by the Ministry and other expenses. The supporting statements for each output class expense provide further detail as to the costs and revenues of each output class expense. The statement also details items of other comprehensive revenue or expenses, namely the revaluation of property.

30/6/2014 Actual		Notes	30/6/2015 Budget	30/6/2015 Supple- mentary Estimates	30/6/2015 Actual	30/6/2016 Forecast*
\$000			\$000	\$000	\$000	\$000
Revenue						
1,955,393	From the Crown		1,928,702	2,026,876	2,026,876	2,048,084
92,308	From other sources	3	12,695	63,185	58,745	9,799
2,047,701	Total revenue		1,941,397	2,090,061	2,085,621	2,057,883
Expenditure						
271,918	Personnel	4	273,894	282,730	282,706	275,104
55,657	Operating	5	56,758	55,641	54,525	55,481
464,169	Depreciation and amortisation	6	472,021	486,021	481,698	488,929
63,551	Maintenance of school land and buildings		47,056	53,596	54,680	41,211
888,634	Capital charge	7	900,954	946,496	946,500	970,588
231,795	Other expenses	8	190,714	239,542	230,643	226,570
1,975,724	Total expenditure		1,941,397	2,064,026	2,050,752	2,057,883
71,977	Net surplus	9	-	26,035	34,869	-
Other comprehensive revenue						
728,802	Revaluation gain on property, plant and equipment	18	-	-	520,966	-
728,802	Total other comprehensive revenue	-	-	-	520,966	-
800,779	Total comprehensive revenue		-	26,035	555,835	-

*The Statement of Accounting Policies provides explanation for these figures which are not subject to audit. The above Statement of Comprehensive Revenue and Expenses should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2015

The Statement of Financial Position reports the total assets and liabilities of the Ministry. The difference between the assets and the liabilities is the taxpayers' equity.

30/6/2014 Actual		Notes	30/6/2015 Budget	30/6/2015 Supple- mentary Estimates	30/6/2015 Actual	30/6/2016 Forecast*
\$000			\$000	\$000	\$000	\$000
11,831,257	Taxpayers' equity		11,339,722	11,993,672	12,466,384	12,417,730
4,550,855	General funds		4,788,122	4,713,270	4,665,016	5,137,328
7,280,402	Revaluation reserves	10	6,551,600	7,280,402	7,801,368	7,280,402
	Which is represented by:					
501,867	Current assets		488,251	485,865	466,956	468,053
59,361	Cash and bank		185,771	68,385	49,276	55,182
348,083	Accounts receivable	11	235,093	350,093	353,459	345,484
18,479	Prepayments	12	26,672	26,672	31,857	26,672
75,944	Non-current assets held for sale	13	40,715	40,715	32,364	40,715
	Less					
(126,376)	Current liabilities		(93,769)	(92,725)	(148,330)	(93,769)
(13,922)	Goods and Services Tax	15	(8,700)	(8,700)	(16,771)	(8,700)
(93,659)	Accounts payable	14	(72,462)	(66,158)	(107,277)	(72,462)
(16,346)	Provision for employee entitlements	16	(12,607)	(17,867)	(16,941)	(12,607)
(2,449)	Other provisions	17	-	-	(6,436)	-
-	Service concession arrangements	21	-	-	(905)	-
375,491	Working capital		394,482	393,140	318,626	374,284
	Plus					
11,531,317	Non-current assets		11,014,814	11,671,150	12,230,076	12,110,949
3,068,889	School land	18	2,784,515	3,099,094	3,305,746	3,140,594
8,322,755	School buildings	18	8,101,574	8,451,068	8,759,289	8,831,999
73,927	Service concession arrangements	18	70,450	73,385	90,812	88,712
19,704	Furniture, office equipment and motor vehicles	18	28,864	18,192	19,258	17,635
46,042	Intangible assets	19	29,411	29,411	54,971	32,009
	Less					
(75,551)	Non-current liabilities		(69,574)	(70,618)	(82,318)	(67,503)
(6,129)	Provision for employee entitlements	16	(5,260)	(6,304)	(8,205)	(5,260)
(69,422)	Service concession arrangements	22	(64,314)	(64,314)	(74,113)	(62,243)
11,831,257	Net assets		11,339,722	11,993,672	12,466,384	12,417,730

*The Statement of Accounting Policies provides explanation for these figures which are not subject to audit. The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Taxpayers' Equity for the year ended 30 June 2015

The Statement of Changes in Taxpayers' Equity combines information about the net surplus with other aspects of the financial performance of the Ministry to give a degree of measure of comprehensive revenue. This, together with the Statement of Financial Position, provides information for assessing the return on investment in the Ministry.

	Budget	Supple- mentary Estimates	General Funds	Revaluation Reserve	Total	Forecast*
	\$000	\$000	Actual \$000	Actual \$000	Actual \$000	\$000
Taxpayers' equity at 1 July 2013	10,958,011	11,107,947	4,556,347	6,551,600	11,107,947	11,139,066
Net surplus for the year (Note 9)	-	71,977	71,977	-	71,977	-
Other comprehensive revenue						
Add revaluation gain on property, plant and equipment	-	-	-1	728,802	728,801	-
Total comprehensive revenue	-	71,977	71,976	728,802	800,778	-
Transactions with the Crown:						
Capital contributions	97,196	133,642	97,032	-	97,032	200,656
Capital withdrawals	-	(174,500)	(174,500)	-	(174,500)	-
Taxpayers' equity at 1 July 2014	11,055,207	11,139,066	4,550,855	7,280,402	11,831,257	11,339,722
Taxpayers' equity at 1 July 2014	11,139,066	11,831,258	4,550,855	7,280,402	11,831,257	11,993,672
Net surplus for the year (Note 9)	-	26,035	34,869	-	34,869	-
Other comprehensive revenue:						
Add revaluation gain on property, plant and equipment	-	-	-	520,966	520,966	-
Total comprehensive revenue	-	26,035	34,869	520,966	555,835	-
Transactions with the Crown:						
Net surplus repayable to the Crown	-	-	(12,469)	-	(12,469)	-
Capital contributions	200,656	167,454	167,454	-	167,454	424,058
Capital withdrawals	-	(31,075)	(75,693)	-	(75,693)	-
Taxpayers' equity at 30 June 2015	11,339,722	11,993,672	4,665,016	7,801,368	12,466,384	12,417,730

*The Statement of Accounting Policies provides explanation for these figures which are not subject to audit. The above Statement of Changes in Taxpayers' Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2015

The Statement of Cash Flows summarises the cash movements in and out of the Ministry during the year. It takes no account of monies owed to the Ministry or owing by the Ministry, and therefore differs from the Statement of Comprehensive Revenue.

30/6/2014 Actual		30/6/2015 Budget	30/6/2015 Supple- mentary Estimates	30/6/2015 Actual	30/6/2016 Forecast*
\$000		\$000	\$000	\$000	\$000
Operating activities					
Cash was received from:					
1,805,409	The Crown	1,928,702	2,026,860	2,026,860	2,056,908
197,230	Other	17,695	41,208	14,370	5,584
2,002,639		1,946,397	2,068,068	2,041,230	2,062,492
Cash was expended on:					
Production of outputs					
(270,647)	Personnel	(271,299)	(284,075)	(279,759)	(271,799)
(340,692)	Operating and other	(292,011)	(368,410)	(341,129)	(328,638)
(888,634)	Capital charge	(900,954)	(946,496)	(946,500)	(970,588)
(1,499,973)		(1,464,264)	(1,598,981)	(1,567,388)	(1,571,025)
502,666	Net cash flows from operating activities (note 20)	482,133	469,087	473,842	491,467
Investing activities					
Cash was received from:					
30,064	Sales of assets	15,000	32,839	64,794	15,000
30,064		15,000	32,839	64,794	15,000
Cash was expended on:					
(483,216)	Property, plant and equipment	(653,166)	(630,489)	(645,702)	(928,150)
(19,866)	Intangibles	(10,858)	(10,858)	(17,180)	(15,578)
(503,082)		(664,024)	(641,347)	(662,882)	(943,728)
(473,018)	Net cash flow from investing activities	(649,024)	(608,508)	(598,088)	(928,728)

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30/6/2014 Actual		30/6/2015 Budget	30/6/2015 Supple- mentary Estimates	30/6/2015 Actual	30/6/2016 Forecast*
\$000		\$000	\$000	\$000	\$000
Financing activities					
Cash was received from:					
The Crown					
97,032	Capital contribution	200,656	167,454	167,454	424,058
97,032		200,656	167,454	167,454	424,058
Cash was expended on:					
-	Interest payments and repayments	(7,032)	(10,334)	-	-
(174,500)	Capital withdrawal	-	(8,675)	(53,293)	-
(174,500)		(7,032)	(19,009)	(53,293)	-
(77,468)	Net cash flows from financing activities	193,624	148,445	114,161	424,058
(47,820)	Total net increase/(decrease) in cash held	26,733	9,024	(10,085)	(13,203)
107,181	Bank and cash balances as at 1 July	159,038	59,361	59,361	68,385
59,361	Bank and cash balances as at 30 June	185,771	68,385	49,276	55,182

*The Statement of Accounting Policies provides explanation for these figures which are not subject to audit. The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Supplementary Information

Statement of Commitments

The Statement of Commitments records those expenditures to which the Ministry is contractually committed and which will become liabilities if and when the terms of the contracts are met.

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Building commitments:		
• Not later than one year	202,743	419,574
• Later than one year and not later than two years	55,499	183,812
• Later than two years and not later than five years	40,931	82,774
• Later than five years	253	141,958
Service concession commitments:		
• Not later than one year	-	8,793
• Later than one year and not later than two years	-	17,206
• Later than two years and not later than five years	-	92,477
• Later than five years	-	582,314
Operating leases as lessee:		
• Not later than one year	11,934	19,141
• Later than one year and not later than two years	8,163	18,052
• Later than two years and not later than five years	14,989	45,027
• Later than five years	65,540	89,329
Total commitments	400,052	1,700,457

Building commitments

Building commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, which have not been paid for or not recognised as a liability at balance date

The change reflects the increase in the capital works programme.

