

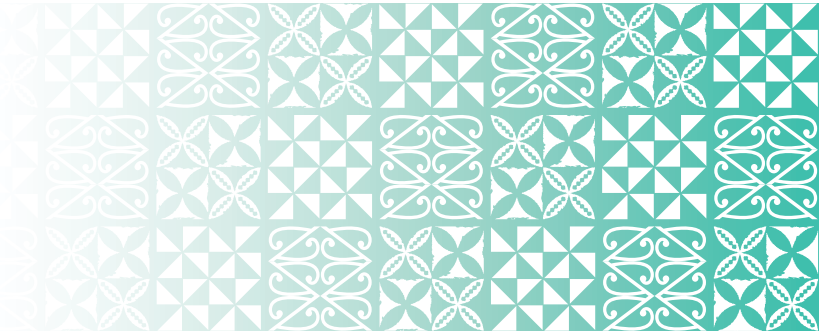
REPORT

MINISTRY OF EDUCATION

For the year ended 30 June 2014

ANNUAL REPORT

2014



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

Published by the Ministry of Education, New Zealand, October 2014.

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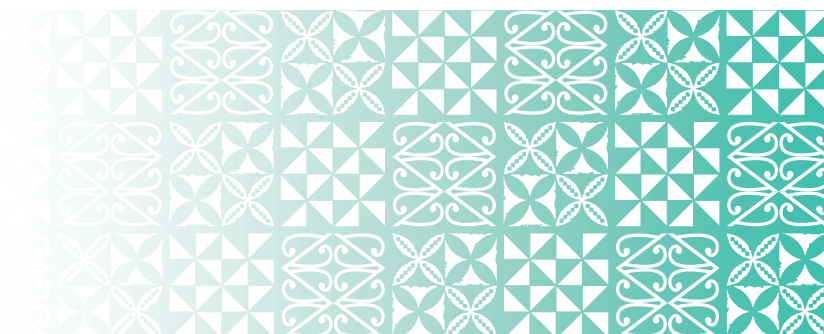
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REPORT

For the year ended 30 June 2014

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

Minister of Education Hon Hekia Parata

Minister for Tertiary Education, Skills and Employment Hon Steven Joyce

Associate Minister of Education Hon Nikki Kaye

Associate Minister of Education Hon Dr Pita Sharples

Associate Minister for Tertiary Education, Skills and Employment Hon Tariana Turia

Parliament Buildings

Report of the Ministry of Education

for the year ended 30 June 2014

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 2014.

A handwritten signature in black ink, appearing to read 'P. Hughes', is positioned above the printed name and title.

Peter Hughes

Secretary for Education

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Guide to this report

Part 1: Our story

This section outlines our key achievements during 2013/14 and how our work is delivering on the education aspects of the Government's priorities.

Our work in 2013/14 – outlines key developments this year and how our work delivered the Government's agenda

We have increased participation in early childhood education – outlines the work we have delivered to work alongside communities and early learning providers to remove obstacles and improve participation in early learning for New Zealand children

We have increased the proportion of 18-year-olds with NCEA Level 2 – illustrates the action we have taken to increase achievement across the schooling sector. This section outlines how educational achievement across schooling creates the basis for future achievement and helps equip young people for success at NCEA and for their life beyond school

We are contributing to a more competitive and productive economy – outlines the work we have delivered to increase the proportion of 25- to 34-year-olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above) and other work in the tertiary sector

We are helping rebuild greater Christchurch – outlines the Greater Christchurch Education Renewal Recovery Programme and our work to rebuild the infrastructure and support the educational aspirations and achievement in greater Christchurch

We are building our capability to achieve education priorities and ensure the government's finances are managed responsibly – outlines our action to become a more capable, efficient and responsive organisation. This allows us to improve educational outcomes for New Zealanders and ensure the government's finances are responsibly managed and deliver their priorities.

Part 2: Our performance

This section outlines our financial statements and statements of service performance. Our financial statements cover all financial and human 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.

Our financial statements also include the Ministry's statements of service performance that set out our service objectives, our actual achievements against our targets and financial information on the costs of the activities undertaken.



Foreword from the Secretary for Education

Over the past year the Ministry has made changes that will help us more effectively support the teachers, principals, providers and support workers who work hard every day to improve educational outcomes for our children and young people.

Since I was appointed Secretary for Education in July 2013, I have been privileged to meet a lot of students, teachers, principals and education providers. I have talked to many parents and communities to find out more about their experiences of our early childhood services, schools, and tertiary providers. They have given me real insight into how they see New Zealand's education system and how the Ministry can better support educational success.

We have made a number of important changes in the 2013/14 year. We strengthened our relationships with the sector and our government partners. We have organised the Ministry better so that we are more joined-up and have a common focus on where we are heading. We examined what we do and how we do it to get the very best out of our people, resources and funding.

A significant change was the appointment of 10 locally based Directors of Education to work closely with their communities, providers, schools, parents and students. Their understanding of their communities will help us deliver what works best in different areas.

We have stabilised and improved the education payroll system so schools can focus on lifting student achievement. There will be a new delivery model, a clear plan to continue improving the quality of service, reliability, accuracy and timeliness, and a single government-owned company solely focused on managing school payroll services end-to-end.

Education renewal in greater Christchurch is delivering exciting results. We have been modernising, rebuilding and repairing schools. We are supporting schools to work together and continuing to support schools facing particular challenges.

In 2013/14, there were improved outcomes in all three of the Better Public Service targets the Ministry leads. More of our youngest children are in early childhood education. We have worked with schools to identify students needing extra support to achieve NCEA Level 2. We have worked with tertiary providers to expand the Vocational Pathways programme and Youth Guarantee, so more students achieve a Level 2 qualification and progress to Level 4 and beyond.

The Ministry, schools and early childhood centres are continuing to support students with special education needs and we are seeing more schools offering truly inclusive education.

We have worked with other social sector agencies, with newly-established Children's Action Teams, to make a real difference for vulnerable children. We jointly released the *Delivering Social Services Every Day* report, providing much better shared information on what we are doing.

Our staff are working together to get the job done. I know that is exactly what parents, teachers and all those committed to the care and education of our children, young people and students do every day too.

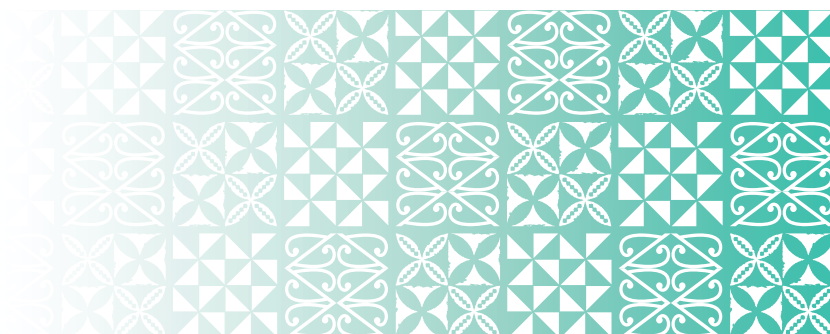
We all share the same vision of them getting the quality education they need to be successful, productive and valued in our modern world.

I want to thank everyone right across the education sector, including our own Ministry staff, for their dedication and passionate commitment to educational success for all. Our children and young people are very fortunate to have you working on their behalf.



Peter Hughes
Secretary for Education

1



OUR **STORY**



The year at a glance

Our people
are passionate
about improving
educational
outcomes



WE EMPLOYED

2,664

people in full-time equivalent
roles (as at 30 June 2014).

We work out of 40 locations
around New Zealand, as
well as our national office in
Wellington. Our staff directly
support educational success
in a variety of ways.

OUR STAFF:

1,030

work directly with children
and young people to support
their learning

440

provide front-line support to
early learning services and
schools or work with iwi,
communities and others

370

deliver services directly to the
education sector or purchase
services on their behalf –
resourcing, ICT, school transport
and schools' property, professional
development for teachers and
principals, and other services

360

work on the development and
provision of education data and
knowledge, and provide advice
to government on how to get the
most out of the education system

410

support the Ministry with
technology, finance, office
support, payments, legal advice
and human resources

70%

or more than two thirds of our
staff directly support either
children and young people, or
educators and education services.



EARLY CHILDHOOD EDUCATION

OVER **200,000****children were enrolled in early childhood education services**

Over 5,000 early childhood education services and playgroups with more than 22,000 early childhood education teachers¹

PRIMARY AND SECONDARY EDUCATION

OVER **750,000****children and students enrolled in primary and secondary schools**

New Zealand's curriculum was taught in over 2,500 schools by over 47,800 teachers.

Over 17,000 school students were in Māori-medium education.

TERTIARY EDUCATION

OVER **565,000****students were in formal tertiary education, including 138,000 in industry-based training**

In 2013/14 we were responsible for a budget of over \$12.7 billion,

a significant property portfolio and providing, upgrading and maintaining the physical environment to enable over 1.5 million children, young people and adult students to learn and achieve.

OVER **\$1.5**

billion was spent on early childhood education

OVER **\$5.5**

billion was spent on schooling

OVER **\$2.8**

billion was spent on tertiary education²

OVER **\$485**

million of capital expenditure was spent on managing the school property

OVER **\$175**

million was spent on school transport

OVER **\$4.4**

billion was paid to around 110,000 teachers and support staff

¹ These figures are for the calendar year. This is the number of full-time teacher equivalents.

² In addition to Government spending on student loans and allowances.



Key achievements in 2013/14

Our focus has been on improving educational achievement

- ▶ With the sector and local communities, our targeted participation projects increased the number of children accessing early childhood education.
- ▶ Primary and secondary schools are raising achievement for their students and increasing qualifications, with support from the Ministry.
- ▶ More students are using Vocational Pathways, helping them make informed decisions about their student choices.
- ▶ More students can access foundation-level programmes and qualifications since the Youth Guarantee was extended to include 18- and 19-year-olds.
- ▶ A lower proportion of young people are not in education, employment or training.
- ▶ More Māori and Pasifika students are completing Level 4 or higher qualifications within five years of starting study.
- ▶ More New Zealanders are completing tertiary qualifications at higher levels.
- ▶ Early childhood services now employ more Māori and Pasifika early childhood education teachers.
- ▶ More schools are delivering Positive Behaviour for Learning to help build a positive social culture.
- ▶ More Māori and Pasifika children are accessing early intervention services.
- ▶ We increased choice for parents in Auckland and Northland by establishing the first five Partnership Schools | Kura Hourua.
- ▶ We have established an Information Technology Academy Pilot promoting digital literacy, information technology skill development, and pathways into IT careers.

Better support for the profession has been another important goal

- ▶ We provided the opportunity for schools to extend and enhance teacher-to-teacher and school-to-school collaboration through establishing Investing in Educational Success: a \$359 million investment in our education system over four years.
- ▶ The inaugural Prime Minister's Education Excellence Awards in July 2014 recognised and celebrated education excellence in early childhood education, primary and secondary schooling, and collaboration amongst secondary schools, tertiary providers and employers.
- ▶ We supported the Minister of Education to host the 4th International Summit on the Teaching Profession in Wellington in March 2014, bringing together official delegations of Ministers of Education, union leaders, teachers and other education experts from leading OECD countries to share experience and explore how to achieve excellence, equity and inclusiveness.
- ▶ We helped school leaders and teachers access digital technologies for learning by providing access to centrally-funded high-speed broadband via a managed network for learning, laptops, professional development and software and licensing support.

We have strengthened cross-sector engagement

- ▶ We supported the Ministerial Cross-Sector Forum on Raising Achievement which enabled leaders from the early learning, schooling and tertiary sectors, unions, business, academia, central agencies and iwi to come together with the common goal of raising student achievement.
- ▶ We improved collaboration and connections with other government agencies to increase outcomes for students, particularly our most vulnerable children, and to provide more joined-up stewardship of the education system by government education agencies.



We have grown engagement with communities

- ▶ The inaugural Festival of Education in Auckland, Christchurch and Wellington brought together around 30,000 educators, students and their families, providers and community members to celebrate and share educational successes, innovations and best practice.
- ▶ We published achievement, enrolment and financial information at a national, regional and local level on the Education Counts website to provide the kind of performance knowledge people at a variety of levels need to make good decisions. We also produced a variety of visual representations to make analytical data more readily understandable.
- ▶ We helped Community Action Groups find ways to improve access to, and participation in, early learning in some of our highest-need communities.

We have worked to improve school infrastructure

- ▶ We are on track to meet our target of all schools having the information communication technology (ICT) infrastructure they need by the end of 2016 to support learning with digital technologies.
- ▶ We completed the Christchurch Schools Rebuild programme's first school, Pegasus Bay, and finalised Hobsonville Point Secondary under a public-private partnership. We also completed three major developments at Golden Sands, Papamoa and Stonefields schools.
- ▶ We completed major redevelopment of two schools – Te Karaka Area School and Te Puke High School and major work at five kura and wharekura.
- ▶ We fixed 85 buildings with weather-tightness issues and strengthened nine school buildings to increase earthquake resilience.

We have built our ability to provide stewardship of the education system

- ▶ We have strengthened our leadership team and broader leadership in the Ministry, realigned our organisational design, established new behaviours to build our culture and improved our local decision-making, problem-solving and coordination.



Our work in 2013/14

A successful education system is vital for better social and economic outcomes for our children and students, their families, communities and our nation. Better educated people are more likely to be healthy, prosperous and satisfied with their lives. Higher educational achievement leads to higher employment rates and higher average income levels, as well as increased productivity and a more competitive economy.

In the 2013/14 year, we clarified our stewardship role in the education system and the part we play in raising achievement. This role means that we:

- ▶ focus on the long-term health and performance of the education system as a whole
- ▶ support those in the system (children and young people, parents and whānau, communities, iwi, education providers and government agencies) to ensure all children and students reach their potential and succeed.

We are in a unique position to deliver this role. We have a view of the whole system, not just of each component part. We also have the data and evidence to identify where action and support is needed, for whom and how it needs to be delivered to make the most difference.

During the year, we also strengthened our leadership, adapted our functional structure and introduced new behaviours to build a new working culture. Each of these actions reflects and helps to embed our stewardship role. We started to work more closely with the sector in developing our advice to the government, our practice guidance and more broadly, in our decision-making. We will continue to build this, drawing on the leadership within the education sector and combining the insights we can bring with the experience and knowledge of the sector.

The Government's key goals are outlined in the set of Better Public Service targets, one of four key Government priorities. The education system has a significant role to play in each of the priorities and is the focus of three of the 10 Better Public Service targets. These targets span the three key parts of the sector – early childhood education, schooling and tertiary. Combined, they provide a set of measures reflecting the need for the system to progressively build the educational achievement of children and students and prepare them for life as an adult.

Our role is to help others to teach and learn, to support the education system to deliver the Government's priorities of improved outcomes for all children and students, and stronger economic growth for New Zealand. These priorities are reflected in the education system outcomes which guide our work.

The sector, with our support, is raising participation, retention and the achievement of qualifications. This report outlines some of the key actions we are taking to support this work and ensure the way the system is set up (its infrastructure, the policies and rules which govern how it works, and the support available) enables those in it to consistently help children and students achieve their potential.

To deliver on government priorities, we ensured our activities for 2013/14 worked toward two key priorities:

- ▶ improving education outcomes for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas
- ▶ maximising the contribution of education to the New Zealand economy.

We also lifted our capability, efficiency and responsiveness to support the delivery of these priorities and deliver our targets. Our key education strategies are outlined in Appendix A.



In our work, we are improving education outcomes for those groups underserved by the education system

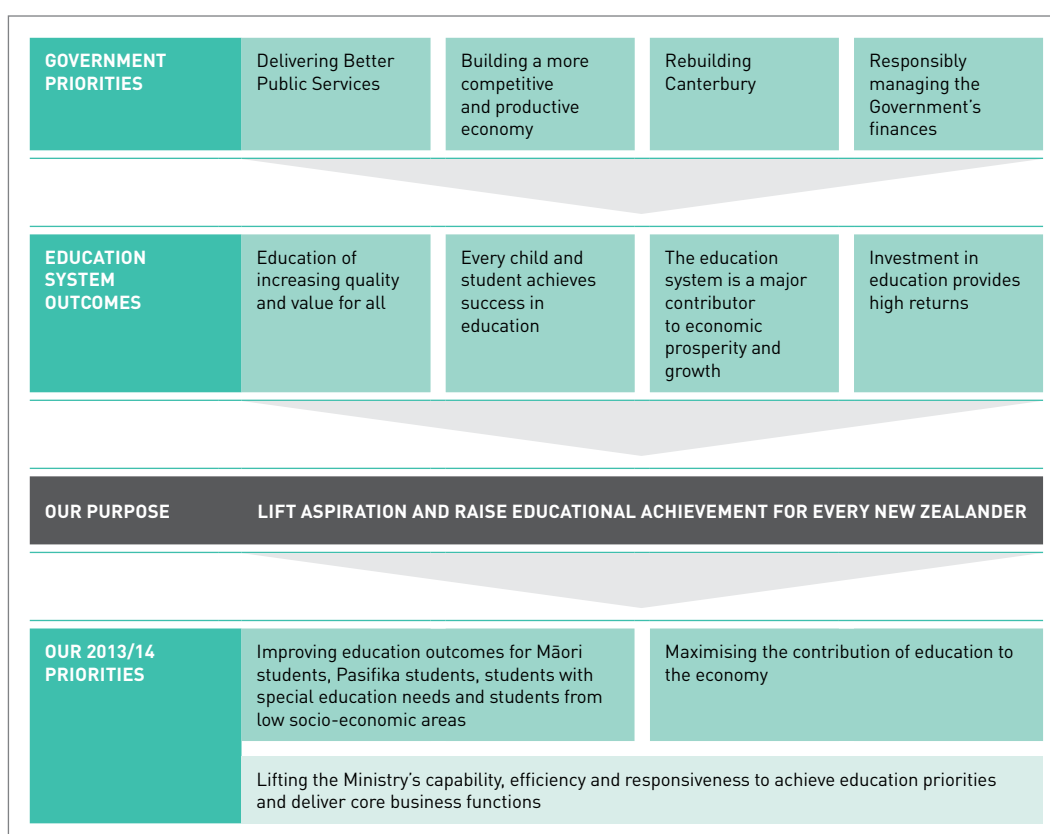
New Zealand has a strong and well-integrated education system. Our integrated approach to early years education and care, to inclusive education in schools, and to post-compulsory education are recognised as models for other OECD countries.

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, students with special education needs and those from low-income families.

We have ensured that our work seeks to improve education outcomes for these groups. For example, our work with communities to remove the barriers and improve participation in early childhood education is largely directed at Māori and Pasifika communities, where enrolments in early learning are relatively low.

We contribute to the Government's priorities

The diagram below illustrates how our 2013/14 priorities contribute to our purpose, the education system outcomes and the Government's priorities.



The education system makes a significant contribution to achieving the Government's four key priorities – delivering Better Public Services, building a more competitive and productive economy (the Business Growth Agenda), rebuilding Canterbury and responsibly managing the Government's finances.



We are delivering better public services

To create a public sector that responds more effectively to the needs and expectations of New Zealanders, the Government introduced 10 specific result areas it expects the public sector to achieve over the next three to five years.

The importance of education to the future of New Zealand is illustrated by the inclusion of three education priorities in the 10 Better Public Service (BPS) result areas. We lead on these three result areas which aim to equip New Zealanders with the qualifications and skills they need to be part of a successful society and economy. They are:

- ▶ BPS Result Area 2: Increase participation in early childhood education
- ▶ BPS Result Area 5: Increase the proportion of 18-year-olds with NCEA Level 2 or equivalent qualification
- ▶ BPS Result Area 6: Increase the proportion of 25- to 34-year-olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above).

The education system helps build a more competitive and productive economy

Education has a vital role in supporting workplace productivity, innovation and economic growth. A better-performing education system contributes to the Government's programme of social reforms, and reduces long-term and inter-generational welfare dependency, and associated poor social and economic outcomes.

We contribute strongly to the Government's Business Growth Agenda: a programme of work to support economic growth, create jobs and improve New Zealanders' standard of living. Education contributes to three of the work streams – skills, innovation and export markets. We ensure the education system better equips individuals with the skills and qualifications needed to participate effectively in the labour market and in an innovative and successful New Zealand.

We play a significant part in rebuilding Canterbury

The Government is building a high-quality education system in greater Christchurch by investing \$1.137 billion over the next 10 years through the Greater Christchurch Education Renewal Programme. We are ensuring that by the end of this period, all schools in greater Christchurch will have ultra-fast broadband and most will have energy-efficient buildings and flexible spaces that reflect the learning needs of today's students.

These modern facilities support new learning environments which are more cooperative and student-focused. This opportunity to build a better system, rather than just replicate the old, is key to the delivery of better educational outcomes. A parallel education focus will ensure that modern learning environments are supported by high-quality, future-focused teaching and learning.

We continue to work with tertiary education organisations in Canterbury to support the labour market and help deliver the skills needed to rebuild Canterbury. This work includes significant financial commitments to the cost of rebuilding tertiary education infrastructure. We also work closely with the Canterbury Earthquake Recovery Authority (CERA) to align our work with the broader Canterbury recovery effort.



We manage the Government's finances responsibly

Significant sums of public money are invested in education and the potential benefits to learners and the nation are substantial. The Government has increased its investment, but costs continue to rise and it remains important that we prioritise and identify savings and reallocate to new priorities, ensuring we achieve the best outcomes for the resources available.

Each year the Ministry critically reviews expenditure in Vote Education and Vote Tertiary Education. In 2013/14 we strengthened the processes that support this analysis and our line-by-line review identified a further \$100 million over five years for reprioritisation in areas that represent greater value for money.

We introduced a formal Value for Money programme to make our core business functions more efficient and ensure that we get the best educational outcomes from the resources we invest. All investments must deliver clear and measurable gains for children and students to contribute to the Government's overall economic and social goals.

We are looking at every part of our operations and all of our expenditure. We continue to identify new and innovative ways of working that deliver more effectively the education services that New Zealanders need.

We work across government to support better social and economic outcomes

A key goal of the Better Public Services work programme is to improve the integration of government services and activities to improve efficiency and outcomes. We work with other government departments (both social and economic agencies) on factors and services affecting the education system, student achievement and other social outcomes.

We are a key agency in the Social Sector Forum, which includes the Chief Executive of the Ministry of Social Development, the Secretaries of Justice and Education, the Director-General of Health and a Deputy Chief Executive from the Ministry of Business, Innovation and Employment. The forum is a formal mechanism for delivering joint solutions and advice on key social issues. Examples of joint work with the Forum include:

- ▶ developing Social Sector Trials in 16 locations around the country, testing whether decision-making at a local level can improve outcomes for young people. For example, the Excel Rotorua Trial has a focus on educational outcomes and has brought the sector together with the community to raise achievement for all of Rotorua's young people
- ▶ delivering the Children's Action Plan including establishing two Children's Teams to demonstrate a new way for agencies to work together with vulnerable children
- ▶ working with Child, Youth and Family (CYF) to work with caregivers and meet the educational needs of children who are in statutory care and protection
- ▶ delivering the Gateway Assessment Programme which assesses the health and education needs of those at risk of coming into CYF care and develops a plan of action to address those needs.



We have increased participation in early childhood education

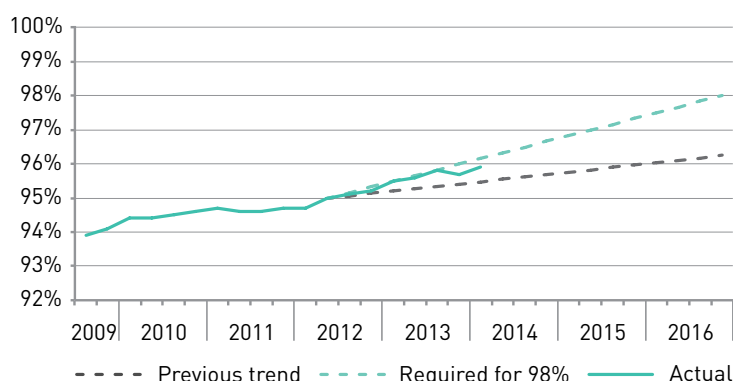
Better Public Services Result Area 2

Target: In 2016, 98% of children starting school will have participated in quality early childhood education

For all children, quality early learning is critical to effective and successful engagement and achievement in education, and improved learning, social and health outcomes later in life. Quality early childhood education also helps vulnerable children to overcome additional challenges they may be facing early in their lives.

Participation in early childhood education is already high in New Zealand compared to other similar countries. Increasing participation further has required us to think and act differently and to target our efforts to communities where participation is comparatively low. We have identified innovative solutions and different ways of working to engage parents, family and whānau, as well as providers, to remove the barriers to participation.

Our results to 30 June 2014 and trends are:



We continue to grow the participation rate, but in the last two quarters, the rate of improvement has fallen below the target line, indicating that we need to do more to achieve the target by the end of 2016. The action we are taking is making a difference in the communities we are working with. It takes time to stimulate demand and ensure that early childhood services are able to provide sufficient places for children in areas where participation is low. We intend to increase this focus and reinvigorate our efforts to continue to improve participation outcomes.

In order to deliver increased participation we have:

- ▶ delivered a large scale and targeted participation programme
- ▶ worked directly with communities
- ▶ provided good information to help parents
- ▶ given more intensive support to individual whānau
- ▶ established the Early Learning Information System to provide the data we need to drive improvement.



We delivered the Early Childhood Education Participation Programme

This programme is a set of initiatives designed to ensure everyone has access to, and demands quality early learning. The programme aims to deliver:

- ▶ culturally-responsive services in local communities
- ▶ sufficient places for all children to participate
- ▶ appropriate support for those who face barriers to participation
- ▶ a flexible response to suit the needs of each non-participating child, family and whānau.

We worked directly with communities

Our Early Learning Taskforce works with communities in areas of high non-participation to develop local solutions, led by local people. The Taskforce establishes and helps local community action groups to provide innovative and creative opportunities for early learning, including Community Play-Days and Mobile Playtrucks.

The Taskforce partnered with New Zealand Rugby League to establish early learning hubs in league clubs alongside the Accident Compensation Corporation, Health Providers Association and New Zealand Police. This allows children and parents to access early learning in a convenient, familiar, and community-based environment.

The Pasifika Organisational Partnership Strategy guided our engagement with Pasifika community groups such as the Cook Islands Development Agency New Zealand and Pasifika Incorporated. We delivered seven individual early childhood education summits on teaching, learning and cultural intelligence. As a consequence of the summits, we produced cultural resources to support educators. The highlight of this programme was a combined Pasifika Early Childhood Education Symposium in June 2014.

We also built partnerships with Pasifika church communities recognising that a strong cultural focus and connection can raise participation. These partnerships drew on the Ministry's national data as well as data gathered by the churches to identify priority areas and target actions to increase Pasifika participation in early learning. We worked with four of the largest Pasifika church communities, with a total membership of over 50,000 people, to develop and implement a national approach to early learning that meets their children's needs.

Good information for parents helps them support their children's learning

Better information helps parents prioritise early childhood education. *Better Information for Parents* is a coordinated suite of information about the importance of early childhood education, how to access it, and how to create positive home learning environments. We distributed information through a variety of media, including radio advertisements in seven languages. We also provided packs to over 95% of all parents of newborn babies.

Some whānau need additional support

We worked with whānau in target communities to:

- ▶ increase whānau participation in early childhood education
- ▶ support and champion their children's learning and achievement by increasing schools' accountability for the achievement of Māori children and students
- ▶ increase whānau participation in vocational planning for Māori children and students.

This involved providing information to whānau, helping them into other education programmes and offering specific targeted support by developing Whānau Education Action Plans.



We introduced the Early Learning Information System

We introduced the Early Learning Information System to substantially improve our knowledge of participation and usage of early childhood education. This data will help us design policies that can target children and communities on a more individual basis. At 30 June 2014, 74% of eligible early childhood education services were providing information through the Early Learning Information System. We expect most centre-based services, kindergartens and home-based services will be using the system by November 2014.

Our performance against targets

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of children who have attended early childhood education prior to starting school*		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	All	95.6%	95.9%	All	96%
	Māori	92.3%	92.9%	Māori	94%
	Pasifika	88.6%	90.3%	Pasifika	92%
	Decile 1-3 school students	90.4%	91.6%	Decile 1-3 school students	93%
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

* Based on the known circumstances of those starting school

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the number of children accessing early childhood education as a result of targeted participation projects*		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	All	4,885	6,694	All	3,700
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

* Total number of new participants (cumulative numbers)

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the number of Māori and Pasifika early childhood education teachers*		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Māori	2,009	2,133	Māori	1,350
	Pasifika	1,837	1,920	Pasifika	1,350
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

* The figure given relates to all teaching staff who are defined as being primarily engaged in the education and care of children. This relates to the staff who would normally be teaching, therefore does not include day-to-day relievers or distinguish whether they are qualified/registered ECE teachers

MEASURE	ACTUAL PERFORMANCE			TARGET	
RE-LICENSE early childhood education services that meet new licensing quality standards		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Percentage of services	85%	99%	Percentage of services	90%*
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014 * This target is drawn from the Estimates of Appropriations	



Annual growth in prior participation rates for Māori children, Pasifika children and children starting at low-decile schools are all higher than the national rate in 2012/13. In the last two quarters, the rate of improvement has fallen below the target line, indicating that we need to do more to achieve the target by the end of 2016.

Our participation projects have considerably surpassed the original targets set. We are now actively taking a new targeted approach at a community level to assist parents to enrol their children in early childhood education. We have formed several partnerships with community groups, early childhood education providers, iwi and others. These groups can expand the community-centred approach beyond the Ministry's ability to make improvements alone. We expect this community-based partnership approach to considerably lift the growth in participation to the required level over the next two years.



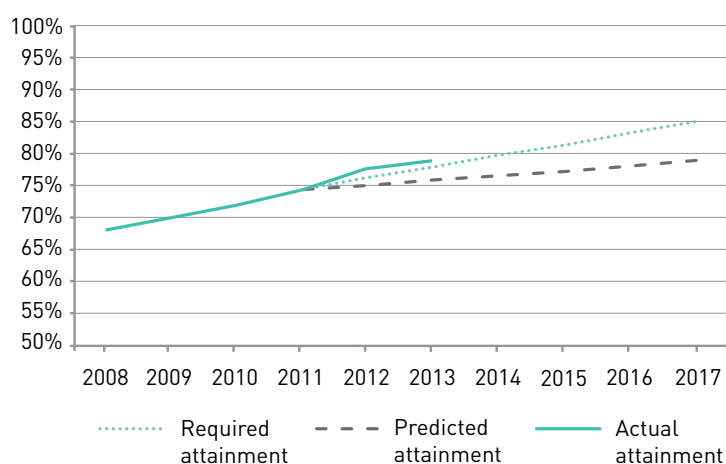
We have increased the proportion of 18-year-olds with NCEA Level 2

Better Public Services Result Area 5

Target: 85% of 18-year-olds will have achieved NCEA Level 2 or an equivalent qualification in 2017

NCEA Level 2 is the key to further education and employment. Without a Level 2 qualification, students are less likely to be in a job with good career and earning prospects. Getting NCEA Level 2 shows that young people are building the key skills and competencies they need to succeed in the workplace and in tertiary education. It opens doors to other opportunities.

Our results to 30 June 2014 and trends are:



The rate of improvement in NCEA Level 2 indicates that the overall BPS 5 Result will be achieved in 2017. Māori and Pasifika NCEA Level 2 achievement has increased more than for all students (6.2 percentage points and 5.9 percentage points respectively from 2011 to 2013 compared with 4.3 percentage points from 2011 to 2013).

Achieving the 2017 target is a Government priority. Achieving NCEA Level 2 is the culmination of many years of schooling. In order to achieve this shorter term target and build a sustainable base for maintaining and growing NCEA Level 2 achievement in the longer term, we are working with the sector to seek improved education outcomes throughout schooling.

We delivered the following areas of work to help the sector make educational achievement gains at NCEA Level 2 and throughout schooling:

- ▶ supporting secondary and tertiary sectors to work together and improve student outcomes
- ▶ helping the sector to build the quality of teaching and educational leadership
- ▶ providing data and knowledge to drive better decision-making
- ▶ promoting strong and powerful connections between education providers, parents, whānau, iwi and communities.



We have supported the secondary and tertiary sectors to work together and improve student outcomes

We established Achievement, Retention and Transitions (Achievement 13-17)

Achievement 13-17 is a learner-focused, senior secondary school initiative which identifies students in schools with high proportions of Māori and Pasifika students who are unlikely to achieve NCEA Level 2 but for whom this qualification is within reach. We work with these schools to identify these students, develop support and track their progress. This includes retaining these students in education and supporting their achievement of NCEA Level 2.

In 2013, we worked with 129 schools. In these schools, 2,701 students were identified as being at risk of not achieving NCEA Level 2 without additional support. Final data shows that 1,619 (60%) of those students achieved NCEA Level 2, including 704 Māori (57%) and 289 Pasifika (60%) students.

The Pasifika PowerUP Programme helps students and parents make good decisions

Our Pasifika PowerUP Programme contributed to an increasing number of Pasifika 18-year-olds achieving NCEA Level 2 qualifications – 71.4% in 2013 compared with 68.1% in 2012.