Service concession commitments

Service concession commitments represent the obligation at balance date to incur capital expenditure over the life of the service concession arrangements.

Non-cancellable operating lease - accommodation

The Ministry leases office premises in the normal course of our business.

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of our leasing arrangements. The Ministry does not have any sub-leases.

The increase mainly reflects the new national office lease.

Statement of Contingent Liabilities and Contingent Assets

The Statement of Contingent Liabilities and Contingent Assets discloses situations that exist at 30 June 2015, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

Unquantifiable contingent liabilities

The Ministry has no unquantifiable contingent liabilities.

Quantifiable contingent liabilities

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Personal grievance claims	-	2,529
Contractual disputes	385	20
Total contingent liabilities	385	2,549

Personal grievance claims relate to historical abuse claims. These were previously incorrectly reported under Non-Departmental Contingent Liabilities Statement. The contingent liability as at 30 June 2014 was \$2,795,000.

The contractual dispute is a claim taken by the New Zealand Post Primary Teachers' Association.

Contractual disputes

Contractual disputes represent legal claims against the Ministry.

It is uncertain when any payments arising from these contingent liabilities will be required.

Unquantifiable contingent assets

As at 30 June 2015 the Ministry has various unquantified contingent assets in relation to as yet unquantified revenue resulting from legal settlements as a consequence of the weathertightness issue.

Quantifiable contingent assets

The Ministry has no quantifiable contingent assets as at 30 June 2015 (2014: \$29.4 million in respect of Talent2 NZ Limited).

Notes to the Financial Statements

For the year ended 30 June 2015

Note 1 – Statement of Accounting Policies

Reporting entity

The Ministry of Education is a government department, as defined by section 2 of the Public Finance Act 1989 (PFA), and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations include the PFA and the Public Accountability Act 1998. The Ministry's ultimate parent is the New Zealand Crown.

In addition, the Ministry has reported on Crown non-departmental activities and trust monies which we administer.

The primary objective of the Ministry is to provide services to the public. The Ministry of Education is the lead advisor to the Government on education: early childhood education, primary and secondary education and tertiary education. The Ministry is also the steward of the education system. The Ministry does not operate to make a financial return.

The Ministry has designated itself as a public benefit entity for financial reporting purposes.

The financial statements of the Ministry are for the year ended 30 June 2015. The financial statements were authorised for issue by the Secretary for Education on 29 September 2015.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the Ministry have been prepared in accordance with the requirements of the PFA, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury Instructions.

These financial statements have been prepared in accordance, and comply, with Tier 1 Public Benefit Entity (PBE) accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, service concession assets, actuarial valuations of certain liabilities, and the fair value of certain financial instruments (including derivative instruments).

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

The forecast financials are based on the Budget Economic and Fiscal Update (BEFU) submitted to the Treasury on 14 April 2015 and have not been adjusted for post-BEFU changes. The significant post-BEFU change is an upward revaluation of school property assets as at 30 June 2015.

Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Ministry has applied these standards in preparing the 30 June 2015 financial statements. In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not for profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Ministry will apply these updated standards in preparing its 30 June 2016 financial statements. The Ministry expects there will be minimal or no change in applying these updated accounting standards.

Transition to new PBE accounting standards

The package of PBE Standards issued in May 2013, applicable for Tier 1 PBEs, consists of the following standards: Standard XRB A1 Accounting Standards Framework, which is the overarching standard that sets out the accounting standards framework; a suite of 39 PBE Standards; and The Public Benefit Entities (conceptual) Framework. The new PBE Standards are based on International Public Sector Accounting Standards, which are themselves based on IFRS. Therefore major changes to accounting policies are not expected. Nevertheless, there are some potentially significant differences and also a range of smaller differences between the PBE standards and NZ IFRS. Examples of differences include: PBE Standards with no equivalent NZ IFRS - PBE IPSAS 23 Revenue from Non-Exchange Transactions, which prescribes requirements for accounting for revenue from non-exchange transactions; PBE IPSAS 32 Service Concession Arrangements: Grantor, which prescribes the accounting for service concession arrangements by the grantor; Differences between equivalent standards - PBE IPSAS 20 Related Party Disclosures, exempts all transactions between related parties (except key management personnel remuneration) that occur on arm's length terms and conditions from disclosure by public sector PBEs, and provides a potentially wider definition of key management personnel compared to NZ IAS 24 (PBE) Related Party Disclosures. The Standards were applicable to the Ministry from 1 July 2014.

The changes have only a presentational or disclosure effect other than in the accounting treatment for revenue Crown. Revenue Crown funding is accounted for as non-exchange revenue to the full amount provided for in the Supplementary Estimates. This is a departure from the accounting treatment in past financial years where revenue Crown was only recognised in relation to the expenditure incurred in the year. The prior year comparatives have not been restated as this would misrepresent the return of surplus agreed and paid to Treasury in 2014/15.

Revenue

Exchange revenue

Revenue is derived through the provision of outputs to the Crown and for services to third parties. Revenue is measured at the fair value of consideration received and is recognised when earned and is reported in the financial period to which it relates.

Revenue from the crown

Revenue from the Crown is measured, based on the Ministry's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date. There are no conditions attached to the funding from the Crown with the exception that the Ministry can incur expenses only within the scope and limits of its appropriations. The fair value of revenue from the Crown has been determined to be equivalent to the funding entitlement. Revenue from the Crown is non-exchange revenue.

Capital charge

The capital charge is recognised as an expense in the period to which the charge relates.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Ministry has no obligation to award on receipt of the grant application, and are recognised as expenditure when approved and the approval has been communicated to the applicant. Approvals are determined by the Minister, a specifically convened panel or committee, or a delegated official.

Most grants administered by the Ministry are under non-departmental appropriations.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an agreement.

Finance leases

The Ministry does not have any finance leases.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in net surplus or deficit.

Cash and cash equivalents

Cash includes cash on hand and funds on deposit with banks that form part of the day-to-day cash management of the Ministry with original maturities of three months or less.

The Ministry is only permitted to spend the cash or cash equivalents within the scope of its appropriations.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a doubtful debts provision, and the amount of the loss is recognised in the net surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (ie, not past due).

Accounting for derivative financial instruments, hedging activities and foreign currency transactions

The Ministry uses derivative financial instruments to manage exposure to foreign exchange. In accordance with its foreign exchange management policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the net surplus or deficit.

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the net surplus or deficit.

Non-current property assets held for sale

Non-current property assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current property assets held for sale are measured at the lower of their carrying amount at the date the asset is designated as surplus and fair value less costs to sell.

Any impairment losses for write-downs of non-current property assets held for sale are recognised in net surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current property assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Non-current property assets are classified as held for sale when they are identified as surplus to requirements and a contractor is instructed to start the disposal process. Due to legal and procedural matters, the length of time required to finalise disposal may extend beyond one year but the Ministry has no intention to realise the benefits of these assets other than through their sale. Non-current property assets held for sale are recognised as current assets as their value is expected, in the majority of instances, to be realised in the 12-month period after balance date.

An active programme is in place to progress these sales as quickly as possible.

Property, plant and equipment

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

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$2,500. The value of an individual asset that is less than \$2,500 and is part of a group of similar assets is capitalised.

Additions

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

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

The initial cost of property, plant and equipment is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in net surplus or deficit. When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the net surplus or deficit as they are incurred.

Depreciation

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

Useful lives are:	Years
Permanent school building roof, services, fit outs, lifts and boilers	15 - 45
Ancillary buildings, covered ways, houses, kindergartens, playcentres, site improvements, swimming pools	30 - 50
Permanent school building fabric	75
Motor vehicles	4
Computer hardware	3 - 5
Plant and equipment	3 - 8

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

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

Revaluation

School buildings are stated at fair value as determined by an internal valuation process on an annual basis. Fair value is determined using depreciated replacement cost. An independent registered valuer reviews the valuation for school buildings and improvements.

Early childhood education service buildings (playcentres and kindergartens) are valued by an independent registered valuer based on depreciated replacement cost. Valuations are conducted on an annual basis.

School land, early childhood education land, house land and houses are recorded at market value as assessed by an independent registered valuer. Valuations are conducted on an annual basis.

Additions between valuations are recorded at cost.

All other property, plant and equipment classes are carried at depreciated historical cost.

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Accounting for revaluations

The Ministry accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in net surplus or deficit. Any subsequent increase on revaluation, that offsets a previous decrease in value recognised in net surplus or deficit, will be recognised first in net surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Service concession arrangements

Schools and other assets financed under a service concession arrangement (eg, Public-Private Partnerships) are recognised as work in progress during construction. A corresponding financial liability is also recognised, representing the Ministry's obligation to pay capital and financing charges to the contractor in respect of the assets once they become operational.

On inception of the service concession arrangement, the financial liability is recognised at its fair value. Subsequently it is carried at amortised cost using the effective interest rate method. The work in progress assets are remeasured at inception to be consistent with the fair value of the financial liability. Subsequently, the assets are accounted for at fair value.

Payments made to the contractor for the provision of services are recognised as an expense as incurred. Payments relating to the capital component reduce the financial liability when they are made.

The service concession assets are valued specifically using a special purpose valuation by an independent valuer.

The discount rate applied in the valuation is 1.89% per quarter.

Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs and costs associated with the development and maintenance of the Ministry's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in net surplus or deficit.

The useful lives and associated amortisation rates of intangible assets have been estimated as follows:

Useful lives are:	Years
Computer software	3 – 5

Impairment of property, plant and equipment, and intangible assets

An intangible asset that is not yet available for use at balance date is tested for impairment annually.

Property, plant and equipment and intangible assets that have a finite useful life, and are not revalued, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in net surplus or deficit. The reversal of an impairment loss is recognised in net surplus or deficit.

Creditors and other payables

Short-term creditors and other payables are recorded at amortised cost.

Employee entitlements

Short-term employee entitlements

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

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

The Ministry recognises a liability and an expense for lump sum performance payments where it is contractually obliged to pay them, or where there is a past practice that has created a contractual obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in net surplus or deficit as incurred.

Provisions

The Ministry recognises a provision for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event
- it is probable that an outflow of future economic benefits will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

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

A provision for restructuring is recognised when an approved formal plan for the restructuring has been announced publicly to those affected, or if a planned implementation has already been confirmed.

A provision for make good on expiry of leases is recognised. In respect of a number of its leased premises, the Ministry is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Ministry. In many cases, the Ministry has the option to renew these leases, which affects the timing of the expected cash outflows to make good the premises. The Ministry has assumed that, where appropriate, the option to renew its leases will be exercised in measuring the provision.

Taxpayers' equity

Taxpayers' equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Taxpayers' equity is disaggregated and classified as general funds and property, plant and equipment revaluation reserves.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Information on non-cancellable capital and lease commitments is reported in the Statement of Commitments.

Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are reported in the Statement of Commitments at the lower of the remaining contractual commitment and the values of those penalty or exit costs (ie, the minimum future payments).

Goods and Services Tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2015, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

Statement of cost accounting policies

The Ministry has determined the cost of outputs using the cost allocation system outlined below.

All costs are charged to activities or projects. Direct costs are charged directly to non-overhead activities or projects. Indirect costs are charged to overhead activities. Costs in the overhead activities are then ascribed to non-overhead activities based on cost drivers.

Criteria for direct and indirect costs

Direct costs are those costs charged directly to a non-overhead activity. Indirect costs are those overhead costs that cannot be identified with a specific output in an economically feasible manner, and are charged to an overhead activity.

Direct costs assigned to outputs

Non-overhead activities are mapped directly to outputs. Costs in these activities are therefore assigned directly to the relevant outputs. This includes costs related to the provision of school sector property.

Basis for assigning indirect and corporate costs to outputs

Indirect costs are assigned to non-overhead activities, and thereby to outputs, on the basis of direct salaries costs captured within the non-overhead activity. There have been no changes in cost accounting policies since the date of the last audited financial statements.

Critical accounting estimates and assumptions

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

Long service leave and retirement gratuities

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information
- the present value of the estimated future cash flows. The discount rates prescribed by the Treasury as at 30 June 2015 and a salary inflation factor of 3% (2014: 3%) were used for retiring and long service leave.

Land valuation

The Ministry carries its land assets at fair value, with changes in fair value being recognised in other comprehensive revenue and expenses. Land fair values have been determined from market-based evidence. Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage and an open market 'willing buyer willing seller' scenario. For schools with a designation or other restriction against the land the values are adjusted accordingly.

Building valuation

Changes were introduced into the revaluation methodology in 2015 in order to improve the building-by-building value Optimised Depreciated Replacement Cost (ODRC) calculations. They included the following changes:

- automatic 're-lifing' of an asset was discontinued and the life of an asset was reset if there had been significant investment in that asset in recent years
- relocatable school buildings in previous years were revalued as a unique component. In 2015, relocatable school buildings were valued as fabric, fit out, roof and services
- in previous years, the optimisation adjustment in the calculation treated relocatable school buildings in a different manner to permanent school buildings. For 2015, the optimisation calculation treated both kinds of buildings in the same manner.

Given the complex nature of the revaluation calculation, it is difficult to establish the individual impact of the above changes. However, the total impact on the 2014 valuation was a reduction of \$123.6 million.

The construction rates have been sourced from 'QV Costbuilder' (2013/14 from *Rawlinsons' Handbook*). Useful lives are re-assessed annually based on the age of buildings and the level of capital expenditure incurred on buildings over the last 10 years compared to the replacement cost.

The following table provides component rates applied for calculating the depreciated replacement cost for each component of buildings by the Ministry. Rates for other regions and provinces are determined by applying provincial indices to these rates.

Component	2015 unit rate	2014 unit rate
Classroom – fit out	\$639 m2	\$626 m2
Classroom – services	\$702 m2	\$692 m2
Classroom – roof	\$277 m2	\$269 m2
Classroom fabric – single storey	\$954 m2	\$934 m2
Classroom fabric – per storey	\$381 m2	\$366 m2
Ancillary buildings	\$736 m2	\$724 m2
Covered way	\$389 m2	\$390 m2
Swimming pools	\$3,160 m3	\$3,063 m3
Boilers	\$59,573 each	\$60,289 each
Lifts - basic rate	\$111,067 each	\$114,342 each
Lifts - single rate	\$6,058 m2	\$6,237 m2
Relocatables*	-	\$2,383 m2

*Buildings revalued as relocatables in 2013/14 were revalued as Classroom fit out, services, roof and fabric in 2014/15.

Depreciated replacement cost is used for buildings because of the specialised nature of the assets.

- The annual depreciation on school property assets is determined by the remaining useful life of each asset.
- The remaining useful life assumption for the following categories of buildings has been assessed and decreased to reflect their most likely remaining useful life:
 - buildings identified as likely to be demolished as part of the Buildings Improvement Programme (BIP) (weathertightness) and the Greater Christchurch Education Renewal Programme
 - buildings identified as being surplus to future requirements and where rationalisation is a likely outcome.

The Ministry has carried an impairment provision since 2010 to provide for damage resulting from weathertightness issues. The value of the weathertightness impairment includes three components: buildings included in the BIP, the Redevelopment Programme and Christchurch School Rebuild Programme. For the year ending 30 June 2015, the weathertightness Impairment Provision was \$677 million (2013/14: \$828 million). The key assumptions around the calculation are estimates:

- based on building-by-building remediation cost estimates (where available) adjusted by a building carrying value/replacement cost ratio
- for schools in the redevelopment programme where weathertightness is:
 - the major trigger for the redevelopment, the redevelopment cost estimate has been adjusted by a building carrying value/replacement cost ratio
 - not the major trigger for the redevelopment, between 15% and 20% has been applied to the redevelopment's costs to estimate the weathertightness portion of the costs.

The series of earthquakes that struck in the Canterbury region in 2010 and 2011, most notably on 4 September 2010, 22 February 2011 and 13 June 2011, and associated aftershocks resulted in damage to many school buildings.

Estimates of loss were prepared in 2013/14 detailing the damage that occurred at the building level and where damaged buildings have been identified as likely to be demolished in the next 10 years, the value of the building has been adjusted through the revaluation reserve. It forms part of the impairment if the building is to be remediated.

The Christchurch earthquake impairment value as at 30 June 2015 was \$32.1 million (2014 \$64.1 million).

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- the condition of the asset based on the assessment of experts
- the nature of the asset, its susceptibility and adaptability to changes in technology and processes
- the nature of the processes in which the asset is deployed
- availability of funding to replace the asset
- changes in the market in relation to the asset.

Service concession rate

The discount rate for the service concession is based on the best information available taking into consideration the length of time of the agreement, asset lifecycles, swap arrangements and information from Treasury and the Reserve Bank.

Budget and forecast figures

Basis of the budget and forecast figures

The 2015 budget figures are for the year ended 30 June 2015 and were published in the 2013/14 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 2014/15.

The 2016 forecast figures are for the year ending 30 June 2016, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 2015/16.

The forecast financial statements have been prepared as required by the PFA to communicate forecast financial information for accountability purposes. The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2016 forecast figures have been prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Executive on 14 April 2015. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2016 will not be published.

The actual financial results achieved for 30 June 2016 are likely to vary from the forecast information presented, and the variation may be material.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the 2015/16 year. The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised. The main assumptions, which were adopted as at 21 April 2015, were as follows:

- the Ministry's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities
- personnel costs were based on 2,800 full-time equivalent staff, which takes into account staff turnover
- operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred
- remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes
- land and buildings are not revalued
- estimated year-end information for 2014/15 was used as the opening position for the 2015/16 forecasts.

Note 2 – Budget Composition

	30/06/2014 Budget	30/06/2015 Budget	30/06/2015 Supple- mentary Estimates	30/06/2015 Budget	30/06/2016 Forecast*
	Total	Forecasts	Increase/ (decrease)	Total	Total
	\$000	\$000	\$000	\$000	\$000
Revenue:					
From the Crown	1,973,983	1,928,702	98,174	2,026,876	2,048,084
Other	92,331	12,695	50,490	63,185	9,799
Total revenue	2,066,314	1,941,397	148,664	2,090,061	2,057,883
Expenditure:					
Personnel	277,771	273,894	8,836	282,730	275,104
Operating	54,910	56,758	(1,117)	55,641	55,481
Depreciation	472,021	472,021	14,000	486,021	488,929
Maintenance of school land and buildings	63,220	47,056	6,540	53,596	41,211
Capital charge	888,632	900,954	45,542	946,496	970,588
Other expenses	237,783	190,714	48,828	239,542	226,570
Total expenditure	1,994,337	1,941,397	122,629	2,064,026	2,057,883
Net operating surplus	71,977	-	26,035	26,035	-

*The Statement of Accounting Policies provides explanation for these figures which are not subject to audit.

Note 3 – Other Revenue

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Payroll deduction fees	420	371
Sale of learning materials	82	2
Early childhood licences	382	382
Sundry rentals	282	339
School house rentals	3,594	3,502
Weathertight settlements	4,052	7,108
Miscellaneous revenue	556	350
Special education	963	550
Insurance recoveries	81,977	-
Negotiated settlements	-	29,400
Gain on disposal of property, plant and equipment	-	16,741
Total other revenue	92,308	58,745

The negotiated settlement is the value of the settlement with the school payroll provider Talent2 NZ Ltd.

The insurance recoveries in 2014 pertain to the balance of claims arising from the Canterbury earthquakes.

Note 4 – Personnel Expenditure

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Salaries and wages	262,630	274,539
ACC	893	848
Superannuation subsidies	6,443	6,779
Training	3,362	3,077
Increase/(decrease) in provision for annual leave	(1,253)	(225)
Increase/(decrease) in provision for long service leave	13	(228)
Increase/(decrease) in provision for retiring leave	(170)	(2,084)
Total personnel expenditure	271,918	282,706

Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund.