We worked with the Ministry of Pacific Island Affairs and other partner agencies on the pilot Pasifika PowerUP for the NCEA 8-Week Challenge. PowerUP helped Pasifika parents and students make informed decisions about study options and career opportunities. Eight Power Stations were established in community venues – Pasifika churches, libraries, community centres and schools – for Pasifika students and their families to learn how best to plan, prepare and study for NCEA.

The programme supported parents and families to champion their children's learning to achieve increased education success. It provided an opportunity for us to work more systematically in the delivery of integrated services that meet the specific and varied needs of Pasifika children and families.

NCEA & the Whānau helps parents understand their children's learning

NCEA & the Whānau is an inter-agency project between the Ministry of Education, Careers New Zealand, the New Zealand Qualifications Authority, the Tertiary Education Commission and Te Puni Kōkiri. It helps whānau to understand NCEA and the importance of choosing the right subjects, gaining qualifications and making informed career decisions. The project held 216 workshops for 5,670 members of whānau, of which we delivered 128 workshops to 3,129 attendees.

We worked with whānau on a number of Ministry-iwi shared investment activities, including the NCEA & the Whānau presentations. We collaborated with five iwi to present eight community presentations and delivered champion training to 306 whānau on how to use their leadership and relationship skills to engage other whānau.

The Youth Guarantee programme continues to support foundation learning

The Youth Guarantee programme includes a range of foundation learning initiatives such as Vocational Pathways, Secondary-Tertiary Partnerships (including Trades Academies) and fees-free places in tertiary providers. These initiatives have created new opportunities, alongside secondary school, for students to achieve a minimum of NCEA Level 2 or an equivalent tertiary qualification, helping them progress into higher levels of study, training or employment.

We supported partnerships between schools, kura, tertiary providers and their wider communities, and the development of learning programmes based on the Vocational Pathways. More than 20 Youth Guarantee partnerships are operating in different regions. They raise achievement by helping young people make effective transitions to further education, training and work.



Trades Academies continue to improve outcomes

Trades Academies are a form of Secondary-Tertiary Partnership. They enable young people to combine school and tertiary study to achieve NCEA Level 2 as well as earn credits towards industry-set Level 2 National Certificates. Students remain enrolled in school but undertake part of their learning through a tertiary organisation.

In 2013, 2,543 students achieved NCEA Level 2 in the 22 Trades Academies and more than 280 secondary schools involved. Of these students, 953 were Māori and 299 were Pasifika. Around four fifths of Trades Academy students went on to further education or work. Demand is strong for the 4,500 places available in 2014. In 2015, we will offer 5,250 places in Trades Academies.

We increased the scale of the Youth Guarantee Fees-free Scheme

The Youth Guarantee Fees-free Scheme provides full-time study for foundation level qualifications for 16- to 19-year-olds. The fees-free places are all intended to support young people to achieve NCEA Level 2 or an equivalent qualification in a tertiary environment.

In 2013, 9,915 young people – an increase of 1,014 from 2012 – participated in Youth Guarantee fees-free courses. In the 2014 calendar year, polytechnics, wānanga and private training establishments offered 10,100 fees-free places.

We are helping the sector build the quality of teaching and educational leadership throughout schooling

The quality of teaching and leadership are the key in-school factors influencing young people's educational achievement. We have some of the best teaching practice in the world, but quality is not consistent and, in our role as steward of the education system, we have a clear role in supporting the sector to raise the quality of teaching and leadership.

We introduced Investing in Educational Success

Investing in Educational Success represents a \$359 million investment over four years (and \$155 million ongoing) in the quality of our education system. It is about improving outcomes for all students through quality teaching practice, greater collaboration between schools and better teaching and leadership career pathways.

We established the sector-wide Investing in Educational Success Working Group and supporting Secretariat to work on the design of the policy. The Working Group affirmed the central elements of Investing in Educational Success, including two new teaching roles and one leadership role. These people are resourced to work collaboratively within Communities of Schools. The Working Group also endorsed a Principal Recruitment Allowance to help our most high-need schools and kura recruit high-quality principals, and they also established a \$10 million Teacher-led Innovation Fund. As part of the Working Group's activities and engagement with the sector, a number of enhancements were made to the policy design.

Communities of Schools are groups of schools and/or kura that will come together voluntarily to raise achievement for all children and young people by sharing expertise in teaching and learning, supporting each other and improving the educational pathway from primary through to secondary education.



We initiated a review of professional learning and development (PLD)

We provide a range of support and professional learning opportunities to help schools and teachers build their professional capability and leadership. This includes more than \$80 million invested in a range of centrally-funded professional development programmes. These work alongside school-funded and organised staff professional learning and development (PLD).

Some key professional learning and development programmes are:

- ▶ Building on Success
- ▶ Secondary Student Achievement
- ▶ Māori-medium and Te Reo Māori in the English-medium sector
- ▶ Information Communication Technology
- ▶ Literacy
- ▶ Numeracy
- ▶ Leadership.

In 2013/14, we initiated a review of centrally-funded PLD in conjunction with a sector advisory group. The review is intended to ensure that our teachers are getting the support they need to meet their development needs. The PLD Advisory Group brings excellent knowledge directly from schools of what is working and what needs to change. It will report in the 2014/15 year.

Our staff continue to deliver the Student Achievement Function

Our staff continued to work with schools and kura to increase their capability to accelerate achievement for students, particularly Māori, Pasifika and students with special education needs. Since February 2011, 696 schools and kura have worked with a Student Achievement Function practitioner, with 88% of these demonstrating an increase in the number of students achieving at or above National Standards.

We helped schools prepare for and deliver learning with digital technologies

We provided a range of equipment, software and resources to support school leaders and teachers in using digital technologies effectively. This included:

- ▶ \$16.1 million on supplying and servicing around 45,000 laptops for teachers and principals
- ▶ \$2.6 million on managed internet services and \$10.0 million on software licensing and support for schools and kura
- ▶ \$8.0 million on professional learning and development specifically targeted at learning with digital technologies.

We provided guidance and resources to schools to develop their digital learning practice and to adopt Bring Your Own Device programmes or purchase or lease digital devices for their students' learning. We continued to engage with schools and kura to better understand their needs and the challenges that the rapid adoption of new technologies is creating for the education system.

We established an IT Academy Pilot to promote digital literacy, IT skill development, and pathways into IT careers. The 10 schools involved in the pilot reported high-levels of student interest and engagement in the programme, as well as good initial outcomes for students and teachers alike.



We are strengthening governance with the New Zealand Schools Trustee Association

We signed a new contract with the New Zealand Schools Trustee Association to support school boards of trustees to raise student achievement. The new contract is a significant expansion of \$14.5 million, bringing the total value of the contract to \$29.8 million from 1 January 2014 to 30 June 2017. This contract allows a considerable improvement in the training and support available for boards from core training to the provision of advice and support, and is specifically intended to provide the governance skills, support and capability required to raise achievement.

We collaborated with the New Zealand Schools Trustees Association to produce new resources for boards of trustees, including the handbook *Effective Governance: Supporting Education Success as Māori* and a self-assessment cultural competency tool (similar to Tātaiako for teachers).

We have reviewed the delivery of statutory interventions

In collaboration with a sector working group³, we reviewed the way statutory interventions are managed in schools experiencing financial and/or leadership difficulty. Schools in this situation often require additional support to enable them to raise achievement for their students. The review found the current intervention framework needed strengthening and consistent implementation. Over the next year, we will confirm and implement recommendations.

We supported the Taskforce on Regulations Affecting School Performance

Late in 2013, the Government established an independent taskforce to review the regulations and legislation affecting school performance and how they could be improved to enable school leaders to focus on raising achievement. The Taskforce members had expertise in governance, regulation and educational leadership. As secretariat, we provided background papers, assisted with the preparation of taskforce documents and supported consultation with education sector groups and schools.

The Taskforce's report, published in July 2014, presented a strong case for reviewing the Education Act 1989 to focus more clearly on student outcomes and clarify roles and responsibilities in the sector. It recommended regulatory changes to ensure there is enough flexibility in the education system to keep pace with the changing environment. We are providing advice to the Government on the report's recommendations.

We provided advice on changes to the New Zealand Teachers Council

We provided policy advice to the Minister of Education on changes to the form of the New Zealand Teachers Council, as well as the regulatory framework and disciplinary regime for teaching. We consulted extensively with the sector on these proposed changes which will strengthen the profession in order to lift student achievement. We expect a new body for teachers to be established in the next year.

³ The sector working group contains representation from the New Zealand Principals' Federation, the New Zealand School Trustees Association, the Secondary Principals' Association of New Zealand, the Education Review Office, Ngā Kura a Iwi, Te Rūnanga Nui o Ngā Kura Kaupapa Māori o Aotearoa, the Post Primary Teachers' Association, the New Zealand Association of Intermediate and Middle Schools, and the New Zealand Educational Institute, along with four experienced statutory appointees.



We are providing data and knowledge to drive better decision-making

We published Public Achievement Information

We published achievement (National Standards, Ngā Whanaketanga Rumaki Māori and NCEA), enrolment and financial information at a national, regional and local level on the Education Counts website. We also produced a variety of visual representations (infographics) that turned complex data into more readily understandable information. These include national, regional and territorial authority profiles (approximately 100 infographics). We developed more than 250 infographics in response to demand from a growing number of schools and communities seeking ways to understand and use data, and more than 100 infographics specifically for Māori education, including 90 iwi profiles.

We used Public Achievement Information data to identify schools needing in-depth support. As a result of this targeted support, the majority of these schools have seen accelerated achievement levels. We also used this data as the catalyst for discussions with a variety of audiences about raising achievement. We held over 90 meetings with iwi leaders, boards of trustees, local government and other education agencies. We also contributed to the Government's Regional Economic Activity Report and worked in collaboration with our partners, including the Education Review Office and New Zealand Schools Trustees Association, to ensure effective and appropriate use of data. This activity contributed towards increased transparency and use of Public Achievement Information as part of our education culture.

We prepared the Progress and Consistency Tool for piloting in schools

We continued work on the Progress and Consistency Tool for teachers implementing National Standards. This tool will help achieve consistency in teacher judgement within and between schools. We completed the mathematics, reading and writing frameworks, which are part of the tool, and the New Zealand Council for Educational Research held trials of the illustrations for the reading, writing and mathematics frameworks.

The tool will be piloted in primary and intermediate schools in term four of 2014. The pilot will initially be for mathematics, with reading and writing available for use from 2015 onwards. The Progress and Consistency Tool will be implemented in 2015.

We helped establish strong and powerful connections between education providers, parents, families, whānau, iwi and communities

We are rolling out Reading Together®

We continued to expand the Reading Together® Programme in schools. This Programme encourages parents to support their children's reading at home, with a particular focus on Māori students and their whānau. Two hundred and fifty-one schools joined the Reading Together® project, bringing the total number of schools to 680 since the project's implementation in February 2012.

We advised the Education and Science Committee

We advised and supported the Education and Science Committee's inquiry into engaging parents in the education of their children.

The inquiry investigated the elements of an effective strategy for engaging parents, families, whānau, aiga and communities in education. It identified best-practice examples of approaches, locally and internationally, that support parents and communities to encourage their children's learning, as well as ways to leverage the strength of communities to lift the educational achievement of their children and young people.



Parents and communities enhancing education achievement

We introduced Partnering for Achievement which is a package of initiatives designed to strengthen the ability of parents, families and whānau to enhance their children's education. This programme reinforces the Government's focus on supporting excellent teaching and professional leadership by strengthening families' understanding of and aspirations for education, creating opportunities for powerful partnerships.

We supported parents, whānau, hapū, iwi and Māori organisations

We engaged with parents, whānau, hapū, iwi and Māori organisations to play a stronger role in lifting the education system's performance for Māori students. We worked in targeted communities to support whānau to be more informed and better equipped to help their children enjoy and achieve education success as whānau Māori.

We held a Festival of Education

Coinciding with the International Summit on the Teaching Profession, a Festival of Education was held in Auckland, Christchurch and Wellington. The Festival brought together 30,000 educators, students and their families, education organisations and community leaders, providing opportunities for them to celebrate and share educational successes, innovations and best practice. The Festival also demonstrated New Zealand education excellence to Summit participants and provided opportunities for us to learn from our visitors.

Establishing Partnership Schools | Kura Hourua increased choice for parents

After the Education Amendment Bill was passed in June 2013, we established the first five Partnership Schools | Kura Hourua in Auckland and Northland, broadening the schooling options for students in these regions. These schools are based on a new accountability and resourcing model and focus on raising achievement for Māori students, Pasifika students, students with special education needs and students from low-decile areas.

We developed a performance management system to reflect the strong accountability for outcomes inherent in the Partnership Schools | Kura Hourua model. Targets measure student achievement, student engagement, financial well-being and the enrolment of priority students. The evaluation of the model is underway.



Our performance against targets

MEASURE	ACTUAL PERFORMANCE				TARGET	
INCREASE the proportion of learners achieving the National Standards			2012/13 ⁺ #	2013/14 ⁺	Increase the proportion of learners achieving 'at' or 'above' each standard to reach 85% achievement of each standard for all groups by 2017*	
	Maths	All	73.6%	74.6%		
		Māori	63.6%	64.6%		
		Pasifika	59.7%	60.8%		
		Decile 1-3 students	60.8%	61.7%		
			2012/13 ⁺ #	2013/14 ⁺	* Targets for the academic year ended December 2013 were not set	
	Writing	All	70.0%	70.6%		
		Māori	60.2%	60.9%		
		Pasifika	56.8%	57.6%		
		Decile 1-3 students	56.6%	56.9%		
			2012/13 ⁺ #	2013/14 ⁺		
	Reading	All	77.4%	77.9%		
		Māori	68.2%	68.7%		
		Pasifika	62.6%	64.1%		
		Decile 1-3 students	64.4%	64.9%		
	* For the academic years ended December 2012 and 2013					
	# As reported in the Annual Report 2013					

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of year 11 students achieving NCEA literacy and numeracy credits		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	All	75.3%	77.6%	All	80.7%
	Māori	61.6%	64.8%	Māori	71.8%
	Pasifika	65.9%	70.4%	Pasifika	76.2%
	Decile 1-3 students	62.9%	66.3%	Decile 1-3 students	74.2%
	* For the academic years ended December 2012 and 2013			# For the academic year ended December 2013	

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of 18-year-olds with NCEA Level 2 or an equivalent qualification		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	All	77.2%	78.6%	All	77.9%
	Māori	60.9%	63.3%	Māori	66.4%
	Pasifika	68.1%	71.4%	Pasifika	72.0%
	* For the academic years ended December 2012 and 2013			# For the academic year ended December 2013	



MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the proportion of all students participating in Māori language in primary and secondary education*		2012/13 ⁺	2013/14 ⁺		2015/16 [#]
	All	20.8%	20.8%	All	22%
	* As at 1 July 2012 and 2013, for the academic years ended December 2012 and 2013			# For the academic year ended December 2015; no target was set for the December 2013 year	

* Māori language in education includes both Māori-medium education and Māori as a subject in English-medium settings

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of students staying on in education to age 17		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	All	82.3%	82.6%	All	82.0%
	Māori	67.9%	67.9%	Māori	67.6%
	Pasifika	80.5%	81.3%	Pasifika	79.9%
	Decile 1-3 students	74.1%	73.6%	Decile 1-3 students	77.4%
	* For the academic years ended December 2012 and 2013			# For the academic year ended December 2013	

MEASURE	ACTUAL PERFORMANCE			TARGET	
REDUCE suspension rates (removed from school until the board of trustees makes a decision) – per 1,000 students		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	All	4.3	4.1	All	4.8
	Māori	9.1	8.7	Māori	9.8
	Pasifika	4.5	4.2	Pasifika	4.0
	Decile 1-3 students	6.4	5.8	Decile 1-3 students	6.9
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

MEASURE	ACTUAL PERFORMANCE			TARGET	
REDUCE frequent truant rates for year 9 and 10 – per 100 students		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	All	1.1	1.1	All	1.0
	Māori	2.4	2.5	Māori	2.5
	Pasifika	1.4	1.4	Pasifika	1.2
	* For academic years ended December 2012 and 2013; based on surveys undertaken in June 2012 and 2013			# For the academic year ended December 2013; the targets are drawn from the Estimates of Appropriations	



National Standards

Schools have improved the proportion of learners achieving the National Standards. The rate of progress is not in line with the 2017 target. We have a range of initiatives in place and further activity proposed to accelerate the growth in achievement.

NCEA Level 2

Achievement of NCEA Level 2 by 18-year-olds is increasing and for the full population remains above the target line to achieve the target by 2017. In addition to the BPS target for the whole population, we have established equitable targets for Māori and Pasifika 18-year-olds. At this stage, progress against these targets has fallen below our target line.