Note 5 – Operating Expenditure

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Travel	15,067	12,166
Communications	4,279	4,145
Operating lease rentals	16,321	16,870
Contracts	4,537	4,273
Equipment maintenance	1,410	3,385
Other operating costs	14,043	13,686
Total operating expenditure	55,657	54,525

Note 6 – Depreciation and Amortisation

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Buildings	441,269	463,035
Service concession arrangements	1,453	1,711
Furniture/office equipment	7,382	6,115
Motor vehicles	1,845	1,481
Total depreciation	451,949	472,342
Computer software	12,220	9,356
Total amortisation	12,220	9,356
Total depreciation and amortisation	464,169	481,698

Note 7 – Capital Charge

The Ministry pays a capital charge on its average taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2015 was 8.0% (at 30 June 2014 the rate was 8.0%).

Note 8 – Other Expenses

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Fees to auditors		
• Audit fees for audit of the financial statements	401	407
• Other assurance services	660	543
• Advisory services	90	39
Debt impairment/(impairment reversal)	411	(156)
Contracts for services	92,913	94,055
Special education payments	98,456	106,714
Finance charge on service concession arrangement	-	5,972
Loss on disposal of property, plant and equipment	9,513	-
Other	29,351	23,069
Total other expenses	231,795	230,643

Fees to auditors for other assurance services relate to a review of the control environment maintained by Talent2 NZ Ltd and Education Payroll Limited to operate the Novopay education payroll service and the review of school payroll reporting and pay data information for the purposes of 2014 school financial reporting. This assignment was carried out by Ernst & Young as the appointed audit service provider on behalf of the Auditor-General to support the Office of the Auditor-General's audits of schools for the 2014 year.

Ernst & Young was also commissioned by the EDUCANZ Transition Board to undertake a health check review on the EDUCANZ Transitions Programme.

Note 9 – Net Surplus Payable to the Crown

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Surplus from the Statement of Comprehensive Revenue	71,977	34,869
Deficit/(surplus) carried to taxpayers' equity	(71,977)	(22,400)
Total for repayment to the Crown	-	12,469

The return of operating surplus to the Crown is required to be paid by 31 October of each year.

The non-cash assets received of \$22.4 million through the Novopay settlement with Talent2 NZ Ltd has been returned as a non-cash capital withdrawal.

The 2013/14 results were a nil surplus as a result of revenue from the Crown being recognised last year as equivalent to the expenditure incurred rather than the amount appropriated.

Note 10 – Revaluation Reserves

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Revaluation reserves consist of:		
Land revaluation reserves	2,429,716	2,658,112
Building revaluation reserves	4,850,193	5,131,439
Service concession reserve	493	11,817
Total revaluation reserves	7,280,402	7,801,368

The revaluation reserve is used to record increases and decreases in the fair value of land and buildings and service concession assets.

Note 11 – Accounts Receivable

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Exchange receivables		
Trade receivables	2,453	3,737
Non-trade receivables	426	4,503
Total exchange receivables	2,879	8,240
Non-exchange receivables		
Crown debtor	345,204	345,219
Total accounts receivable	348,083	353,459

Receivables include salary and travel advances, debtors for school house rentals, sales of learning materials, and other goods and services provided. These have all been treated as exchange transactions. Crown debtor is the amount that the Ministry has had appropriated but has not been drawn down.

The carrying value of debtors and other receivables approximates their fair value. As at 30 June 2015 and 2014, all trade receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2014			30/06/2015		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	507	-	507	2,292	-	2,292
Past due 1 - 30 days	113	-	113	570	-	570
Past due 31 - 60 days	905	-	905	81	-	81
Past due 61 - 90 days	49	-	49	189	-	189
Past due > 91 days	1,674	795	879	1,244	639	605
Total	3,248	795	2,453	4,376	639	3,737

No other class of accounts receivable is past due or impaired.

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

Movements in the provision for doubtful debts are as follows:

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Balance at 1 July	345	795
Additional provisions made during the year	454	(156)
Receivables written off during period	(4)	-
Balance at 30 June	795	639

Note 12 – Prepayments

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Prepayments	2,750	9,818
Property capital	15,729	22,039
Total prepayments	18,479	31,857

The property capital increase reflects the increase in the Five Year Agreement programme of work.

Note 13 – Non-Current Assets Held for Sale

A range of school land, buildings and housing has been classified as held for sale following the approval to dispose of these assets, as they will provide no future use to the Ministry. The completion date for these sales is difficult to predict owing to an extensive formal disposal process. An active programme is in place to dispose of these properties.

Non-current assets held for sale include:

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Buildings	6,797	4,340
Land	69,147	28,024
Total non-current assets held for sale	75,944	32,364

Note 14 – Accounts Payable

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Payables	6,801	16,127
Accrued expenses	85,775	76,684
Crown entities	1,083	1,997
Provision for repayment of surplus	-	12,469
Total accounts payable	93,659	107,277

All payables are exchange transactions.

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

Note 15 – Goods and Services Tax

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
GST	13,922	16,771

Note 16 – Provision for Employee Entitlements

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Current liabilities		
Annual leave	14,075	14,308
Provision for State Sector Retirement Savings Scheme	201	289
Government Superannuation Fund: Employer Subsidy	-	38
Long service leave	449	442
Retiring leave	1,621	1,864
Total current portion	16,346	16,941

The provision for annual leave represents the amount owing to employees as at 30 June 2015.

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Non-current liabilities		
Long service leave	1,301	1,536
Retiring leave	4,828	6,669
Total non-current portion	6,129	8,205

The provision for long service and retiring leave is calculated on an actuarial basis as at 30 June 2015. This actuarial calculation recognises that the liability for these leave categories accrues as employees provide service to the Ministry.

The calculations for retiring leave and long service leave were determined by an independent actuary as at 30 June 2015, where the main economic assumptions applied were discount rates prescribed by the Treasury calculated as at 30 June 2015 and a salary growth rate of 3.0% (2013/14: 3.0%).

The actuary that provided the assessment was Jonathan Eriksen FNZSA FIA FIAA ASA.

If the salary inflation factor were to differ by one per cent from the estimate, with all other factors held constant, the carrying amount of the:

- long service leave liability would be an estimated \$1.8 million lower/\$2.1 million higher
- retiring leave liability would be an estimated \$8.0 million lower/\$9.2 million higher.

If the resignation rates were to differ by 50% from the estimate, with all other factors held constant, the carrying amount of the:

- long service leave liability would be an estimated \$2.0 million lower/\$2.0 million higher
- retiring leave liability would be an estimated \$8.6 million lower/\$8.6 million higher.

Note 17 – Other Provisions

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Other provisions		
Restructuring	-	1,500
Make good provision for leased premises	2,449	4,936
Total other provisions	2,449	6,436

Note 18 – Non-Current Assets

The Ministry is responsible for, and has ownership of, a significant portion of the institutional land and buildings in use by primary, intermediate and secondary schools on behalf of the Government. The Ministry does not own the land and buildings of integrated schools and therefore they are not included in the Ministry's financial statements.

	Land Valuation \$000	Buildings Valuation \$000	Service Concession Arrangements Valuation \$000	Furniture/ Office Equipment Cost \$000	Motor Vehicles Cost \$000	Total \$000
Cost or valuation						
Balance at 1 July 2013	2,791,275	7,897,419	48,825	77,455	12,483	10,827,457
Additions	4,619	481,129	26,112	6,048	3,258	521,166
Revaluation increase/ (decrease)	323,748	(36,654)	493	-	-	287,587
Transfer to held for sale	(27,480)	(1,067)	-	(12,570)	(2,811)	(43,928)
Disposals	(23,273)	(18,167)				(41,440)
Balance at 30 June 2014	3,068,889	8,322,660	75,430	70,933	12,930	11,550,842
Additions	11,824	617,525	8,179	8,895	-	646,423
Revaluation (decrease)/ increase	223,132	(168,756)	7,203	-	-	61,579
Transfer to held for sale	(9,480)	(1,657)	-	-	-	(11,137)
Reclassified from assets held for sale	18,700	642	-	-	-	19,342
Disposals	(7,319)	(10,070)	-	(4,188)	(29)	(21,606)
Balance at 30 June 2015	3,305,746	8,760,344	90,812	75,640	12,901	12,245,443
Accumulated depreciation and impairment losses						
Balance at 1 July 2013	-	741	50	54,566	5,394	60,751
Depreciation expense	-	441,269	1,453	7,382	1,845	451,949
Eliminate on disposal	-	(890)	-	(3,297)	(1,731)	(5,918)
Eliminate on revaluation	-	(441,215)	-	-	-	(441,215)
Balance at 30 June 2014	-	(95)	1,503	58,651	5,508	65,567
Depreciation expense	-	463,035	1,711	6,115	1,481	472,342
Eliminate on disposal	-	(197)	-	(2,453)	(19)	(2,669)
Eliminate on revaluation	-	(461,688)	(3,214)	-	-	(464,902)
Balance at 30 June 2015	-	1,055	-	62,313	6,970	70,338
Carrying amounts						
At 1 July 2013	2,791,275	7,896,678	48,775	22,889	7,089	10,766,706
At 30 June 2014	3,068,889	8,322,755	73,927	12,282	7,422	11,485,275
At 30 June 2015	3,305,746	8,759,289	90,812	13,327	5,931	12,175,105

Service concession arrangements

The Ministry entered into a private public partnership (PPP) agreement with Learning Infrastructure Partners in 2011. Under this agreement, the contractor undertook to:

- finance, design and construct a primary and a secondary school at Hobsonville Point; and
- provide the operational services, which comprise building maintenance, landscaping, cleaning and other types of services.

Under the agreement, the Ministry provided two existing land parcels to the contractor to use for the construction of the schools valued at \$6.9 million (2014: \$4.9 million).

The Hobsonville Point Primary School opened in January 2013 and the Hobsonville Point Secondary School opened in February 2014.

The agreement runs for a period of 25 years, after which responsibility for ongoing maintenance will revert to the Ministry along with ownership of the schools.

The Boards of Trustees remain at all times responsible for the delivery of education to students.

Under this agreement the Ministry pays a unitary charge to the contractor from the point at which the schools become operational. This charge covers and is allocated between:

- construction of the schools – these costs are not repriced
- finance costs – finance costs are repriced every five years and the amount the Ministry pays to the contractor is adjusted
- service costs – these costs cover routine repairs and maintenance required to keep the school running and in good condition. A portion of these costs is indexed to the Consumer Price Index and the Labour Cost Index. This portion can be reset at Year 5 and Year 15 of the agreement. Any change in these service costs will result in a change in the amount the Ministry pays to the contractor
- lifecycle additions – this is additional to routine repairs and maintenance carried out during the contract lifetime which is agreed upfront.

Revaluations

The annual revaluation of service concession assets was conducted by Quotable Value Limited, led by Lynda McNamara (M Comm, VPM).

The annual revaluation of school land, early childhood education land and houses was conducted by Quotable Value Limited, led by Andrew Parkyn (SPINZ, ANZIV). The valuation had an effective date of 30 June 2015. School buildings and improvements are valued internally by experienced Ministry staff, and the internal valuation is reviewed by Quotable Value Limited, also led by Andrew Parkyn.

	Land	Buildings	Service Concession Arrangements	Total
	\$000	\$000	\$000	\$000
Quotable Value Limited	3,305,746	130,141	90,812	3,526,699
Internal assessment by experienced Ministry staff	-	8,629,148	-	8,629,148
Total	3,305,746	8,759,289	90,812	12,155,847

There are no restrictions over the title of the Ministry's school land, buildings and chattels, nor are any school land, buildings and chattels pledged as security for liabilities.

In addition to the figures above, there is surplus property valued at \$32.4 million (\$75.9 million for the year ended 30 June 2014) net realisable value, which the Ministry intends to dispose of.

All Crown property has to follow a specific disposal process that can result in delays in achieving a final sale. This does not have a material impact on the expected net proceeds.

The Ministry adopted a three-tier approach to the risk management of property, plant and equipment for the 2014/15 year:

- the first tier concentrated on upgrading fire protection and security systems in order to minimise arson and vandalism losses
- the second tier is a policy of self-insurance, up to \$12.5 million
- the third tier, relating to losses beyond the above annual limits, is covered by an insurance policy placed with the international insurance market, which provides cover for the following:
 - \$260 million for any one loss
 - one reinstatement to \$520 million in the aggregate (excluding Canterbury Referral Zone)
 - fire limit of \$60 million for any one loss and in the aggregate
 - the deductible amount for non-catastrophic losses is \$12.5 million in the aggregate
 - the deductible amount for catastrophic losses is \$25 million each and every loss.

Catastrophe is defined as earthquake, tsunami, volcanic eruption, hydrothermal activity, flood and cyclone.

The total amount of property, plant and equipment in the course of construction is \$537.6 million (2013/14: \$310.7 million).

The impairment provision for weathertightness reduced during the year as a result of:

- expenditure of \$95 million on remediation of weathertight issues
- impact of another year of testing (visual and destructive) and additional knowledge of the state of buildings
- addressing some of the weathertight issues through the capital investment programme.

Note 19 – Intangible Assets

	Internally developed software
	\$000
Cost	
Balance at 1 July 2013	100,229
Additions	19,866
Disposals	(1,950)
Other movements	6,078
Balance at 30 June 2014	124,223
Additions	17,180
Disposals	(562)
Other movements	821
Balance at 30 June 2015	141,662
Accumulated amortisation	
Balance at 1 July 2013	69,856
Amortisation expense	12,220
Disposals	(4,062)
Other movements	167
Balance at 30 June 2014	78,181
Amortisation expense	9,053
Disposals	(543)
Other movements	-
Balance at 30 June 2015	86,691
Carrying amounts	
At 1 July 2013	30,373
At 30 June 2014	46,042
At 30 June 2015	54,971

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

There are software assets valued at \$68.6 million that are fully amortised but that are still in use (2013/14: \$61.0 million).

The total amount of software assets in the course of development is \$23.8 million (2013/14: \$29.6 million).

Note 20 – Reconciliation of Net Surplus with Cash Flows from Operating Activities

The reconciliation discloses the non-cash adjustments included in determining the net surplus reported in the Statement of Comprehensive Revenue to arrive at the net cash flows from operating activities disclosed in the Statement of Cash Flows.

	30/06/2014 Actual	30/06/2015 Budget	30/06/2015 Supple- mentary Estimates	30/06/2015 Actual	30/06/2016 Forecast*
	\$000	\$000	\$000	\$000	\$000
Reported net surplus	71,977	-	26,035	34,869	-
Add non-cash items:					
Depreciation and amortisation	464,169	459,041	473,041	472,342	475,949
Amortisation and impairment on intangible assets	-	12,980	12,980	9,356	12,980
Buildings demolished and identified for demolition	13,850	-	-	-	-
Provision for interest	-	5,112	5,112	-	-
Talent2 NZ Ltd settlement	-	-	(22,400)	(22,400)	-
(Decrease)/increase in non-current employee entitlements	(175)	-	-	2,076	-
	477,844	477,133	468,733	461,374	488,929
Add/(less) movements in working capital items:					
(Increase)/decrease in accounts receivable	(45,062)	(5,000)	(19,895)	(5,064)	(9,480)
Increase/(decrease) in prepayments	(807)			(3,637)	12,018
Increase/(decrease) in accounts payable	1,605	10,000	(5,786)	2,356	-
(Decrease)/increase in current employee entitlements	1,446	-	-	685	-
	(42,818)	5,000	(25,681)	(5,660)	2,538
Add/(less) items classified as investing activities:					
Net loss/(gain) on sale of property, plant and equipment	(4,337)	-	-	(16,741)	-
	(4,337)	-	-	(16,741)	-
Net cash flows from operating activities	502,666	482,133	469,087	473,842	491,467

Note 21 – Financial Instrument Risks

The Ministry's activities expose us to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and we seek to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk – currency risk and interest rate risk

The Ministry enters into foreign currency forward contracts as required to hedge foreign currency transactions. There are no outstanding forward foreign exchange contracts at year end. The Ministry is not exposed to any significant currency or interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. The Ministry is exposed to credit risk in relation to its accounts receivable and bank balances.

The Ministry is permitted to deposit funds only with Westpac (Standard and Poor's credit rating of AA-) a registered bank. For its other financial instruments the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and accounts receivable. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Maximum credit risk exposure

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Cash and bank balances	59,361	49,276
Accounts receivable	348,083	353,459
Total maximum credit risk exposure	407,444	402,735

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above accounts.

Significant concentrations of credit risk

The Ministry does not require any collateral or security to support financial instruments with the financial institutions we deal with, and we are not exposed to any other concentrations of credit risk with the key concentration being the Crown.

Fair value

The fair value of all financial instruments is equivalent to the carrying value disclosed in the Statement of Financial Position.

Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting our liquidity requirements, we closely monitor our forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a targeted level of available cash to meet liquidity requirements.

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at the balance sheet date in comparison to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 Months \$000	Between 6 Months and 1 Year \$000	Between 1 and 5 Years \$000	Over 5 Years \$000	Total \$000
2014					
Creditors	74,187	21,921	-	-	96,108
Service concession liability	2,757	2,757	21,134	42,774	69,422
Total financial liabilities	76,944	24,678	21,134	42,774	165,530
2015					
Creditors	88,487	25,226	-	-	113,713
Service concession liability	447	458	4,018	70,095	75,018
Total financial liabilities	88,934	25,684	4,018	70,095	188,731

Note 22 - Categories of Financial Instruments

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Loans and receivables		
Cash and cash equivalents	59,361	49,276
Debtors and other receivables (Note 11)	348,083	353,459
Total loans and receivables	407,444	402,735
Financial liabilities measured at amortised cost		
Creditors	93,659	107,277
Service concession liability	69,422	74,113
Total financial liabilities measured at amortised cost	163,081	181,390

Note 23 – Capital Management

The Ministry's capital is our equity (or taxpayers' equity), which comprises general funds and revaluation reserves. Equity is represented by net assets.

We manage our revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities and compliance with the Government Budget processes, Treasury Instructions and the PFA.

The objective of managing the Ministry's equity is to ensure we effectively achieve our goals and objectives for which we have been established, while remaining a going concern.

Note 24 – Related Party Transactions and Key Management Personnel

Related party transactions

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the role of the Ministry as well as being its major source of revenue.

In dealing with related parties, the Ministry adopted a normal supplier or client relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Ministry would have adopted if dealing with that party at arm's length in the same circumstances.

In 2014/15 there were 14 Deputy Secretaries in the Ministry's senior management team. One of the Deputy Secretaries is related to the current Minister of Education.

All transactions between the above parties during the year have been at arms length.

Key management personnel compensation

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Salaries and other short-term employee benefits	3,892	4,376
Post-employment benefits – superannuation	119	183
Total key management personnel compensation	4,011	4,559

Key management personnel information relates to the positions of the senior management team – Secretary for Education and 14 Deputy Secretaries (2014: 11 Deputy Secretaries).

The benefits paid to key management personnel, and categorised as short-term employee benefits, include recovery payments made to the State Services Commission for the remuneration received by the Secretary for Education.

Key management personnel compensation excludes the remuneration and other benefits the Minister of Education and the Minister for Tertiary Education, Skills and Employment receive for their roles as Ministers of the Crown. The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and are not paid by the Ministry.

Note 25 – Events after the Balance Date

There have been no significant events after balance date. (2014: None)

Note 26 – Explanation of Major Variances against Budget

Explanations for major variances from the Ministry's 2014/15 budget figures are as set out below.