In response to this, we have strengthened our targeted response. Strategies are focusing on very high-risk students including retention of Māori in education, reconnecting young people not in education, employment or training education (in conjunction with MSD), deepening the Ministry's Achievement Retention and Transitions interventions and working in foundation level tertiary provision.

Literacy and Numeracy Credits

The proportion of Year 11 students achieving NCEA literacy and numeracy credits is growing, but progress is not as rapid as required to achieve our 2013/14 targets. Pasifika demonstrated the fastest rate of improvement and along with Māori were ahead of the overall rate of improvement.

Our Youth Guarantee, Achievement Retention Transition work programme including early intervention, trade academies, and other targeted secondary school strategies, are working to support children to be prepared for relevant courses to meet this Year 11 target.

Attendance and Retention

Our targeted attendance service and retention response service are expected to help reduce suspension rates and frequent truant rates. The national attendance services were in their first year of operation and we expect improved outcomes when their operations, linkages with schools and other providers and partnership with communities, are fully in place.



We are contributing to a more competitive and productive economy

We have increased the proportion of 25- to 34-year-olds with a qualification at Level 4 or above

Better Public Services Result Area 6

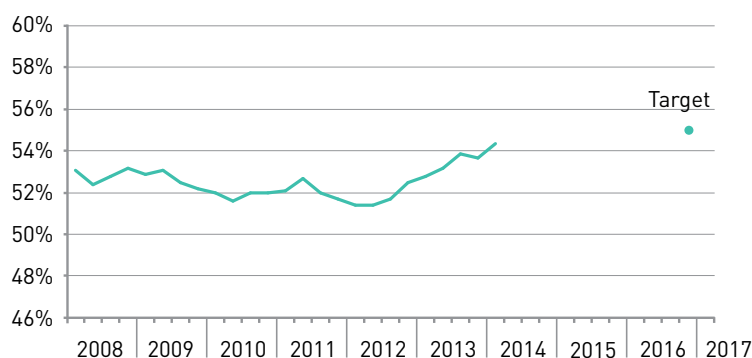
Target: 55% of 25- to 34-year-olds will have a qualification at Level 4 or above on the New Zealand Qualifications Framework by 2017

We need to increase the level of skills in our workforce to support New Zealand's economic growth. A higher skilled workforce supports better innovation and productivity. Individuals with higher qualifications tend to have better economic and social outcomes than those with low qualifications.

Educational achievement throughout young people's lives helps them thrive in society and in the workplace. Education qualifications provide signposts for people's achievement and are particularly important in the job market or for access to further education. The kinds of skills needed for success in the modern economy are largely the same as those that help people to be creative, confident, culturally-enriched citizens.

We have made steady progress towards our target of 55% of 25- to 34-year-olds having a qualification at Level 4 or above. In the year to December 2013, we reached 53.8%, up from 52.6% in 2012. The annual average to March 2014 was 54.5%.

Our results to 30 June 2014 are:



More people have been studying and completing qualifications at Level 4 and above through tertiary organisations and industry training including:

- ▶ the proportion of 19-year-olds who were or had been enrolled in a qualification at Level 4 or above was 47% between 2011 and 2013
- ▶ Bachelors degree enrolments for 18- to 24-year-olds were 5% higher in 2013 than 2010
- ▶ in 2013, 25,800 domestic students completed a Bachelor degree – an increase of around 400 on the 25,400 who completed degrees in 2012
- ▶ the proportion of 22-year-olds completing Level 4 and above qualifications increased from 32% in 2011 to 35% in 2013.



In order to achieve the Better Public Services Result 6, we identified key areas we need to focus on including:

- ▶ improving transition pathways and foundation education to ensure all young people are able to gain skills and qualifications
- ▶ improving the quality and availability of information
- ▶ driving quality and value for money through performance improvements
- ▶ increasing the contribution of the international sector to our economy.

Improving transition pathways and foundation education to ensure all young people are able to gain skills and qualifications

We worked with our partners to change industry training and improve quality

Our policy advice contributed to changes to industry training in early 2014, culminating in the Industry Training and Apprenticeships Amendment Act 2014, which amended the Industry Training Act 1992. The reforms:

- ▶ established the New Zealand Apprenticeships
- ▶ increased funding rates for industry training
- ▶ increased performance expectations of industry training organisations to improve the quality of training, set skill standards for their industries and strengthen their quality assurance framework
- ▶ allowed employers to apply for direct access to industry training funding.

The most significant change was introducing New Zealand Apprenticeships, which combined and unified Modern Apprenticeships with other apprentice-type training. New Zealand Apprenticeships provide the same level of support to all apprentices regardless of their age. They lead to qualifications at Level 4 on the New Zealand Qualifications Framework, providing entry into an occupation or industry.

The Apprenticeship Reboot scheme, which subsidises apprentices and their employers for tools and off-job course costs, has contributed to a 24% increase in the number of new apprentices since 2012.

We developed the Māori and Pasifika Trades Training initiative

We worked with the Tertiary Education Commission and the Ministry of Business, Innovation and Employment to develop the Māori and Pasifika Trades Training initiative. It supports Māori and Pasifika students, aged 18-34, to obtain meaningful trades qualifications and apprenticeships.

We worked with our partners to support beneficiaries and young people into work

At the end of 2013, the Foundation-Focused Training Opportunities fund was disestablished. We provided advice to the Government which resulted in funding being redirected to support beneficiaries to access employment and foundation-level education, including:

- ▶ top-ups to tertiary Level 1 and 2 Student Achievement Component provision to make programmes fees-free for students under 25 years of age
- ▶ additional places for intensive literacy and numeracy programmes
- ▶ Ministry of Social Development programmes for employment or training, such as shorter duration training that provides industry skills to beneficiaries at high risk of being on the benefit for the long-term, and support for sole parents to study at Level 4 and above
- ▶ aligning support available for sole parents undertaking full-time study in the student support system with the benefit system, announced as part of Budget 2014.



Improving the quality and availability of information

We continued working with Careers New Zealand and the Ministry of Business, Innovation and Employment to provide students with information on study options, careers and income prospects to support the decisions they make about study and work.

This work included:

- ▶ publishing new interactive career information tools on the Careers New Zealand website and the Occupation Outlook smartphone app
- ▶ integrating Vocational Pathways information with New Zealand Qualifications Authority Records of Achievement, including Vocational Pathways Awards and online vocational profiles linked to National Certificate of Educational Achievement results
- ▶ publishing reports analysing outcomes and post-study earnings for women, Māori and Pasifika
- ▶ reporting on what young domestic graduates do when they complete a qualification, such as further study, employment or going overseas
- ▶ continuing to work with tertiary providers to trial the development of provider-level employment outcomes data that is of value to students and providers.

In June 2014, we organised an Innovations in Tertiary Education Delivery Summit on new techniques and methods for delivering tertiary education, featuring presentations from world-leading experts and participant workshops.

Driving quality and value for money through performance improvements

We worked across government to improve the value of student support

We continued to improve the value of student support and lead joint-agency oversight of the student loan scheme. We worked with our partners to increase student loan repayments, particularly from overseas-based borrowers, and provided policy advice on legislative changes enacted in the Student Loan Amendment Act 2014 that enhance collection and improve the targeting of student allowance eligibility.

We worked with Inland Revenue on:

- ▶ information campaigns to improve student loan borrowers' awareness of their repayment obligations, particularly when overseas
- ▶ the collection process, including information-matching and sharing with the New Zealand Customs Service and the Department of Internal Affairs.

We identified ongoing savings of \$54.7 million over four years from student loans that the Government reinvested in higher funding for science, agriculture, selected health fields and the Centres of Research Excellence.

We used data from the New Zealand Benchmarking Tool to provide better advice

The New Zealand Benchmarking Tool provides a range of comparable information about income and delivery costs across different types of tertiary education. The tool has been used in the polytechnic sector since 2007, and now universities and wānanga are also using it.

We worked with Tribal (the vendor) and the tertiary education sector to analyse data from the tool. As a result of our advice to the Government, several priority fields of degree-level and above study, including science, agriculture and selected health sciences, received funding rate increases.



We completed reviews of degree-level study and research performance

We completed reviews of the two main tertiary research funding streams – the Performance-Based Research Fund and the Centres of Research Excellence – to assess their effectiveness in delivering skills and innovation, producing research excellence and encouraging the use and commercialisation of research.

The review of the Centres of Research Excellence found they had wide-ranging impacts on New Zealand's society and economy, and that the quantity and quality of research outputs in each centre has increased.

The Centres of Research Excellence fund was increased to just under \$50 million per year from 2016/17 to support additional centres, including one for Māori research. This will support the growth and development of more world-class researchers in New Zealand.

The review of the Performance-Based Research Fund found the fund supported a significant increase in research performance and productivity, and has a number of design strengths when compared with performance-based funding systems in other countries. Changes have been made that simplify the fund and reduce transaction costs, while preserving its strengths.

Increasing the contribution of the international education sector to our economy

We worked with Education New Zealand and the Ministry of Business, Innovation and Employment to manage New Zealand's international education relationships and develop policy to grow the international education sector, particularly high-value students who complete high-level qualifications after at least two years of study in New Zealand.

The international education industry grew during the 2013/14 financial year, with marked increases in both total and first-time student visas. During the 2013 calendar year, total tuition revenues from international students reported by all public and private education rose 1% to \$755.3 million.

International students make an important contribution to increasing the level of skills in our workforce:

- ▶ 37% of international students stay after study to work in New Zealand⁴
- ▶ in 2013/14, 42% of skilled principal migrants had previously held a full-fee-paying student visa.⁵

The Government introduced legislation as part of Education Amendment Bill (No. 2) to improve the administration of support for international students. The proposed changes streamline the process for handling breaches of the Code of Practice for the Pastoral Care of International Students, reduce compliance for high-performing providers and establish a more accessible process for contract disputes between international students and their education providers.

⁴ Using the number of first-time students in 2009/10 & 2010/11 who were full-fee-paying and the proportion that have a work application approved (Source: Ministry of Business, Innovation and Employment immigration data).

⁵ Source: Ministry of Business, Innovation and Employment (Migration Trends).



Our performance against targets

MEASURE	ACTUAL PERFORMANCE			TARGET	
REDUCE the percentage of young people not in education, employment or training		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	15- to 19-year-olds	7.6%	7.1%	15- to 19-year-olds	7.3%
	20- to 24-year-olds	15.6%	14.2%	20- to 24-year-olds	15.6%
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of domestic students with Level 1-3 qualifications on the New Zealand Qualifications Framework qualifications going on to study at higher levels*		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Full-time students starting Level 1-3 study in:	2011	2012	Full-time students starting Level 1-3 study in:	2012
	Progressed to higher-level study by:	Dec 2012	Dec 2013	Progressed to higher-level study by:	Dec 2013
	All	36.4%	36.7%	All	36.6%
	Māori	35.5%	35.8%	Māori	35.2%
	Pasifika	39.4%	38.4%	Pasifika	39.3%
	* For years ended December 2012 and 2013			# For year ended December 2013	

* This measure shows the percentage of domestic full-time students who progressed to study at a higher level within two years of starting a NZQA Levels 1 – 3 certificate. For example, 35.8% of Māori students who started a Level 1 – 3 certificate in 2012 have progressed to a higher level of study by December 2013.

MEASURE	ACTUAL PERFORMANCE				TARGET		
INCREASE the five-year qualification completion rate of full-time domestic students at Level 4 and above on the New Zealand Qualifications Framework*			2012/13*	2013/14*			2013/14#
	Students starting study in: Completed a qualification by:		2008 Dec 2012	2009 Dec 2013	Students starting study in: Completed a qualification by:		2009 Dec 2013
	Level 4 and higher qualifications	All	75%	75%	Level 4 and higher qualifications	All	76%
		Māori	62%	64%		Māori	64%
		Pasifika	60%	65%		Pasifika	61%
	Bachelors degrees	All	74%	72%	Bachelors degrees	All	74%
		Māori	57%	55%		Māori	60%
		Pasifika	50%	53%		Pasifika	56%
	* For years ended December 2012 and 2013				# For year ended December 2013		

* This measure shows the percentage of domestic full-time students who completed a Level 4 or higher qualification within five years of having started study. For example, 53% of Pasifika students who started a bachelors degree in 2009 had completed their degree by December 2013.



MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the proportion of 25- to 34-year-olds holding higher-level qualifications		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Level 4 and above	52.6%*	54.5% [^]	Level 4 and above	52.7%
	Bachelors degrees and above	31.2%*	33.8%*	Bachelors degrees and above	32.1%
	* For years ended December 2012 and 2013 * as at December 2012 [^] as at March 2014			# For year ended December 2013	

MEASURE	ACTUAL PERFORMANCE			TARGET	
GREATER research in universities funded by business		2011/12 ⁺	2013/14		2013/14 [#]
	Total research funded by business	\$34 million	N/A*	Total research funded by business	\$36 million
	* For the financial year ended June 2012 * This survey is conducted biennially and the June 2014 data will become available in March 2015. Estimates provided by Statistics New Zealand indicate this measure is on track			# For the financial year ended June 2014	

MEASURE	ACTUAL PERFORMANCE			TARGET	
REDUCE the cost of lending under the Student Loan Scheme		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Total cost (cents in the dollar lent)	36.19	41.35*	Total cost (cents in the dollar lent)	36.16
	* For the financial years ended June 2013 and 2014 * This increase results from changes in the composition of the borrower population and a downward revision of earlier forecasts of incomes (and hence, repayment rates)			# For the financial year ended June 2014	

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the number of international students completing degree-level qualifications and above		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Total number of students	8,043*	8,283	Total number of students	7,000
	* For academic years ended December 2012 and 2013 * International student enrolment numbers have been corrected after an error was identified			# For academic year ended December 2013	



MEASURE	ACTUAL PERFORMANCE		TARGET
International students studying in New Zealand are satisfied with their experience of living and studying in New Zealand	2011/12*	2013/14*	2015/16 [#]
	International students in all sectors were surveyed over 2011 and 2012 94% of international students surveyed in schools and 89% in tertiary were satisfied with their overall experience	No sector wide survey was undertaken/ scheduled in 2013 and 2014 The next survey is scheduled to be facilitated by Education New Zealand in 2015	A further survey of the satisfaction of international students at New Zealand universities, institutes of technology and polytechnics is envisaged for 2015, based on the current 4-year survey cycle International student surveys report positive overall satisfaction rating
	* For academic years ended December 2011 and 2013		[#] For academic year ending December 2015; no target was set for the academic year ended December 2013

Tertiary education targets

Fewer young New Zealanders are in the 'not in employment, education or training' category and domestic students are completing more qualifications. Degree-level completion is still significantly lower for Māori and Pasifika people, although rates for Pasifika students are growing. We are working with tertiary education providers and government agencies to provide more qualifications options and higher-quality careers information to help young people make good tertiary education choices and see the likely outcome of their study. A targeted approach to financial support will improve support for learners from lower-income families to successfully complete their tertiary qualifications.

Since the global financial crisis, study effort has intensified as more people have moved into full-time study. Student loans promote broad access and participation as students can borrow against their future earnings.

The cost of lending under the Student Loan Scheme has increased and is higher than the 2013/14 target. The cost is determined by an independent actuarial valuation of the Student Loan Scheme. The cost of lending is affected by forecast borrowing and repayment patterns, and by macroeconomic conditions (primarily employment, income changes and interest rates). The increase in the 2013/14 year results from changes in the composition of the borrower population (movement between earning, studying and overseas states) and revisions of future forecasts for the scheme, as well as some measurement changes.



We are helping rebuild greater Canterbury

The Greater Christchurch Education Renewal Recovery Programme

The Greater Christchurch Education Renewal Recovery Programme is building on best practice in education and also developing new, more effective approaches to teaching and learning. A goal of the programme is for students to gain at least NCEA Level 2.

We are supporting changes to the education network

We consulted with schools and communities on the proposals announced in September 2012 for 38 schools in greater Christchurch to close or merge. From this we developed the Christchurch Schools Rebuild Programme announced in November 2013, which signalled the Government's intention to invest \$1.137 billion to rebuild and renew 115 schools in greater Christchurch over the next 10 years. When the rebuild programme is complete, more than 80% of teaching spaces will be modern learning environments.

We worked with closed and merged schools to provide staff certainty and maintain a high-quality workforce focused on achieving education outcomes. We developed support packages in consultation with the sector, including workshops for the school workforce, and information and change management resources for stakeholders and the community.

We helped Learning Community Clusters work across providers to raise achievement

We promoted a whole-of-network approach by working with 33 geographically-based and five specialist Learning Community Clusters to get a wide range of activities and projects underway. As a result, education providers are working together to identify common education goals and challenges in their local communities and develop best practice solutions to respond. This collaborative approach enables schools and early childhood education centres to look beyond their institution to consider how to provide the best quality education to all local children and young people.