Statement of Comprehensive Revenue and Expenses

The significant increases from budget in both Crown Revenue (\$98.174 million) and expenditure (\$94.7 million) from budget reflected in Supplementary Estimates and the Actuals are as a result of increases in:

- depreciation and capital charge (\$58.3 million and \$14 million respectively) due to the impact of the revaluation of assets as at 30 June 2014. The actual cost for depreciation was lower than budget (\$4.3 million) as projects were not capitalised as forecast
- operational expenditure and expenditure associated with the transition of payroll services from Talent2 NZ Ltd to Education Payroll Ltd. The Crown revenue was increased by \$25.4 million for the transfer of assets and increased costs and the expenditure \$18.3 million. The difference is the revenue from third party included as Revenue Other.

The following items have also increased Crown Revenue and expenditure to a lesser extent:

- Ongoing Resources Scheme increase of \$4.3 million met from transfers from non-departmental appropriations
- teacher aide support increase of \$2.5 million met from transfers from non-departmental appropriations
- the Incredible Years programme and an Intensive Wrap-around service increase of \$1.4 million met from transfers from non-departmental appropriations
- additional legal costs associated with weathertightness issues of \$6.9 million
- costs for rationalisation of school property funded through increased third party revenue of \$3.5 million
- the implementation of a programme for achievement, retention and transition initiatives of Youth Guarantee Networks and Vocational Pathways of \$2.2 million.

Statement of Financial Position

The major variances are:

- cash and bank is lower mainly due to a voluntary capital withdrawal in June of \$44.6 million and the Crown Debtor cash not been drawn down
- accounts receivable is higher mainly as a result of increased Crown Debtor as the funding was not drawn down as expected
- non-current assets held for sale is lower as there have been sales in relation to the Treaty settlement properties that had not been forecasted
- school land and school buildings are higher which mainly reflects the increases as a result of the 30 June 2014 revaluation exercise
- services concession arrangements increase reflects the accounting treatment of the arrangement with the partners in the PPP arrangements
- provision for employee entitlements increase reflects the addition of staff eligible for the entitlements.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2015

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities that the Ministry manages under Vote Education and Vote Tertiary Education on behalf of the Crown.

The Ministry administered \$10,528.1 million of non-departmental payments, \$24.1 million of non-departmental revenue and receipts, \$312.2 million of assets and \$648.4 million of liabilities on behalf of the Crown for the year ended 30 June 2015. Further details of the Ministry's management of these Crown assets and liabilities are provided in the output performance sections of this report (pages 48-74).

Statement of Revenue and Receipts for the year ended 30 June 2015

The Statement of Revenue and Receipts details revenue, recoveries, interest and dividends, as well as capital receipts during the year. The Ministry of Education administers this revenue on behalf of the Crown.

Vote Education

30/06/2014 Actual	(All figures are GST exclusive where applicable)	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
\$000		\$000	\$000	\$000
Non-exchange operational revenue				
2,771	Export education levies	3,521	3,521	3,356
Exchange operational revenue				
175	Miscellaneous receipts	485	607	2,695
2,639	Overseas students' fees	3,757	3,757	2,656
5,585	Total operational revenue	7,763	7,885	8,707
5,585	Total revenue and receipts	7,763	7,885	8,707

Vote Tertiary Education

30/06/2014 Actual	(All figures are GST exclusive where applicable)	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
\$000		\$000	\$000	\$000
Non-exchange operational revenue				
8,932	Crown entity recoveries	-	5,749	14,736
8,932	Total operational revenue	-	5,749	14,736
Non-tax revenue				
-	Interest	122	122	634
8,932	Total revenue and receipts	122	5,871	15,370

Statement of Expenses for the year ended 30 June 2015

The Schedule of Expenses summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Appropriations Statements (pages 125-129).

Vote Education

30/06/2014 Actual		Note	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
\$000			\$000	\$000	\$000
445,478	Non-departmental output expenses	6	500,641	508,368	493,204
32,067	Benefits or related expenses	6	45,262	41,576	33,658
6,684,983	Non-departmental other expenses	6	6,953,713	7,005,836	6,957,708
22,758	Non-departmental capital expenditure	6	26,159	34,202	27,504
7,185,286	Total non-departmental expenses		7,525,775	7,589,982	7,512,074
5,500	Investment expenditure		3,000	31,400	31,400
7,190,786	Total non-departmental appropriations		7,528,775	7,621,382	7,543,474

The capital expenditure recorded in the Appropriation Statements (pages 125-129) of \$58.9 million comprises non-departmental capital expenditure and capital expenditure treated as investments.

Vote Tertiary Education

30/06/2014 Actual		Note	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
\$000			\$000	\$000	\$000
2,787,366	Non-departmental output expenses	6	2,893,385	2,871,855	2,831,484
30,522	Benefits or related expenses	6	25,159	35,677	33,913
2,895	Non-departmental other expenses		1,182	1,379	1,377
250	Non-departmental capital expenditure	6	920	920	920
2,821,033	Total non-departmental expenses		2,920,646	2,909,831	2,867,694
19,450	Investment expenditure		100,000	116,950	116,950
2,840,483	Total non-departmental appropriations		3,020,646	3,026,781	2,984,644

The capital expenditure recorded in the Appropriation Statements (pages 125-29) of \$117.870 million comprises non-departmental capital expenditure and capital expenditure treated as investments.

Statement of Non-Departmental Assets

The Schedule of Assets summarises the assets that the Ministry administers on behalf of the Crown.

30/06/2014 Actual		Note	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
\$000			\$000	\$000	\$000
109,318	Cash and bank balances		94,729	144,869	248,490
13,308	Accounts receivable	2	15,985	13,931	35,412
623	School Contents Risk Management Scheme		-	-	(429)
13,528	Prepayments		2,259	4,528	17,698
11,000	Property intended for sale		11,000	11,000	11,000
147,777	Total non-departmental assets		123,973	174,328	312,171

* Physical assets include the former Central Institute of Technology campus at Heretaunga.

In addition, the Ministry monitors several Crown entities. These are Careers New Zealand, the New Zealand Qualifications Authority (NZQA), the Education Council of Aotearoa New Zealand, the Tertiary Education Commission and Education New Zealand.

Other Crown entities include state schools, universities, polytechnics and wānanga.

The investment in these entities is recorded in the financial statements of the Government on a line-by-line basis or equity basis for tertiary education institutions. No disclosure is made in this schedule, although investments are initially disclosed as capital expenditure in the Statement of Expenditure and Appropriations.

Statement of Non-Departmental Liabilities

The Schedule of Liabilities summarises the liabilities that the Ministry administers on behalf of the Crown.

30/06/2014 Actual		Note	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
\$000			\$000	\$000	\$000
81,495	Accounts payable	3	98,090	76,721	117,710
351,848	Accruals and provisions	3	301,711	381,820	379,722
175,673	Provision for teacher entitlements		150,613	150,807	150,997
609,016	Total non-departmental liabilities		550,414	609,348	648,429

Statement of Commitments

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments.

Statement of Contingent Liabilities

The Statement of Contingent Liabilities discloses situations that exist at 30 June 2015, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Legal proceedings:		
Personal grievance claims	2,795	-
Total contingent liabilities	2,795	-

Personal grievances claims relate to historical abuse claims. These have been reclassified to the Departmental Contingent Liabilities Statement.

Unquantified contingent liability

There are no unquantified contingent liabilities.

Statement of Contingent Assets

The Statement of Contingent Assets discloses situations that exist at 30 June 2015, the ultimate outcome of which will be confirmed only on the non-occurrence of one or more future events after the date of approval of the financial statements.

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Suspensory loans – private and integrated schools	30,916	25,258
Total contingent assets	30,916	25,258

These suspensory loans are generally for 25 years and are progressively written off over that period based on the recipient achieving particular results or milestones.

Statement of Trust Monies for the year ended 30 June 2015

Account	As at 1/07/2014	Contribution	Distribution	Revenue	Expenses	As at 30/06/2015
	\$000	\$000	\$000	\$000	\$000	\$000
Export Education Levy	3,426	4,409	(2,799)	84	(288)	4,832
UNESCO ASPAC Conference	2	-	-	-	-	2
Total trust monies	3,428	4,409	(2,799)	84	(288)	4,834

Providers that enrol international students are required to pay a levy for the purpose of the development, promotion and quality assurance of the export education sector, including the administration of the Code of Practice for the Pastoral Care of International Students.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) Asia Pacific Region (ASPAC) Conference Trust was used to administer the Asian and Pacific Regional Consultation of United Nations Educational, Scientific and Cultural National Commissions, which was hosted in Wellington by the New Zealand National Commission on behalf of UNESCO Headquarters. International UNESCO programme funding was provided to cover the infrastructural costs of the Congress (such as venue, functions, interpretation, equipment, printing and communications), as well as international travel and accommodation for participants.

Statement of Unappropriated Expenditure for the year ended 30 June 2015

In terms of section 26 of the Public Finance Act 1989, the following expenses were incurred in excess of the appropriation for the year ended 30 June 2015 (there was \$21.482 million unappropriated expenditure for the year ended 30 June 2014).

	30/06/2014 Unappropriated Expenditure	30/06/2015 Expenditure	30/06/2015 Appropriation	30/06/2015 Unappropriated Expenditure
	\$000	\$000	\$000	\$000
Non-departmental other expenses:				
Early Childhood Education	21,482	1,623,371	1,607,342	16,029

Unappropriated expenditure for early childhood education, in excess of appropriation, is mainly due to:

- higher than expected growth in attendance at early childhood education centres on non-school days, mainly in December 2014 and January 2015
- higher than expected growth in home based-care for under two year old children. This increase is particularly evident in the Auckland region.

These trends were not known at the time the Supplementary Estimates were finalised.

Notes to the Non-Departmental Financial Statements

Note 1 – Statement of accounting policies for the year ended 30 June 2015

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the financial statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should be made to the financial statements of the Government.

Basis of preparation

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the financial statements of the Government, and in accordance with relevant Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

These statements and schedules are the first prepared in accordance with the new PBE accounting standards. There are no material adjustments arising on transition to the new standards.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies have been applied.

Budget figures

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2015, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

Foreign exchange

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental revenue or expenses.