There is now a wide range of activities and projects underway in these learning communities. New contracts for the provision of professional learning and development and programmes for students have been negotiated with providers. These focus on meeting the needs of schools, both individually and as part of a learning community. Professional learning and development is delivered in the context of flexible learning environments and modern teaching and learning practices, with a focus on inclusive practice, cultural responsibility and raising achievement for priority children and students.

We progressed the Christchurch Schools Rebuild Programme

The Government's \$1.137 billion investment over 10 years in the Christchurch Schools Rebuild Programme includes constructing 23 new schools (13 schools on new sites and 10 schools on existing sites), redeveloping 34 schools and partially redeveloping 58 schools.

Highlights of our work programme included:

- ▶ rebuilding Halswell School, due to open in term one 2015, and completing the programme's first school, Pegasus Bay, on budget and on time – delivering a modern learning environment designed to support improved educational outcomes and our first 'zero-net energy' school, capable of producing all the energy it needs
- ▶ delivering a programme of more than 200 minor works at a value of \$5.5 million
- ▶ finalising planning for the \$45 million investment in the next four new schools (Waitakiri, Brighton Merged, West Rolleston and Marshlands schools) due to open in 2016



- ▶ completing around \$50 million of urgent repairs, including 23 Christchurch school swimming pools, and beginning work on a further 15 quake-damaged school pools which we plan to complete in time for the 2015 school year
- ▶ settling the Canterbury School Insurance Claim – one of the largest and most complex insurance pay-outs in our history, covering more than 1,000 buildings at over 200 schools
- ▶ advancing the establishment of professional panels to streamline the selection of construction and other professional service providers for future works and improve efficiencies in an increasingly tight construction market.

We supported the rebuild of tertiary education in Canterbury

Tertiary education has a large role to play in supporting the labour market to operate effectively in Canterbury in support of the Christchurch rebuild. This includes ensuring that the tertiary and skills sectors are responsive to the skills needed and supporting Canterbury tertiary education institutions (TEIs) to rebuild.

The Tertiary Education Commission has provided operating funding and worked with the TEIs to develop the rebuild plans. In the 2013/14 year a capital injection of \$18.9 million has enabled Christchurch Polytechnic and Institute of Technology (CPIT) to further expand its Sullivan Avenue campus and trades training capacity.

We are continuing to work to support the University of Canterbury and Lincoln University as they plan for their rebuilds. The Government contribution to the University of Canterbury is expected to focus on a new science centre as well as expanded and upgraded engineering facilities. These will provide modern teaching and research facilities and cater for more students. In the 2013/14 year, as part of an agreement to provide up to \$260 million to support the rebuild, the Government appropriated \$110 million from Vote Tertiary Education.

Lincoln University has in-principle agreement to funding, in order to fully integrate its new facilities with the other major partners in the new Lincoln Hub. Construction is expected to start in the second half of 2015, with completion scheduled for 2018/19. The financial contribution to this will be reported in future years.



We are building our capability to achieve education priorities and ensure the government's finances are managed responsibly

The Ministry is responsible for managing significant government funds and delivers a range of front-line and supporting education services as a provider in its own right. It is important that we ensure that our service delivery, our stewardship of the system and our financial management are high-quality. This ensures we maximise our ability to raise achievement and deliver the government's priorities.

We continue to focus on becoming a capable, efficient and responsive organisation. This includes identifying how the organisation needs to operate, the direction of the organisation and how we work with our stakeholders.

We have focused on how we transition successfully into our role of steward. We have embedded our defined behaviours through good leadership and management practices, improved our processes and governance and implemented a community and stakeholder engagement strategy.

To achieve our key priorities we require a workforce able to deliver to all sectors of New Zealand's society. We continued to adjust our recruitment, induction, workforce planning, performance management and learning development systems to ensure we understand the cultural needs of priority students.

To lift the Ministry's capability, efficiency and responsiveness we:

- ▶ began to build our culture through introducing core behaviours
- ▶ strengthened our leadership
- ▶ stabilised the teacher payroll services
- ▶ enhanced our Special Education Service
- ▶ improved our working practices
- ▶ improved our governance
- ▶ improved procurement and asset management
- ▶ implemented a structured approach to manage risk
- ▶ ensured our technologies remain fit for purpose
- ▶ centralised our corporate and governance services for excellent service quality
- ▶ responsibly managed the government's finances.

We began to build our culture through introducing core behaviours

Our role is to deliver the government agenda and to support the system to raise achievement. We work with sector leaders, teachers, parents, whānau, communities, children, young people and adult students to achieve shared goals and raise achievement. We must ensure that we do this in a way that is responsive, makes their work easier and helps them succeed. To reflect this, we have set clear expectations for how we work, in a new 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 wiktoria



- ▶ 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.

To work towards our desired culture, we improved our internal communication to help staff understand our direction, what is important and how their work supports what we set out to achieve.

This year we:

- ▶ publicised our new behaviours to support better collaboration internally and externally, modelled them at leadership level and promoted them in a variety of ways
- ▶ created a fortnightly update for Ministry leaders (Manutaki), summarising key information and making it easy for them to brief their teams
- ▶ held staff sessions with the Secretary for Education, allowing staff to ask questions and better understand our organisation, our direction and what our core behaviours mean for their teams.

We have strengthened our leadership

We appointed experienced leaders at senior levels to strengthen our leadership and management capability in key areas. Managers have been offered the opportunity to be involved in the wider Public Sector Senior Leader Career Development Programme.

We are also working to strengthen the Ministry's broader leadership group. We have identified our key leaders across the organisation and formed them into a defined group – the Leadership Forum. We are working intensively with them to help lead the changes we are seeking. This includes communicating and building ownership of the future direction of the organisation and the behaviours and culture we are seeking.

We continued to expand our in-house leadership development programmes and opened up participation to other education agencies. New specialist competency frameworks for our policy and finance staff provide a clear picture of what expertise is needed at different levels and a framework for coaching and career development.

We implemented a new initiative to develop our policy workforce capability, including a graduate recruitment programme and fast-tracking our talent through improved career pathways. We provided mentoring and specialist training to support professional development and build policy capability for the future.

We ran a development programme on Ka Hikitia (our Māori education strategy) in our day-to-day business and included Tātai Pou competencies in staff performance agreements and development plans. Tātai Pou is intended to equip all managers to lead their teams to realise the vision of Māori enjoying and achieving education success as Māori.

Equal employment opportunities and diversity

We are committed to building on the Equal Employment Opportunity (EEO) outcomes that were noted in the Human Rights Commission report, 'What's working – improving equal employment opportunities in the public service', published in June 2014.

The report noted that only two other government agencies, Te Puni Kokiri and the Education Review Office (ERO) had achieved a higher representation of Māori in senior management. Also of note was that women fill 58% of the senior management roles in the Ministry compared to a public service average of 42%.



We have stabilised the school payroll service

Our payroll is the largest in the country and one of the largest in Australasia. Every fortnight our education payroll service pays around 90,000 school staff and over the course of a year around 110,000⁶. This payroll is complex, with a variety of payment types, allowances, awards and bonuses.

This was the second financial year of the Novopay service, and we entered a more stable phase. Our accuracy level has consistently been better than our target 0.5% error rate throughout the financial year, apart from the complex End of Year / Start of Year period.

We started implementing the 15 recommendations from the Report on the Ministerial Inquiry into the Novopay Project, released in June 2013. This included strengthening our leadership and governance capabilities and improving our relationship with the sector and the services we provide.

We worked with the provider to continue to fix defects, clear backlogs and address tax and leave issues, and we responded to new issues more promptly. We increased training for Novopay users and made improvements to the training programme to make it more accessible and relevant. We also extended the school regional support network from a pilot scheme in the South Island to a nationwide programme that now features a team of specialist education payroll advisors who offer schools tailored, one-on-one intensive support.

Now the system is stable, we have a plan for how we can deliver payroll services more effectively. We have been working closely with the sector and schools to capture their feedback to ensure the service is user-friendly, relevant and durable.

We reviewed the commercial arrangements with Talent2, as recommended by the Ministerial Inquiry. The outcome is the transfer of payroll services from Talent2 to a new government-owned company, Education Payroll Limited, on 17 October 2014. We are now working to prepare for a successful End of Year/Start of Year period and to ensure a smooth transition to the new provider.

We enhanced our Special Education Service

Special Education funds schools and provides specialist services, such as speech-language therapists, to support children and young people with special education needs. This aims to create a fully-inclusive education system of confident schools, children and parents, where children and young people with special education needs learn and succeed.

We deliver services and support for children and young people with special education needs

Through funding schools and providers, we supported over 50,000 children and young people with special education needs. We worked with schools to enable special education funding to be used more flexibly. We provided additional funding to 25 special schools to support the Specialist Teacher Outreach Service, allowing teachers from special schools to support students with complex needs enrolled in local schools.

We also delivered services to another 35,000 children and young people with higher needs – more children and young people than ever before – through our own special education teams. We experienced high demand for our early intervention and communication services. As a result of work to promote this service, along with participation in early childhood education in general, the number of Māori and Pasifika children accessing the service increased faster than for other ethnicities. The increase in the number of children and young people led to increased waiting times for early intervention and communication services.

Our annual client satisfaction survey continues to show high-levels of parent and educator satisfaction. We are continually striving to improve the quality and effectiveness of our services, as well as parent and educator satisfaction.

⁶ These figures include full-time teachers, school support staff, relief teachers, teacher's aides and other staff in primary and secondary schools.



Resource Teachers: Learning and Behaviour support schools to be inclusive

The Resource Teacher: Learning and Behaviour service is in its third year of transformation. As specialist itinerant teachers, Resource Teachers: Learning and Behaviour provide quality support for students who have additional learning and behaviour needs.

The service has focused on Māori and Pasifika students, children and young people entering state care and students with high learning needs (previously called Supplementary Learning Support). The service is provided by schools for schools, by teachers for teachers. Resource Teachers: Learning and Behaviour supports students in Years 1 to 10 with learning and behaviour needs (and their teachers and schools). The service is provided by teachers with specialist postgraduate teacher qualifications who travel within their cluster of schools. They help other teachers to adapt their teaching practice and use of the curriculum to be more effective for students with learning and behaviour needs.

We established the New Zealand Sign Language Project

To strengthen access to New Zealand Sign Language, we established the New Zealand Sign Language Project. Our aim is for deaf children and young adults to achieve educationally and be as confident, competent and secure in their linguistic and cultural identity as their hearing peers.

We developed:

- ▶ the Family Whānau Sign Language Facilitator service for families with newly-identified deaf children
- ▶ the New Zealand Sign Language implementation taskforce aimed at supporting students in mainstream schools who use sign language
- ▶ additional sign language learning resources that make use of new technologies, such as New Zealand Sign Language e-books.

Our Inclusive Education Taskforce continues to provide resources to schools

Our Inclusive Education Taskforce continues to support inclusive practices for students with special education needs. At the end of 2013, we made our inclusive practices self-review tool available to all schools to help school staff consider what inclusive education looks like and to encourage them to engage with their communities to determine how to best support all of their students.

We established the Māori-medium Project within the taskforce to support inclusive practices in learning environments where the Māori language is used. We released a number of resources to promote special education support in te reo Māori, increase staff knowledge of Māori-medium education and showcase young Māori with disabilities to encourage others to engage and achieve.

We worked with other agencies to improve outcomes

The cross-agency Bullying Prevention Advisory Group, established in 2013 to address the issue of bullying in schools, published *Bullying Prevention and Response: A Guide for Schools* in April 2014. The resource provides practical advice to schools on how to prevent bullying and respond to bullying effectively when it does occur.

We have continued our work on school-based initiatives under the Prime Minister's Youth Mental Health Project. We contributed to Positive Behaviour for Learning initiatives, reviewed guidance and counselling in schools, reviewed alcohol and drug education programmes and investigated co-locating additional social services in schools.

We joined a taskforce with other government agencies to improve the Gateway Assessment Programme. Gateway is for vulnerable children and young people who have come to the attention of Child, Youth and Family. It provides a comprehensive, individualised plan that meets the health, education and social needs of the child or young person.



We have worked with other government agencies on two key disability projects:

- ▶ Enabling Good Lives is a three-year demonstration project in Christchurch which provides disability support that is people-driven rather than provider-driven. The project co-ordinates funding and support to help further the education, employment or community participation of school leavers with disabilities.
- ▶ we redeveloped the New Zealand Disability Strategy 2014–2018. The Ministry of Education will lead two strategic initiatives on inclusive education and improving transitions from education to work for people with disabilities.

Positive Behaviour for Learning continues to grow

Positive Behaviour for Learning initiatives help parents, teachers and schools address problem behaviour, improve children's well-being and increase education achievement.

In the 2014 school year, 118 schools joined Positive Behaviour for Learning: School-Wide, a framework of practices and organisational systems to help schools develop a positive social culture. There are now 515 schools participating.

The Intensive Wraparound Service supports children and young people in Years 3 to 10 who have highly complex and challenging behaviour, social or education needs, including those associated with intellectual impairment. During 2013, 253 students received this service, an increase from 114 in 2012.

We continued to deliver the Incredible Years programmes providing parents and teachers of children aged three to eight years with strategies to promote positive behaviour and deal with challenging behaviour. 2,930 parents and 2,390 teachers participated in the Incredible Years Parent and Teacher programmes.

We also implemented pilot programmes in a number of schools:

- ▶ Restorative Practice – building respectful relationships in schools
- ▶ Check & Connect – long-term mentoring for students in Years 7 to 10 who are at risk of disengaging from school
- ▶ My FRIENDS Youth – building young people's self-esteem and resilience by teaching them practical skills to cope with life challenges.

We improved our working practices

As part of redefining our role as steward of the education system, we reorganised the way we work to better support and enable the sector.

In February 2014, we introduced a central channel for two-way communication with school leaders and Board of Trustee chairs: the Ministry Bulletin for School Leaders | He Pitopito Kōrero. This is part of our work to make the Ministry more accessible to school leaders and the wider sector and is a one-stop-shop for information from the Ministry.

We established the Education System Performance Group to lead the development, design and growth of strategic and systems thinking for the sector leaders of our education system. Its role includes increasing the capability of the education system to develop a stronger medium and longer term strategic focus. It works closely with groups in the Ministry to ensure we take a system-wide perspective on key work areas, such as the Vote Education and Vote Tertiary Education Budgets, the Four-Year Plan and Briefings for Incoming Ministers. Education System Performance provides the policy practice leadership for the Ministry and oversees the graduate development programme.

We also established the Evidence, Data and Knowledge Group to strengthen our ability to turn data into knowledge that the sector and the Ministry can act on to raise student achievement.



We improved our governance

We established the Enterprise Portfolio Management Office in May 2012 to provide a consistent framework for governing and managing projects and programmes. The office has completed its establishment phase, including developing core project methodologies and processes.

In the last year, the Enterprise Portfolio Management Office:

- ▶ worked with an increased number of projects and programmes to review key documentation and governance arrangements to ensure we deliver outcomes
- ▶ developed a framework to assist with prioritisation of investments.

The office is now rolling out these tools and methodologies across the organisation.

We also established a Performance Board, chaired by the Secretary for Education. The purpose of this Board is to provide oversight of key corporate indicators to monitor and assess our performance and organisational health. Our other governance arrangements have been streamlined and we have brought in a higher level of external membership to increase independent challenge.

Improving procurement and internal asset management

Our target is to be a leader in public sector procurement by 2016. We assessed our progress against this target using government review toolsets (provided as part of the Benchmarking Administrative Support Services process), external independent assessments and audits.

In the last year, we lifted our procurement skills and raised the commercial capability of our people. Better procurement practices, plus stronger relationships with our suppliers will increase value for money and improve the quality of outcomes we deliver to early learning services, schools, tertiary providers, children and students. We are committed to smarter sourcing, finding the right solution and getting the best value.

We now have a structured approach to managing risk

We have a strong risk-aware culture that is supported by an enhanced risk and assurance function. The top priority risks and their planned mitigations are reviewed and updated at leadership meetings quarterly and are independently scrutinised by a Risk and Assurance Board. This Board includes three independent members, one of whom chairs the Board.

We implemented a principles-based risk management framework and delivered targeted training in risk management practices. Our risk management activities are increasingly collaborative, multidisciplinary and objective-focused. Managers focus on risks to improve success of initiatives and maintain public confidence. The risk and assurance function is leading the development of a risk map to ensure the right subject matter expertise is applied to ensure operational risks across the Ministry are controlled consistently and effectively.

We continue to ensure our technologies remain fit for purpose

We have a large programme to update some of our core assets to ensure they are fit for purpose to support the business. These include replacing IT systems for schools transport, tertiary data collection, the National Student Index and the Education Sector Identity Management service. We are also developing a comprehensive Education Sector ICT Strategy and Implementation Plan which will include the sector agencies' key investments in ICT.

To improve our ability to respond in a disaster, we relocated our production IT systems from Wellington to Datacom's facility in Hamilton. We completed this move successfully and on schedule.



We have centralised our corporate and governance services for excellent service quality

We centralised our ministerial services and established quality assurance processes to provide accurate and timely responses to meet statutory requirements, including how we respond to Official Information Act requests. We increased the capacity of our ministerial services team and continued to identify and implement improvements to ensure consistency and accuracy of information.

We extended our shared services model to include financial transactions, such as accounts payable and receivable. Our aim is to reduce the time it takes to pay invoices.

Organisational design

We implemented a new organisational design to align functions with the needs of the sector and sharpen accountabilities at an organisational and individual level.

More than two thirds of our total full-time equivalent staff provide services directly to children, students and the education sector, including the Special Education Service, management of the school property estate, transport, ICT and the school payroll. The new organisational design recognises these services as separate business units.

We also provide services and support for 4,000 early childhood education centres and 2,500 schools, as well as policy advice and support for the tertiary education system.

We continued to responsibly manage the government's finances

Line-by-line review

In our line-by-line budget review, we identified savings of more than \$100 million over five years. We provided advice and recommendations to Ministers on how this money could be reprioritised in areas that represent greater value for money and cost effectiveness. We also improved our ability to conduct line-by-line analyses on a rolling basis in the future by updating the Vote Education Programme Database. This records information on programme expenditure and makes the information readily available for analysis.

Value for Money programme

We established a Value for Money programme – an important, Ministry-wide initiative sponsored by the Secretary for Education. This programme will enable us to lift our performance by making every dollar count. Our goal is to be better at matching our capacity to do our work with the capability we need to do it, as efficiently and effectively as possible.

The programme will ensure our activities are financially sustainable, prioritised and focused over the medium to long-term. Value for Money will also provide more opportunities to be more agile and responsive to the sector's needs.

The Value for Money programme will ensure that the Ministry's capabilities are continually developed and that we apply our capabilities to the things that really matter – the things that have the biggest impact on learner achievement.



Cross-Ministry Finance Team

We set up a consolidated cross-Ministry Finance Team to change the way we provide financial support and advice to our managers. The most important outcome so far has been introducing four experienced financial advisors who provide evidence-based strategic advice to our senior leaders so we invest our money in the right areas. As a result of these and other changes, we reprioritised over \$20 million during the year to areas of highest impact.

The team also rolled out a well-received set of online training modules to raise the financial capability of our budget managers. These have been shared with other government agencies, many of whom are using them in their own finance improvement projects.

We are managing school infrastructure services to enhance educational outcomes

In September 2013, we established the Education Infrastructure Service (EIS) which brought together the Ministry's school property, transport and ICT infrastructure programmes and services. The new EIS has a more proactive role in managing the school property portfolio on behalf of the Crown – a significant asset with a replacement value of \$22.7 billion.

Each year we commission around \$500-\$700 million in capital projects designed to improve, modernise and extend school property in line with population shifts, and changing demands and to establish modern learning environments. EIS continues to allocate funds directly to state schools for furniture, equipment and maintenance, and to subsidise state-integrated schools to support their modernisation and expansion. Established property programmes that include weather-tightness repairs and earthquake strengthening at the national level are ongoing. EIS has responsibility for delivering the \$1.137 billion Christchurch Schools Rebuild Programme which is establishing and rebuilding 23 schools and redeveloping 92 schools.

New areas of focus for EIS include doing more to:

- ▶ support schools in establishing, maintaining, modernising and developing their school property to reduce the time these activities take away from teaching and learning
- ▶ address the challenges facing the property portfolio which means accelerating the replacement, repair and modernisation of aging school buildings
- ▶ maximise schools' purchasing power by applying best practice procurement techniques at the national level to lift the quality and value of goods and services obtained from external suppliers
- ▶ consider innovative approaches to the provision of school property, ICT infrastructure and transport to meet changing community expectations and ensure the most effective use of Crown resources.

Since the formation of EIS in 2013 we have:

- ▶ completed a National Condition Assessment Programme which has given the Ministry a comprehensive forward view of the maintenance requirements for around 2,100 state schools
- ▶ delivered New Zealand's second public private partnership school – this arrangement will reduce property responsibilities for the new Hobsonville Secondary School
- ▶ continued the work we initiated to determine the earthquake resilience of standard timber-framed buildings – further tests confirmed earlier results and eliminated a projected spend of \$800 million on earthquake strengthening works
- ▶ progressed weather-tightness remediation projects and settled legal claims to contribute to this work and improve future building practice
- ▶ increased awareness about the role of modern school design in supporting improved student engagement and learning
- ▶ tendered for a national contract for transportable classrooms and commenced a pilot study of new approaches to facilities' management in schools
- ▶ accelerated ICT upgrades so schools can take advantage of improved access to ultra-fast broadband and teaching and learning technologies
- ▶ developed strategies to improve school transport services, including supporting an independent reference group charged with a review of services for special needs students.



Our performance against targets

Policy advice

MEASURE	ACTUAL PERFORMANCE			TARGET	
		2012/13 [*]	2013/14 [*]		2013/14 [#]
PROVIDE high quality policy advice	Quality and timeliness satisfaction rating	N/A [°]	Ministers did not complete a survey but expressed their satisfaction verbally	Quality and timeliness satisfaction rating	7.0 or more ¹
	Quality of policy advice	N/A [°]	75%	Quality of policy advice	70% or more ²
	Cost per hour of producing outputs	N/A [°]	Original result \$106* Updated result \$129**	Cost per hour of producing outputs	Original standard \$116 or less ³ Updated standard N/A ⁴
	[*] For the financial years ended June 2013 and 2014 [°] New measure; comparable data for 2012/13 is not available [*] The formula to be used by Government Departments was changed after the original standard was set. This is a non-aligned result (based on the original formula) ^{**} Aligned result (based on updated formula)			[#] For the financial year ended June 2014 1. The satisfaction rating given by Ministers for the quality and timeliness of policy advice, as per the Common Satisfaction survey, will be at least 7.0 2. An independent assessment of the quality of the Ministry's policy advice produces an average score of no less than 70% 3. The total cost per hour per person of producing outputs is no more than \$116. This measure provides the total cost of an hour of professional staff time devoted to both policy advice and other policy unit outputs. Total cost includes the cost of labour, overheads, support staff, direct costs and outsourced work to support output production 4. As the original Treasury formula was not used to set the original standard, an updated standard (based on the updated formula) is not available	



MEASURE	ACTUAL PERFORMANCE			TARGET	
PROVIDE high-quality services to Ministers		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Vote Education	2.6%	1.3%	Vote Education	No more than 2% of support and ministerial services sent to the Ministers' offices will be rejected
	Vote Tertiary Education	5%	8%*	Vote Tertiary Education	
	* For the financial years ended June 2013 and 2014 * A more thorough review of ministerial responses and a clearer definition has been adopted. The higher than expected result was predominantly due to clarification of statistical data			# For the financial year ended June 2014	

Unappropriated expenditure for Departmental Output Expense – Policy Advice resulted from a technical adjustment. Employee and other direct costs were as expected, but there was an increase in indirect costs. This was because various savings and reprioritisations had an unexpected impact on overhead costs allocated to particular output classes, including Policy Advice. This impact was not identified until after the Supplementary Estimates were finalised.

The method of evaluating the quality and cost of policy advice was changed during the year. Therefore, the actual result is not directly comparable against the target set in the Statement of Intent for 2013/14. No survey of Ministers was conducted in 2013/14 but Ministers verbally expressed their satisfaction with our policy advice.



Expenditure measures

MEASURE	ACTUAL PERFORMANCE			TARGET
ENSURE Departmental and Crown expenditure variances are within appropriations		2012/13 Variance (\$000)	2013/14 Variance (\$000)	2013/14
	Vote Education: Departmental Expenditure	20,467 Favourable	17,662 Favourable ¹	Departmental and Crown expenditure variances are favourable*
	Non-Departmental Expenditure	65,791 Favourable	74,215 Favourable ²	
	Capital Expenditure PLA	70,799 Favourable	14,234 Unfavourable	
	Vote Tertiary Education: Departmental Expenditure	531 Favourable	951 Favourable ¹	
	Non-Departmental Expenditure	72,334 Favourable	167,910 Favourable	
	<p>1. Two variances, where appropriation is exceeded:</p> <ul style="list-style-type: none"> • Vote Education – Policy Advice (by \$0.587 million), and • Vote Tertiary Education – Policy Advice (by \$0.509 million) <p>2. Within Vote Education non-departmental under-spend, there are two variances where appropriation is exceeded:</p> <ul style="list-style-type: none"> • Early Childhood Education (by \$21.482 million), and • School Transport (by \$0.297 million) <p>Both of these appropriations are demand-driven items</p> <p>The Ministry will report to Treasury and Ministers explaining the reasons for these over spends and seeking approval for over-expenditure under section 26B and section 26C of the Public Finance Act. See also Statements of Unappropriated Expenditure under Part Two of this report</p>			* A favourable variance is where expenditure is less than the budget in the Supplementary Estimates. An unfavourable variance is where expenditure is more than the budget in the Supplementary Estimates

Capital Expenditure was higher than Supplementary Estimates (although within the amount originally forecast for the year) mainly due to acceleration of some work related to weather-tightness issues to minimise disruptions to schools as well as additional costs being identified only after construction began or related to previously unidentified asbestos issues.



Human resources

MEASURE	ACTUAL PERFORMANCE			TARGET	
ENSURE total staffing establishment tracks lower than forecast (includes actual and vacancy full-time equivalent data)		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Actual full-time equivalents	2,569.8	2,663.8	Actual full-time equivalents	2,550*
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014 * The State Services Commission subsequently approved a revised cap of 2,740 (including vacancies)	

MEASURE	ACTUAL PERFORMANCE		TARGET
ENSURE core unplanned turnover is lower than the public sector average	2012/13 ⁺	2013/14 ⁺	2013/14 [#]
	11.4%	11.9%	Be less than or equal to 11.9%
	* For the financial years ended June 2013 and 2014		# For the financial year ended June 2014

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the level of staff engagement in the Ministry		2011/12 ⁺	2013/14 ⁺		2013/14 [#]
	Staff engagement survey grand mean	3.64*	N/A*	Staff engagement survey grand mean	3.84
	* For the financial years ended June 2012 and 2014 * No survey was undertaken in the 2013/14 financial year. The next survey is due to take place in 2014/15			# For the financial year ended June 2014	

Our establishment staffing figures are within the revised cap set by the State Services Commission which includes vacancies and we are actively managing our staffing levels. Our unplanned turnover is on target and is tracking downwards. These measures constantly fluctuate and we are confident that our management of turnover is appropriate.

Our focus in the 2013/14 year was to re-align the organisation, establish new behaviours to build our culture and develop new working practices. Given the extent of these changes, we did not conduct a staff engagement survey this year, but will conduct one in the 2014/15 financial year.

Special Education Services

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of children accessing early intervention services who are Māori or Pasifika*		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Māori	21%	23%	Māori	23%
	Pasifika	8%	9%	Pasifika	10%
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

* To align with the general population age group.



MEASURE	ACTUAL PERFORMANCE			TARGET
REDUCE the average age at which Māori children and Pasifika children first access the early intervention services*		2012/13 ⁺	2013/14 ⁺	2013/14
	Māori	3 years, 5 months	3 years, 7 months*	Reach 3 years, 3 months in the 2013/14 financial year and maintain through to the 2016/17 financial year
	Pasifika	3 years, 5 months	3 years, 7 months*	
	* For financial years ended June 2013 and 2014 * The accuracy of reporting for this measure has been improved, and comparisons with prior years are not reliable. The average age of Māori and Pasifika children first accessing the early intervention service is now the same as New Zealand European children			

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of schools demonstrating middle or high effectiveness in their planning and reporting documents for students with special education needs*		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Developing effectiveness	67%	38%	Developing effectiveness	33%
	Middle effectiveness	28%	52%	Middle effectiveness	56%
	High effectiveness	5%	10%	High effectiveness	11%
	* For academic years ended December 2012 and 2013			# For the academic year ended December 2013	

* This measure is based on school charters submitted within each calendar year; school charters are a planning and reporting document for both the school year it is submitted in and the longer term (3-5 year plans)

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the percentage of schools that demonstrate inclusive practice for students with special education needs		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Percentage of schools	80%	N/A*	Percentage of schools	100%
	* For academic years ended December 2012 and 2013 * The evaluation/review is underway over two terms and will be available later in the year			# For the academic year ended December 2013	

MEASURE	ACTUAL PERFORMANCE			TARGET
INCREASE the percentage of eligible children that receive a service within 90 days of referral for communication, behaviour, early intervention and ORS services		2012/13 ⁺	2013/14 ⁺	2013/14 - 2016/17
	Communications service	65%	74.8%*	Reach 95% for each service in the 2013/14 financial year and maintain through to the 2016/17 financial year
	Behaviour service	82%	94.1%*	
	Early intervention service	65%	63.4%*	
	Ongoing Resourcing Scheme (ORS)	79%	94.5%*	
	* For the financial years ended June 2013 and 2014 * The level of demand exceeded capacity to deliver which impacted on wait times			



MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE the proportion of Māori and Pasifika specialist service delivery staff		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Māori	11.9%	10.6%*	Māori	13.0%
	Pasifika	1.2%	1.2%*	Pasifika	2.5%
	⁺ For the financial years ended June 2013 and 2014 [*] Result is affected by a number of factors including lower levels of Māori and Pasifika young people undertaking study in special education-related fields			[#] For the financial year ended June 2014	

Early intervention participation

We have provided more early intervention services to Māori and Pasifika children than ever before. The Ministry provides early intervention services on demand. In order to maximise access we promote our services to Māori and Pasifika communities, through churches, health providers and other agencies.

Most of our referrals for early intervention services come through early learning services and as Māori and Pasifika children are less represented in these services, the demand from these groups is not as high as for other groups. We expect the intensive work the Ministry is currently undertaking to increase participation for these groups will have a flow-on effect in terms of an increasing demand for early intervention services.

The targets established to reduce the age of first receiving early intervention services for Māori and Pasifika children were designed to bring the age profile in line with their New Zealand European counterparts. We have refined our monitoring methods and now have a more accurate picture of when services are first received. This new data demonstrates that we have parity between ethnicities.

Schools' planning and reporting for students with special education needs

The current evidence shows significant improvements in the proportion of schools delivering middle or high effectiveness in their planning and reporting documents. However, we have fallen just short of achieving the target set for this financial year. We are providing a range of resources and support to schools to deliver the Government's vision of a fully-inclusive schooling system.

Schools' inclusive practice

A target for 100% of schools demonstrating inclusive practice was set for the 2013/14 financial year. The review to assess inclusive practice is being undertaken by the Education Review Office during terms two and three of the 2014 school year. As a result, the data to report on this measure is not yet available.

Waiting time for Special Education Services

The level of demand for specialist services is growing and exceeds our capacity to deliver services within the 90-day timescale. We are providing services more quickly than in the 2012/13 year and continue to provide as efficient a turnaround time as resource allows. We intend to review the provision of special education services and support. A review of this kind is timely, considering the increasing demand for special education services and support.

Specialist service staffing

We have not met our targets to increase the proportion of Māori and Pasifika specialists employed by the Ministry. Too few Māori and Pasifika people are considering specialist careers and undertaking the specialist training required to deliver these services. We are therefore raising awareness among young people about the opportunities and careers that exist within Special Education. Success in this work is likely to take some time to result in increased recruitment. We continue to prioritise Māori and Pasifika in Special Education Study Awards and Scholarships schemes.



Procurement

MEASURE	ACTUAL PERFORMANCE			TARGET	
INCREASE our procurement best practice score under the Treasury Benchmarking Administrative and Support Services (BASS) programme		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	BASS score	2.2	3.0	BASS score	2.6
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

We have improved our procurement best practice score as measured under the Treasury Benchmarking Administrative and Support Services (BASS) programme. We exceeded the target set in the Statement of Intent for 2013/14 with a result of 3.0 against a target score of 2.6.