Revenue

Revenue is derived through levies, student fees and recoveries of grants. Revenue is recognised when earned and is reported in the financial period to which it relates. The revenue from levies and recoveries from Crown Entities is non-exchange revenue.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Ministry or entity administering the grant has no obligation to award on receipt of the grant application and are recognised as expenditure when approved and the approval has been communicated to the applicant. Approvals are determined by the Minister, the board of the administering entity, a specifically convened panel or committee or a delegated official.

Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the government financial statements.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a doubtful debts provision, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debt is uncollectible, it is written off against the doubtful debts provision. Overdue receivables that are renegotiated are reclassified as current (ie, not past due).

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Information on non-cancellable capital and lease commitments are reported in the Statement of Commitments.

Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are reported in the Statement of Commitments at the lower of the remaining contractual commitment and the values of those penalty or exit costs (i.e the minimum future payments).

Note 2 – Debtors and other receivables

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Accrued revenue	11,259	15,145
Less provision for doubtful debts	(2,709)	(2,213)
Other receivables	4,758	22,480
Total debtors and other receivables	13,308	35,412
Represented by:		
Current	8,550	32,814
Non-current	4,758	2,598

The carrying value of accrued revenue and other receivables approximates their fair value.

As at 30 June 2015 and 2014, all debtors and other receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2014			30/06/2015		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	728	-	728	1,270		1,270
Past due 1 - 90 days	700	281	419	1,237		1,237
Past due 90 - 180 days	1,078	28	1,050	1,311		1,311
Past due 180 - 360 days	1,120	40	1,080	1,473		1,473
Past due > 360 days	7,633	2,360	5,273	9,854	2,213	7,641
Total	11,259	2,709	8,550	15,145	2,213	12,932

The provision for impairment has been calculated based on expected losses for the Crown's pool of debtors.

Expected losses have been determined based on an analysis of the Crown's losses in previous periods, and review of specific debtors.

Movements in the provision for doubtful debts are as follows:

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Balance at 1 July	1,735	2,709
Increase/(release) of provisions during the year	974	(496)
Balance at 30 June	2,709	2,213

Note 3 – Creditors and other payables

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Creditors	81,495	117,710
Accrued expenses	351,848	379,722
Total creditors and other payables	433,343	497,432

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

Note 4 – Related party transactions

The Ministry enters into numerous non-departmental transactions with Crown entities and state-owned enterprises on an arms length basis. Those transactions that occur within a normal supplier or client relationship and are on terms and conditions no more or less favourable than those that it is reasonable to expect the Ministry would have adopted if dealing with that entity at arms length in the same circumstances.

In dealing with related parties, the Ministry adopted a normal supplier or client relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Ministry would have adopted if dealing with that party at arm's length in the same circumstances.

In 2014/15 there were 14 Deputy Secretaries in the Ministry's senior management team. One of the Deputy Secretaries is related to the current Minister of Education.

Note 5 – School Contents Risk Management Scheme

The Ministry's Risk Management Scheme for Schools (the scheme) provides protection both for school contents (board of trustees property) and for legal liability issues (including public liability). The scheme was set up in the early 1990s in response to the private insurance market deeming some schools to be an unattractive risk, which resulted in a number of schools being uninsurable. Due to the continued high risk level of some schools, the Ministry has chosen to retain the scheme as an alternative option for state and state-integrated schools to the private insurance market.

The cost of membership to the scheme is based on a school's risk management funding allowance in its operations grant. This per student cost per annum is levied according to a school's roll and deductions are made quarterly.

The outstanding claims liability for existing claims was taken as the total claims estimate. The Insured But Not Reported (IBNR) reserve was \$167,281 and was calculated as the claim rate (0.54 claims per day) times the average delay (36 days) times the average claims cost (\$8,507).

The valuation was undertaken as at 30 June 2015 applying revised assumptions to the 30 June 2014 model prepared by independent actuary Jonathan Eriksen FNZSA FIA FIAA ASA.

The Ministry acts as insurer for contents insurance in schools, and contracts the services of Crawford & Company New Zealand for loss adjustment of contents claims. Cover is described by a 'Deed' for school contents and the Education (Risk Management Scheme) Regulations 2003 and includes replacement value of contents, refrigerated property, earthquake, subsidence, self-ignition, works of art and money. Excess deductible is \$500 per claim.

Liability insurance is provided by Lumley General Insurance through the scheme's contracted insurance broker, Jardine Lloyd Thompson Ltd, and includes public liability, punitive and exemplary damages, trustees' cover, employers' liability, statutory liability, fidelity guarantee, legal expenses and specific cover for principals and international students.

	30/06/2014 Actual \$000	30/06/2015 Actual \$000
Opening claims liability	1,432	1,676
Plus premiums received	6,174	2,984
(Less) re-insurance premiums paid	(1,480)	(1,248)
(Less) claims paid	(1,054)	(1,180)
(Less) claims liability adjustment from valuation	(3,396)	(467)
Insurance surplus	244	89
Closing claims liability	1,676	1,765

Note 6 - Explanation of major variances against budget

Vote Education

Non-departmental output expenses

Curriculum Support was \$3.8 million (6%) under budget mainly due to lower costs for the literacy and numeracy programmes, and favourable exchange rates when purchasing laptops for teachers.

Professional Development and Support budget was decreased by \$2.3 million at Supplementary Estimates, mainly as a result of transferring the Accelerated Learning in Maths programme to non-departmental other expense Primary Education. The actual was \$2.5 million (3%) under the Supplementary Estimates mainly due to Provider Capability Building contracts not being fully delivered, sector capability restrictions with the development of the New Teaching Diploma and delays with the Building on Success programme due to suppliers' capacity to deliver.

Provision of Information and Advisory Services was \$1.3 million (5%) under budget mainly due to unspent funding in the Independent Advice on Government Priority Areas programme.

School Transport budget was increased by \$4 million at Supplementary Estimates due to higher levels of demand, increased distances being funded and replacement of inadequate transport services. The actual was \$1.6 million (0.8%) under the Supplementary Estimates, mainly due to lower demand than expected for some services eg, Special Needs and Daily Services.

Secondary-Tertiary Interface budget was increased by \$4.5 million at Supplementary Estimates due to the reallocation of Youth Guarantee fees-free places to fund additional Trades Academy places. The actual was only \$0.6 million lower than the Supplementary Estimates.

Benefits or related expenses

Boarding Allowances were \$2.4 million (21%) under budget as a result of the controlled implementation of the new boarding allowance scheme, which has a five-year focus.

National Study Awards was \$4.5 million (24%) underspent due to the conservative setting of the appropriation while there is rectification of the Novopay issues to enable identification of the award costs.

Teacher Trainee Scholarships budget was decreased by \$3.7 million in Supplementary Estimates due to a transfer to departmental output expense Interventions for Target Student Groups to offset the increased demand for the Ongoing Resourcing Scheme. There was no significant underspend at year end.

Non-departmental other expenses

Early Childhood Education budget was increased by \$24.5 million in Supplementary Estimates to manage the forecasted increased demand. The actual was \$16 million (1%) over the Supplementary Estimates as demand was higher than forecast due to parents using increased ECE hours particularly over the December-January school holiday period, than in previous years. In addition, there has been a large increase in the use of home-based services.

Integrated Schools Property was \$2.4 million (2%) under budget mainly due to the withdrawal of an establishment proposal.

Primary Education budget was increased by \$13.8 million in Supplementary Estimates mainly to reflect higher than predicted primary student numbers, the decile adjustment and the implementation of the Investing in Educational Success programme. The actual was \$51.3 million under Supplementary Estimates mainly due to:

- school roll numbers being lower than forecast resulting in savings in teachers' salaries and operating grants
- delays in the implementation of the roles to support the Communities of Schools
- transfer of 2014/15 prepaid costs for the Numeracy and Literacy programme to 2015/16.

Schooling Improvement was \$1.7 million under budget mainly due to delays with Iwi Education projects.

Secondary Education budget was increased by \$5 million in Supplementary Estimates mainly to fund four Partnership Schools | Kura Hourua, higher than predicted student numbers and the decile adjustment. The actual was \$4.2 million under Supplementary Estimates due to unbudgeted staffing cost recoveries, and delays with forming and implementing Communities of Schools.

Special Needs Support budget was increased by \$4.7 million in Supplementary Estimates mainly to fund higher than predicted student numbers and the decile adjustment. The actual was \$3.7 million under Supplementary Estimates mainly due to:

- unbudgeted staffing cost recoveries
- lower operating grant payments
- delay with the Intensive Wraparound Service
- lower costs in the Incredible Years Teachers programme.

Non-departmental capital expenditure

Property Disposal Incentives Scheme was \$3.2 million (76%) under budget as more schools are receiving their disposal proceeds through Departmental Capital (Five Year Agreement option) rather than Crown Capital.

Schools Furniture and Equipment budget was increased by \$6.9 million in Supplementary Estimates mainly as a result of transfers from other programmes to meet increased demand for additional classrooms in areas of roll growth or major redevelopment. The actual was \$3.5 million (12%) under budget due to delays in the roll out of broadband to schools.

Education Payroll Ltd Capital (treated as an investment) of \$28.4 million was established during the year to achieve the investment funding through the purchase of shares.

Vote Tertiary Education

Non-departmental output expenses

Adult and Community Education was \$3.4 million (5%) less than budget due to lower demand.

Tertiary Education: Student Achievement Component budget was decreased by \$15.9 million at Supplementary Estimates to reflect the lower than expected demand for tertiary tuition in the current year. The actual was \$21.4 million (1%) under the Supplementary Estimates due to the student numbers being lower than reforecast, recoveries from 2014 and lower performance-based payments to providers.

Training for Designated Groups budget was decreased by \$7.9 million at Supplementary Estimates to reflect the lower demand for youth guarantee and industry training programmes in the current year and a reallocation of Youth Guarantee fees-free places to Trades Academy places. The actual was \$14.8 million (5%) under Supplementary Estimates due to student numbers being lower than reforecast.