Infrastructure

MEASURE	ACTUAL PERFORMANCE		TARGET
INCREASE the Asset Management Maturity index in the Capital Asset Management framework*	2012/13 ⁺	2013/14 ⁺	2013/14 [#]
	71%	75%	83% Lower Advanced
	* For the financial years ended June 2013 and 2014		# For the financial year ended June 2014; the target is drawn from the Estimates of Appropriations

* The concepts of 'Upper Core' and 'Lower Advanced' are graduations in the Maturity Continuum and reflect the degree to which the advanced Asset Management Maturity attributes have been met

MEASURE	ACTUAL PERFORMANCE			TARGET	
DELIVER school property capital plan (to October Baseline Update budget) with a variance of less than 20% across the entire school property capital plan		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Capital Plan variance	16%	2.5%	Capital Plan variance	Less than 20% variance
	* For the financial years ended June 2013 and 2014			# For the financial year ended June 2014	

MEASURE	ACTUAL PERFORMANCE			TARGET	
UPGRADE schools' internal networks to a consistent standard		2012/13 ⁺	2013/14 ⁺		2013/14 [#]
	Percentage of eligible schools	N/A*	70%**	Percentage of eligible schools	72% [#]
	* For the financial years ended June 2013 and 2014 * New measure introduced for 2013/14 ** On track to achieve the 100% target by 30 June 2016			# For the financial year ended June 2014; the target is drawn from the Estimates of Appropriations	

We are continuing to devote considerable effort and resource to improving the management of the school property portfolio. The 83% target for the Asset Management Maturity Index was incorrectly recorded in the Estimates of Appropriations as a target for the 2013/14 year. This target should have been set for the 2014/15 year. However we have increased our asset management maturity level from 71% to 75% over the course of the year. Further maturity improvements are expected from ongoing and planned initiatives over the next few years.

We continue to upgrade schools' internal networks to a consistent standard and are on track to complete 100% of all eligible schools by 30 June 2016. We were slightly below the interim target of upgrading 72% of eligible schools by 30 June 2014 due to temporary delays caused by installer shortage in several regions and re-planning required to align upgrades with other construction projects.



Appendix A – Our key strategies

Our work in 2013/14 was guided by the following strategies:

Ka Hikitia – Accelerating Success 2013–2017

Ka Hikitia – Accelerating Success 2013–2017 is our strategy to rapidly change how the education system performs so that all Māori students gain the skills, qualifications and knowledge they need to enjoy and achieve education success as Māori.

We established the Māori Education Board to provide governance over our implementation of Ka Hikitia, and the Ka Hikitia Programme Management Board to co-ordinate and align our efforts and activities to accelerate achievement for Māori children and young people in the Ministry and across the education sector.

We ran a range of projects focused on accelerating improvements for Māori, including:

- ▶ Building on Success
- ▶ Early Learning Taskforce
- ▶ Literacy and Numeracy Taskforce
- ▶ Māori-medium Literacy and Numeracy Taskforce
- ▶ Youth Guarantee – Achievement, Retention and Transitions programme
- ▶ Positive Behaviour for Learning
- ▶ Initial Teacher Education.

Tau Mai Te Reo – The Māori Language in Education Strategy 2013–2017

Tau Mai Te Reo is the education strategy for Māori language ensuring we meet our responsibilities in respect of the protection and preservation of te reo Māori under the Treaty of Waitangi, our legislative obligations and Te Rautaki Reo Māori – the Government's Māori Language Strategy.

Tau Mai Te Reo:

- ▶ creates the conditions for students to enjoy and achieve education and Māori language outcomes
- ▶ supports the co-ordination of effort across Māori language in education
- ▶ provides a framework for better government investment in Māori language in education.

Our Tau Mai Te Reo Implementation Plan 2013–2014 describes the initiatives that are contributing to Māori language in education. Next year, we will begin measuring the impact on target groups.

Pasifika Education Plan 2013–2017

The Pasifika Education Plan 2013–2017 provides the education sector's vision and investment approach to accelerate and raise the educational achievement for Pasifika children and students, their parents, families and communities.

This Plan puts Pasifika children and students, their parents, families and communities at the centre of the education system to demand better outcomes. It requires education partner agencies to work more collaboratively to accelerate implementation and focus investment. Knowing the numbers, names and needs of Pasifika children and students helps ensure a more targeted investment approach to raising achievement. There are a range of programmes and initiatives being delivered by partner agencies to support the goals and targets of the Plan.



The first year of implementation showed improvements in participation and achievement rates, in particular:

- ▶ more Pasifika children have participated in early childhood education
- ▶ Pasifika achievement against the three National Standards has increased
- ▶ Pasifika enrolments in tertiary education continue to grow and most of this growth has come at Level 4 or above. Participation rates for Pasifika students in tertiary qualifications at Level 4 or above have improved relative to non-Pasifika
- ▶ Pasifika tertiary completion rates have also improved strongly and retention rates for first-year students are almost on par with non-Pasifika.

In addition, we supported the mobilising of Pasifika families and communities to help raise and lift participation and achievement through initiatives like the Pasifika Church Strategy, the Pasifika Organisational Partnership Strategy and Pasifika PowerUP.

Success for All – Every School, Every Child

Success for All is the Government's vision of a fully-inclusive education system for children and young people with special education needs. It builds on the views of more than 2,000 people from across New Zealand who made submissions to the Government's Review of Special Education 2010.

Children and students will be the best they can be when they are present, participating, engaged, achieving and when they belong. They will grow and reach their potential when schools reach into homes and connect with the aspirations, identity, language and culture of their children and students, and their families, whānau and communities.

Our focus is on building the confidence of educators and parents, families, whānau and communities through:

- ▶ building knowledge and skills
- ▶ providing services and funding
- ▶ working closely with others
- ▶ reviewing progress and recognising great results.

Our Success for All work plan starts with a focus on schools and will expand to include the early childhood sector as we work to strengthen the wider system.

Tertiary Education Strategy 2014–2019

We developed a new Tertiary Education Strategy in partnership with the Ministry of Business, Innovation and Employment. The new strategy was released in March 2014 and sets the Government's direction for the tertiary system over the next five years. It helps guide tertiary education investment and the actions needed from government, Tertiary Education organisations, business and the wider community, to significantly improve tertiary education outcomes.

The Tertiary Education Strategy focuses on six strategic priorities:

1. delivering skills for industry
2. getting at-risk young people into a career
3. boosting achievement for Māori and Pasifika
4. improving adult literacy and numeracy
5. strengthening research-based institutions
6. growing international linkages.

It links areas of the Business Growth Agenda to strategic priorities in tertiary education and acknowledges that effective tertiary education improves economic outcomes for New Zealand's regions and industries.

2



OUR **PERFORMANCE**



Our performance

Statement of responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry of Education, for the preparation of the Ministry's financial statements and statement of service performance, and for the judgements made in them.

I have the responsibility for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, the financial statements and statement of service performance fairly reflect the financial position of the Ministry as at 30 June 2014 and its operations for the year ended on that date.

In my opinion the forecast financial statements for the period ending 30 June 2015 (included in the financial statements) fairly reflect the forecast financial position and operations of the department for that period to which they relate.

Peter Hughes
Secretary for Education
30 September 2014

Tina Cornelius
Chief Financial Performance Officer
30 September 2014



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Introduction to financial performance

The Ministry of Education's Annual Report reports on the financial dimension of the Ministry's performance through a series of financial statements. These statements cover both the operations of the Ministry and the funds managed by the Ministry on behalf of the Crown.

The first series of financial statements covers all monies and resources used by the Ministry to deliver the outputs of goods and services purchased by the Minister of Education and the Minister for Tertiary Education, Skills and Employment. Included in this series of financial statements are statements of the Ministry's comprehensive income, changes in taxpayers' equity, financial position and cash flows. These statements are followed by a financial commentary, supplementary information, and notes to the financial statements (which give more detailed information).

The second series of financial statements encompasses the Ministry's statements of service performance and includes information on service objectives, levels of service achieved and financial information on the costs of the activities undertaken. This series of statements is grouped by the classes of outputs the Ministry produces for Vote Education (Policy Advice, Strategic Leadership in the Sector, Support and Resources for the Community, Support and Resources for Education Providers, School Property Portfolio Management, Support and Resources for Teachers, Interventions for Target Student Groups) and Vote Tertiary Education (Policy Advice, Strategic Leadership in the Tertiary System).

The statements of service performance also address the Ministry's management of the non-departmental appropriations in Vote Education and Vote Tertiary Education. The Ministry's role in respect of non-departmental appropriations is primarily disbursing funding to providers of education services, purchasing services on behalf of the Crown, and monitoring those arrangements, and providing ownership advice in respect of public education sector entities.

A third series of financial statements and schedules covers the non-departmental funds managed by the Ministry on behalf of the Crown. The financial statements and schedules include details of non-departmental expenditure and parliamentary appropriations, revenue and receipts, and assets and liabilities. The statements and schedules are followed by a statement of accounting policies and supplementary information.

The financial and non-financial reports have been audited by Stuart Mutch of Ernst & Young on behalf of the Auditor-General.

Allocation of Vote Education

In 2013/14, Parliament appropriated \$9,772 million for the purposes of Vote Education. This was allocated to the Ministry for:

- ▶ Ministry outputs purchased by the Minister and capital expenditure (\$2,506 million or 25.65%) as follows:
 - ▶ \$1,463 million (14.97%) for property outputs produced including depreciation and capital charge
 - ▶ \$516 million (5.28%) for other outputs produced including capital charge
 - ▶ \$527 million (5.39%) for capital expenditure
- ▶ payments made by the Ministry on behalf of the Crown (\$7,266 million or 74.35%) to fund:
 - ▶ outputs supplied by other parties such as Te Aho o Te Kura Pounamu – The Correspondence School, the Māori Women's Welfare League, bus service operators, the New Zealand Council for Educational Research, the New Zealand Qualifications Authority and Careers New Zealand
 - ▶ benefits such as scholarships, bursaries and study awards
 - ▶ other expenses such as funding of schools (including teachers' salaries), early childhood education services and the United Nations Educational, Scientific and Cultural Organization (UNESCO)
 - ▶ capital investments in other organisations or persons such as schools.



Vote Education financial summary

Vote Education appropriations	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000	Variance \$000
Departmental				
Ministry outputs	1,917,903	1,979,300	1,961,638	17,662
Ministry capital	600,798	526,798	541,032	(14,234)
Non-departmental				
Crown outputs	472,691	461,254	445,478	15,776
Benefit expenses	46,398	40,415	32,067	8,348
Other expenses	6,664,752	6,735,872	6,684,983	50,889
Capital expenditure	31,188	28,387	28,258	129
Total	9,733,730	9,772,026	9,693,456	78,570

Vote Education – expenditure variances against appropriations

Ministry outputs variance is mainly owing to a combination of:

- ▶ lower than expected costs for behavioural services and Positive Behaviour for Learning programmes
- ▶ lower than expected school property asset-related costs
- ▶ delays, lower than expected participation and costs related to a range of other programmes
- ▶ some of these under spends may be transferred to 2014/15.

Ministry capital expenditure variance to Supplementary Estimates is mainly owing to:

- ▶ slightly higher than expected expenditure on construction and remediation programmes.

Crown outputs variance is mainly owing to:

- ▶ lower than expected demand and costs across a range of professional development programmes
- ▶ ICT services to schools costing less than expected and delays in progressing literacy and mathematics projects
- ▶ some of these under spends may be transferred to 2014/15.

Benefit expenses variance is mainly owing to:

- ▶ lower than expected demand for teacher study awards as well as lower than expected cost allocations
- ▶ lower than expected demand for several other programmes.

Other expenses variance is mainly owing to:

- ▶ fewer than expected teachers for the year
- ▶ lower than expected subsidies to schools
- ▶ lower than expected expenditure on other schools programmes including Positive Behaviour for Learning
- ▶ lower than initially estimated final property grants for the early childhood sector as well as some grants proceeding more slowly than expected
- ▶ partly offset by larger than anticipated increases in early childhood attendance on non-school working days, mainly in January 2014, related to increased labour market activity and an increased average price per funded child hour following a faster than expected movement of kindergartens from sessional to all-day operations.



Allocation of Vote Tertiary Education

In 2013/14, Parliament appropriated \$3,023 million for the purposes of Vote Tertiary Education. This was allocated to the Ministry for:

- ▶ Ministry outputs purchased by the Minister (\$15 million or 0.50%)
- ▶ payments made by the Ministry on behalf of the Crown (\$3,008 million or 99.50%) to fund:
 - ▶ tertiary tuition and associated research, adult and community education, industry training and other services supplied by tertiary education organisations, industry training organisations, Centres of Research Excellence, Education New Zealand and the Tertiary Education Commission
 - ▶ benefits such as tertiary scholarships and awards
 - ▶ other expenses such as support for mergers of institutions
 - ▶ capital investments in tertiary education institutions.

Vote Tertiary Education financial summary

Vote Tertiary Education appropriations	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Actual	Variance
	\$000	\$000	\$000	\$000
Departmental				
Ministry outputs	13,648	15,037	14,086	951
Non-departmental				
Crown outputs	2,837,071	2,834,456	2,787,366	47,090
Benefit expenses	27,994	41,695	30,522	11,173
Other expenses	2,500	3,092	2,895	197
Capital expenditure	250	129,150	19,700	109,450
Total	2,881,463	3,023,430	2,854,569	168,861

Vote Tertiary Education – expenditure variances against appropriations

Crown outputs variance is mainly owing to:

- ▶ a lag between employers taking on an apprentice and being eligible for their payment under the Apprenticeships Re-boot programme – the variance may be transferred to the next year
- ▶ lower than expected demand for industry training and Youth Guarantee programmes
- ▶ a softening of demand for tertiary education places from improved labour market conditions and fewer people in the major age groups participating in tertiary study.

Benefits expenses variance is mainly owing to:

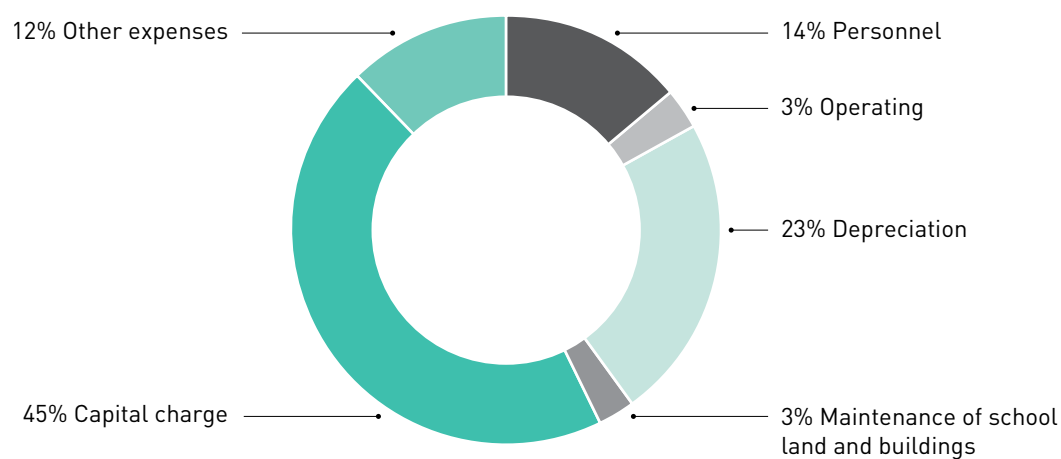
- ▶ a lag between apprentices being signed up and being eligible for payments under the Apprenticeships Re-boot programme – the variance may be transferred to the next year.

Capital expenditure variance is mainly owing to:

- ▶ delays in finalising funding agreements and getting supporting information for capital injections to the University of Canterbury and Christchurch Polytechnic Institute of Technology. Programmes are likely to be completed in subsequent years.



Ministry expenditure analysis



Movement in property, plant and equipment and intangible assets

The Ministry's financial statements are heavily influenced by movements in property, plant and equipment and intangible assets. Summarised below are the movements as they relate to the current and previous financial year.

	30/06/2013 Actual \$ million	30/06/2014 Actual \$ million
Opening balance	10,603	10,797
Additions	480	541
Disposals	(23)	(71)
Depreciation	(462)	(464)
Revaluations	107	617
Reversal of impairment/(impairment)	92	111
Total property, plant and equipment and intangible assets	10,797	11,531



Independent Auditor's Report

To the readers of the Ministry Of Education's Financial Statements, Non-Financial Performance Information and Schedules of Non-Departmental Activities for the year ended 30 June 2014

The Auditor-General is the auditor of the Ministry of Education (the Ministry). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the Ministry on her behalf.