Managing the Government's investment in the Tertiary Education Sector budget was increased by \$1.9 million at Supplementary Estimates due to extension of the New Zealand Benchmarking Tool and additional audits of tertiary education organisations to strengthen the integrity of the tertiary funding system. The actual was only \$0.4 million lower than the Supplementary Estimates.

Benefits or related expenses

Apprenticeship Re-boot budget was increased by \$10.5 million at Supplementary Estimates due to the transfer of funding from 2013/14 after delays in payments of re-boot funding to eligible apprentices and their employers. The actual was only \$0.5 million (3%) lower than the Supplementary Estimates.

Tertiary Scholarships and Awards were \$1.2 million (10%) lower than budget due to fewer applicants than expected.

Non-departmental capital expenditure

Support for Lincoln University of \$7.5 million was established during the year to achieve effective investment in rebuilding the science facilities. All funding was incurred.

Support for Trades Training of \$9.5 million was established during the year to achieve effective investment in the expansion and redevelopment of trades training at Christchurch Polytechnic Institute of Technology. All funding was incurred.

Appropriation Statements

For the year ended 30 June 2015

These statements include expenses and capital expenditure payments incurred against appropriations.

Departmental

Vote Education

All performance information for these outputs is included in Part 2 of this Annual Report.

30/06/2014 Actual	(All figures are GST exclusive where applicable)	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
		\$000	\$000	\$000
Departmental output expenses				
12,363	Policy Advice	11,653	14,857	14,052
14,286	Support and Resources for Parents and the Community	13,167	12,311	11,519
107,488	Support and Resources for Education Providers	69,809	63,934	63,445
1,456,120	School Sector Portfolio Management	1,441,060	1,523,964	1,520,580
66,686	Support and Resources for Teachers	75,430	77,868	73,733
271,610	Interventions for Target Student Groups	267,765	280,061	278,788
33,085	Stewardship of the Education System	31,293	34,005	33,743
-	Payroll Services	15,763	41,138	39,757
1,961,638	Total departmental output expenses	1,925,940	2,048,138	2,035,617
Departmental capital expenditure				
4,619	Land	-	25,000	11,824
516,547	Property, Plant and Equipment	653,166	615,166	634,599
19,866	Intangibles	9,796	9,796	17,180
541,032	Total departmental capital expenditure	662,962	649,962	663,603
2,502,670	Total departmental expenditure	2,588,902	2,698,100	2,699,220

Vote Tertiary Education

All performance information for these outputs is included in Part 2 of this Annual Report.

30/06/2014 Actual	(All figures are GST exclusive where applicable)	30/06/2015 Budget	30/06/2015 Supplementary Estimates	30/06/2015 Actual
		\$000	\$000	\$000
Departmental output expenses				
5,856	Policy Advice	5,347	5,347	4,923
8,230	Stewardship of the Tertiary System	10,110	10,541	10,212
14,086	Total departmental output expenses	15,457	15,888	15,135

Non-Departmental

The Ministry administers these appropriations on behalf of the Crown.

Performance information can be found in the documents identified in the last column.

The key for the organisation is located at the end of the tables.

Vote Education

30/06/2014 Actual	(All figures are GST exclusive where applicable)	30/06/2015 Budget	30/06/2015 Supple- mentary Estimates	30/06/2015 Actual	Location of Year end Performance Information
		\$000	\$000	\$000	
Non-departmental output expenses					
54,152	Curriculum Support	63,556	63,881	60,094	2
3,008	Education Research Initiatives	3,008	3,008	3,008	12
86,990	Professional Development and Support	102,931	100,637	98,112	2
23,140	Provision of Information and Advisory Services	23,937	24,437	23,137	2
6,049	Qualifications Support Structures	6,049	6,049	6,049	3
4,761	Quality Assurance	4,774	4,774	4,774	2
5,581	School Managed Network Funding	22,200	22,600	17,500	4
176,680	School Transport	182,730	186,730	185,157	2
26,480	Secondary School Assessments	26,480	26,730	26,730	3
50,263	Secondary-Tertiary Interface	55,625	60,171	59,524	2
3,362	Service Academies	3,640	3,640	3,419	2
5,012	Supporting Parenting	5,711	5,711	5,700	2
445,478	Total non-departmental output expenses	500,641	508,368	493,204	
Benefits or related expenses					
4,639	Boarding Allowances	11,319	11,319	8,904	12

30/06/2014 Actual	(All figures are GST exclusive where applicable)	30/06/2015 Budget	30/06/2015 Supple- mentary Estimates	30/06/2015 Actual	Location of Year end Performance Information
		\$000	\$000	\$000	
2,854	Boarding Allowances and Bursaries	-	-	-	-
4,255	Home Schooling Allowances	5,128	5,128	4,553	12
1,438	Māpihi Pounamu	-	-	-	-
13,728	National Study Awards	19,027	19,027	14,487	12
362	Puawaitanga Scholarships	1,152	1,152	1,083	12
3,916	Scholarships for Students to Attend Private Schools	4,126	4,126	3,837	12
825	Teacher Trainee Scholarships	4,460	774	744	12
50	United World Scholarships	50	50	50	12
32,067	Total benefits or related expenses	45,262	41,576	33,658	
	Non-departmental other expenses				
1,536,819	Early Childhood Education	1,582,882	1,607,342	1,623,374	2
-	Impairment of Debts and Assets and Debt Write-Offs	-	3,600	3,554	2
57,382	Integrated Schools Property	65,679	66,163	63,790	2
121	Interest Subsidy for Schools	116	116	64	12
178	New Zealand Teachers Council	178	178	178	5
2,737,177	Primary Education	2,884,314	2,898,104	2,846,768	2
1,288	Remission of Fees	1,288	1,288	1,288	3
644	School Transport Bus Controllers	535	535	412	12
6,160	Schooling Improvement	5,735	5,735	4,085	2
2,005,682	Secondary Education	2,060,909	2,065,950	2,061,746	2
321,630	Special Needs Support	335,018	339,766	336,131	2
15,984	Support for Early Childhood Education Providers	14,976	14,976	14,739	2
1,918	UNESCO*	2,083	2,083	1,579	12
6,684,983	Total non-departmental other expenses	6,953,713	7,005,836	6,957,708	
	Non-departmental capital expenditure				
-	Education Payroll Ltd Capital	-	28,400	28,400	2
2,518	Property Disposal Incentives Scheme	1,549	4,242	1,032	2
-	School Support Project	1,880	380	348	2
20,240	Schools Furniture and Equipment	22,730	29,580	26,124	2
5,500	The Network for Learning Limited	3,000	3,000	3,000	4
28,258	Total non-departmental capital expenditure	29,159	65,602	58,904	
7,190,786	Total non-departmental expenditure and appropriations – Vote Education	7,528,775	7,621,382	7,543,474	

* United Nations Educational, Scientific and Cultural Organization

Vote Tertiary Education

30/06/2014 Actual	(All figures are GST exclusive where applicable)	30/06/2015 Budget	30/06/2015 Supple- mentary Estimates	30/06/2015 Actual	Location of Year end Performance Information
		\$000	\$000	\$000	
	Non-departmental output expenses				
32,754	Centres of Research Excellence	40,586	40,586	40,586	6
61,754	Community Education	71,159	71,484	68,046	6
31,382	International Education Programmes	31,122	31,122	31,122	7
40,766	Managing the Government's Investment in the Tertiary Education Sector	40,845	42,770	42,367	6
2,567	Ownership Monitoring of Tertiary Education Institutions	2,567	2,567	2,567	6
268,750	Performance-Based Research Fund	281,250	281,250	281,250	6
3,837	Tertiary Education and Training Advice	3,837	3,837	3,837	6
24,021	Tertiary Education Grants and Other Funding	24,217	24,217	23,870	6
2,029,642	Tertiary Education: Student Achievement Component	2,063,391	2,047,490	2,026,064	6
291,893	Training for Designated Groups	334,411	326,532	311,775	6
2,787,366	Total non-departmental output expenses	2,893,385	2,871,855	2,831,484	
	Benefits or related expenses				
16,153	Apprenticeships Re-boot	10,150	20,668	20,140	12
1,040	International Student Scholarship Scheme	800	800	800	12
942	Study Abroad Awards	1,290	1,290	1,290	12
12,387	Tertiary Scholarships and Awards	12,919	12,919	11,683	12
30,522	Total benefits or related expenses	25,159	35,677	33,913	
	Non-departmental other expenses				
995	Auckland University Starpath Project	1,182	1,379	1,377	8
400	Reimburse Fees to ComputerPower Students	-	-	-	
1,500	Tertiary Education Institutions Merger Support	-	-	-	
2,895	Total non-departmental other expenses	1,182	1,379	1,377	
	Non-departmental capital expenditure				
250	Literacy and Numeracy Assessment Tool	920	920	920	6
-	Support for Lincoln University	-	7,500	7,500	9
10,000	Support for the University of Canterbury	100,000	100,000	100,000	10
9,450	Support for Trades Training	-	9,450	9,450	11
19,700	Total non-departmental capital expenditure	100,920	117,870	117,870	
2,840,483	Total non-departmental expenditure and appropriations – Vote Tertiary Education	3,020,646	3,026,781	2,984,644	

The numbers in the last column represent where end of year performance information has been reported for each appropriation administered by the Ministry, as detailed below.

1. The Ministry's annual report.
2. In the Ministerial Vote Education report in relation to Non-Departmental Appropriations for the year ending 30 June 2015, appended to the Ministry's Annual Report.
3. Reported in the annual report of NZQA.
4. Reported in the annual report of Network Learning Ltd.
5. Reported in the annual report of New Zealand Teachers Council.
6. Reported in the annual report of Tertiary Education Commission.
7. Reported in the annual report of Education New Zealand Ltd.
8. Reported in the annual report of University of Auckland.
9. Reported in the annual report of Lincoln University.
10. Reported in the annual report of University of Canterbury.
11. Reported in the annual report of Christchurch Polytechnic Institute of Technology.
12. Exempt performance reporting.



MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

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