We have audited:

- ▶ the financial statements of the Ministry on pages 67 to 103, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in taxpayers equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure 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; and
- ▶ the non-financial performance information of the Ministry that comprises the statement of service performance on pages 104 to 145 and the report about outcomes on pages 12 to 53; and
- ▶ the schedules of non-departmental activities of the Ministry on pages 146 to 167 that comprise the schedule of assets, schedule of liabilities, statement of commitments, statement of contingent liabilities, statement of contingent assets as at 30 June 2014, statement of expenditure and appropriations, schedule of expenses, statement of revenue and receipts, statement of trust monies and statement of unappropriated expenditure for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- ▶ the financial statements of the Ministry on pages 67 to 103:
 - ▶ comply with generally accepted accounting practice in New Zealand; and
 - ▶ fairly reflect the Ministry's:
 - financial position as at 30 June 2014;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2014; and
 - unappropriated expenses for the year ended 30 June 2014, and
- ▶ the non-financial performance information of the Ministry on pages 12 to 53 and 104 to 145:
 - ▶ complies with generally accepted accounting practice in New Zealand; and
 - ▶ fairly reflects the Ministry's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.



- ▶ the schedules of non-departmental activities of the Ministry on pages 146 to 167 fairly reflect, in accordance with the Treasury Instructions:
 - ▶ the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2014 managed by the Ministry on behalf of the Crown; and
 - ▶ the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 30 September 2014. 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 financial statements, the non-financial performance information and the schedules of non-departmental activities are 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 financial statements, the non-financial performance information and the schedules of non-departmental activities. 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 financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control 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 Ministry'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 non-financial performance information within the Ministry's framework for reporting performance;
- ▶ the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities; and
- ▶ the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. Also we did not evaluate the security and controls over the electronic publication of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We have obtained all the information and explanations we have required and 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 and non-financial performance information that:
 - ▶ comply with generally accepted accounting practice in New Zealand;
 - ▶ fairly reflect the Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses; and
 - ▶ fairly reflect its service performance and outcomes; and
- ▶ schedules of non-departmental activities, in accordance with the Treasury Instructions, that fairly reflect those activities managed by the Ministry on behalf of the Crown.

The Secretary for Education is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error. The Secretary for Education is also responsible for the publication of the financial statements, non-financial performance information and schedules of non-departmental activities, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

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 the areas of the provision of assurance services in relation to an assessment of the control environment established by Talent2 in relation to the outsourced provision of Education Services payroll, an assurance engagement in relation to the integrity of reporting of payroll data for the 2013 school year, an assurance engagement in relation to data management within a proposed Information Technology platform and an advisory engagement in relation to the review of the financial controls over public funding received by Te Kōhanga Reo National Trust. Other than the audit and these assignments, we have no relationship with or interests in the Ministry.

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



Financial statements

Statement of Accounting Policies for the year ended 30 June 2014

Reporting entity

The Ministry of Education is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

These financial statements have been prepared pursuant to section 43 of the Public Finance Act 1989.

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

The primary objective of the Ministry is to provide services to the public.

Accordingly, we have designated ourselves as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2014. The financial statements were authorised for issue by the Secretary for Education on 30 September 2014.

Basis of preparation

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, 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.

Forecast for the period ending 30 June 2015

The forecast for the period ending 30 June 2015 has been prepared according to the International Public Sector Accounting Standards for public benefit entities (PBE IPSAS). There is no significant impact on the financial information due to the transition from NZ IFRS for public benefit entities to PBE IPSAS and therefore the statements are comparable to the actual results prepared under NZ IFRS as appropriate for public benefit entities.

The forecast financials are based on Budget Economic and Fiscal Update (BEFU) submitted to the Treasury on 14 April 2014 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 2014.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Ministry is classified as a Tier One reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PBE IPSAS). These standards have been developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities will be for reporting periods beginning on or after 1 July 2014. This means the Ministry will transition to the new standards in preparing its 30 June 2015 financial statements.



Due to the change in the Accounting Standards Framework for public benefit entities, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

There have been no revisions to accounting standards during the financial year which have had an effect on the Ministry's financial statements.

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.

This revenue is recognised when earned and is reported in the financial period to which it relates.

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 either 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.

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 profit or loss, 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.



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 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 hedge 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 available 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 its cost. Where an asset is acquired at no cost, or for a nominal cost, 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.

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, fitouts, lifts and boilers	15 - 45
Relocatable classrooms	40
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. Additions between revaluations are recorded at cost.

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 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 in accordance with the policies adopted by the Ministry in respect of property, plant and equipment.

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.

Intangible assets

Software acquisition and development

Acquired computer software licenses 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 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 non-financial 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 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. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in net surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in net surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in net surplus or deficit, a reversal of the impairment loss is also recognised in net surplus or deficit.

For assets not carried at a revalued amount, 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 their face value.

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, retiring and long service leave entitlements expected to be settled within 12 months, 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. As at 30 June 2014, the liability for sick leave has been assessed as not material.

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 constructive 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. The calculations are based on:

- ▶ likely future entitlements accruing to staff, 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.

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.

The Ministry does not contribute to, nor is it responsible for, any defined benefit schemes.

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 not recognised for future operating losses.

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.

Taxpayers' funds

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

Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.



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 2014, 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. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

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.

Changes in accounting policies

All accounting policies have been applied on bases consistent with previous years. The early adoption of new standards has not altered the accounting policies of the Ministry.



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:

- ▶ entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis (refer Note 15). 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 2014 and a salary inflation factor of 3% (3% in 2013) were used for retiring and long service leave.
- ▶ Replacement cost assumptions used in the revaluations of school buildings were based on Rawlinsons construction rates. This required apportionment of the quoted per square metre rates across the different configurations that make up different types of schools. That apportionment was completed based on a weighted average of buildings, by school type and by district. This was completed by experienced Ministry staff and reviewed by the external valuers, Quotable Value Limited.

The following table provides the overall or Auckland index unit rates adopted 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	2014 unit rate	2013 unit rate
Classroom fabric – single storey	\$934/m ²	\$878/m ²
Classroom fabric – per storey	\$366/m ²	\$352/m ²
Classroom – roof	\$269/m ²	\$244/m ²
Classroom – services	\$692/m ²	\$716/m ²
Classroom – fitout	\$626/m ²	\$607/m ²
Lifts – basic rate	\$114,342	\$110,393
Lifts – per storey	\$6,237	\$6,077
Boilers	\$60,289 each	\$58,741 each
Ancillary buildings	\$724/m ²	\$694/m ²
Relocatable buildings	\$2,383/m ²	\$2,312/m ²
Covered ways	\$390/m ²	\$375/m ²
Site improvements	Various rates applied	Various rates applied
Swimming pools	\$3,063/m ³	\$2,973/m ³

Construction rates have been applied to all components on the same basis as in 2013.

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. Useful lives assigned to each component of the school buildings are still considered appropriate in light of Treasury guidance and the current conditions of the portfolio. Refer to Note 16 for further details.
- ▶ 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 (weather-tightness) 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 weather-tightness issues.
- ▶ The Ministry originally engaged Hampton Jones, a chartered building surveying and design practice, to conduct a national survey of approximately 5,500 school buildings that had been either constructed or upgraded since 1994. The survey was a visual inspection by qualified surveyors, with results tabulated into a database for identifying current condition and estimated cost to remediate.

The results of the survey were subsequently reviewed by Aurecon, an engineering consultancy practice. The June 2012 weather-tightness impairment provision was \$1,025.0 million to reflect Aurecon's analysis of the Hampton Jones survey. The impairment was based on Aurecon's 'Remediate buildings as part of strategic intervention' option. Under this option, buildings would be repaired as part of an integrated strategy to improve school building performance.

As at June 2013, the impairment provision was adjusted to allow for the value of:

- ▶ capital spend in the 2012/13 financial year
- ▶ the value of buildings demolished due to weather-tightness issues
- ▶ the reduction in value associated with assets with weather-tightness issues as a result of the 2013 Revaluation exercise, and
- ▶ increased by the movement in the Capital Goods Price Index.

The June 2013 weather-tightness impairment provision was \$935.0 million.

As at 30 June 2014, the impairment provision has been recalculated as an extrapolation of actual remediation costs for 211 completed buildings (or 11.3% of the estimated 1,868 buildings affected with this issue). Actual cost information has been collated from the Ministry's school property management system and extrapolated across the affected building data held in Clarizen, the weather-tightness programme management system.

For the year ending 30 June 2014, the weather-tightness Impairment Provision is \$828.0 million, a decrease of \$107.0 million from 2013.

- ▶ 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.

Detailed "Estimates of Loss" were prepared by the Ministry's Claim Manager for the purposes of calculating the Ministry's insurance claim that was settled in the 2013/14 financial year. The "Estimates of Loss" have enabled either a re-assessment of the building's remaining useful life or the calculation of an impairment value for buildings or site infrastructure resulting from the earthquakes.

For the buildings with a remaining useful life re-assessment, movements in value have been recognised in the appropriate revaluation reserve. Remaining useful life re-assessments range from three months to 10 years in line with the anticipated Greater Christchurch Education Renewal Programme implementation programme.

The Christchurch earthquake impairment value as at 30 June 2013 was \$68.8 million. As at 30 June 2014, this has been restated as \$64.1 million.



Statement of Comprehensive Income for the year ended 30 June 2014

Description of statement

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

		30/6/2013	30/6/2014	30/6/2014	30/6/2014	30/6/2015
		Actual	Budget	Supplementary Estimates	Actual	Forecast*
Notes		\$000	\$000	\$000	\$000	\$000
Revenue						
From the Crown		1,875,297	1,925,495	1,973,983	1,955,393	1,928,702
From other sources	2	22,291	6,056	92,331	92,308	12,695
Total revenue		1,897,588	1,931,551	2,066,314	2,047,701	1,941,397
Expenditure						
Personnel	3	237,733	261,274	277,771	271,918	273,894
Operating	4	47,902	50,296	54,910	55,657	56,758
Depreciation and amortisation	5	461,529	472,021	472,021	464,169	472,021
Maintenance of school land and buildings		55,693	41,895	63,220	63,551	47,056
Capital charge	6	867,576	881,986	888,632	888,634	900,954
Other expenses	7 & 8	219,110	224,079	237,783	231,795	190,714
Total expenditure		1,889,543	1,931,551	1,994,337	1,975,724	1,941,397
Net surplus	9	8,045	-	71,977	71,977	-
Other comprehensive income						
Gain on land and buildings revaluation	10 & 16	107,228	-	-	617,095	-
Decrease in impairment of buildings	10 & 16	92,023	-	-	111,707	-
Total comprehensive income		207,296	-	71,977	800,779	-

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



Statement of Changes in Taxpayers' Equity for the year ended 30 June 2014

Description of statement

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 income. This, together with the Statement of Financial Position, provides information for assessing the return on investment in the Ministry.

	Budget \$000	Supplementary Estimates \$000	General Funds \$000 Actual	Revaluation Reserve \$000 Actual	Total \$000 Actual	Forecast*
Taxpayers' equity at 1 July 2012	10,326,516	10,844,699	4,492,350	6,352,349	10,844,699	10,958,011
Net surplus for the year (Note 9)	-	7,911	8,045	-	8,045	-
Other comprehensive income:						
Add land revaluations	-	-	-	139,795	139,795	-
Deduct buildings revaluations	-	-	-	(32,567)	(32,567)	-
Add reversal of impairment of buildings	-	-	-	92,023	92,023	-
Adjustment for prior years	-	-	2	-	2	-
Total comprehensive income	-	7,911	8,047	199,251	207,298	-
Transactions with the Crown:						
Capital contributions	142,427	105,401	105,401	-	105,401	97,196
Capital withdrawals	-	-	(49,451)	-	(49,451)	-
Taxpayers' equity at 30 June 2013	10,468,943	10,958,011	4,556,347	6,551,600	11,107,947	11,055,207
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 income:						
Add land revaluations	-	-	-	324,241	324,241	-
Add buildings revaluations	-	-	-	292,854	292,854	-
Add reversal of impairment of buildings	-	-	-	111,707	111,707	-
Adjustment for prior years	-	-	(1)	-	(1)	-
Total comprehensive income	-	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 30 June 2014	11,055,207	11,139,066	4,550,855	7,280,402	11,831,257	11,339,722

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



Statement of Financial Position as at 30 June 2014

Description of statement

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

		30/6/2013 Actual	30/6/2014 Budget	30/6/2014 Supplementary Estimates	30/6/2014 Actual	30/6/2015 Forecast*
	Notes	\$000	\$000	\$000	\$000	\$000
Taxpayers' equity		11,107,947	11,055,207	11,139,066	11,831,257	11,339,722
General funds		4,556,347	4,702,858	4,587,466	4,550,855	4,788,122
Revaluation reserves	10	6,551,600	6,352,349	6,551,600	7,280,402	6,551,600
which is represented by:						
Current assets		474,489	442,724	466,518	501,867	488,251
Cash and bank	19	107,181	136,811	159,038	59,361	185,771
Accounts receivable	11	303,210	238,526	240,093	348,083	235,093
Prepayments	12	16,701	26,672	26,672	18,479	26,672
Non-current assets held for sale	13	47,397	40,715	40,715	75,944	40,715
Less						
Current liabilities		(113,355)	(92,725)	(92,725)	(126,376)	(93,769)
Goods and Services Tax		(14,801)	(8,700)	(8,700)	(13,922)	(8,700)
Accounts payable	14	(83,727)	(72,462)	(72,462)	(96,108)	(72,462)
Provision for employee entitlements	15	(14,827)	(11,563)	(11,563)	(16,346)	(12,607)
Working capital		361,134	349,999	373,793	375,491	394,482
Plus						
Non-current assets		10,797,079	10,778,284	10,837,811	11,531,317	11,014,814
School land	16	2,791,275	2,643,737	2,789,515	3,068,889	2,784,515
School buildings	16	7,896,678	8,001,927	7,913,957	8,322,755	8,101,574
Service concession arrangements	16	48,775	73,385	73,385	73,927	70,450
Ministry chattels	16	29,978	38,367	29,421	19,704	28,864
Intangible assets	17	30,373	20,868	31,533	46,042	29,411
Less						
Non-current liabilities		(50,266)	(73,076)	(72,538)	(75,551)	(69,574)
Provision for employee entitlements	15	(6,304)	(6,304)	(6,304)	(6,129)	(5,260)
Service concession arrangements	16	(43,962)	(66,772)	(66,234)	(69,422)	(64,314)
Net assets		11,107,947	11,055,207	11,139,066	11,831,257	11,339,722

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



Statement of Cash Flows for the year ended 30 June 2014

Description of statement

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 Income.

	30/6/2013 Actual	30/6/2014 Budget	30/6/2014 Supplementary Estimates	30/6/2014 Actual	30/6/2015 Forecast*
	\$000	\$000	\$000	\$000	\$000
Operating activities					
Cash was received from:					
The Crown	1,824,528	1,940,495	1,938,983	1,805,409	1,928,702
Other	17,753	46,056	190,332	197,230	17,695
	1,842,281	1,986,551	2,129,315	2,002,639	1,946,397
Cash was expended on:					
Production of outputs					
Personnel	(236,647)	(232,924)	(274,947)	(270,647)	(271,799)
Operating and other	(304,316)	(334,620)	(375,630)	(340,692)	(298,543)
Capital charge	(867,576)	(881,986)	(888,632)	(888,634)	(900,954)
	(1,408,539)	(1,449,530)	(1,539,209)	(1,499,973)	(1,471,296)
Net cash flow from operating activities (Note 18)	433,742	537,021	590,106	502,666	475,101
Investing activities					
Cash was received from:					
Sales of assets	12,416	5,000	15,000	30,064	15,000
	12,416	5,000	15,000	30,064	15,000
Cash was expended on:					
Property, plant and equipment	(401,421)	(565,341)	(498,251)	(483,216)	(653,166)
Intangibles	(21,141)	(15,093)	(14,140)	(19,866)	(10,858)
	(422,562)	(580,434)	(512,391)	(503,082)	(664,024)
Net cash flow from investing activities	(410,146)	(575,434)	(497,391)	(473,018)	(649,024)



	30/6/2013 Actual \$000	30/6/2014 Budget \$000	30/6/2014 Supplementary Estimates \$000	30/6/2014 Actual \$000	30/6/2015 Forecast* \$000
Financing activities					
Cash was received from:					
The Crown:					
Capital contribution	105,401	97,196	133,642	97,032	200,656
	105,401	97,196	133,642	97,032	200,656
Cash was expended on:					
Repayment to the Crown:					
Capital withdrawal	(49,451)	-	(174,500)	(174,500)	-
	(49,451)	-	(174,500)	(174,500)	-
Net cash flows from financing activities	55,950	97,196	(40,858)	(77,468)	200,656
Total net increase in cash held	79,546	58,783	51,857	(47,820)	26,733
Bank and cash balances as at 1 July	27,635	78,028	107,181	107,181	159,038
Bank and cash balances as at 30 June	107,181	136,811	159,038	59,361	185,771

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



Financial commentary for 2013/14

The Ministry incurred \$1,975.7 million (GST exclusive) on delivering outputs in 2013/14. This was \$44.2 million more than had been originally budgeted. This was because of changes made after the 2013/14 budget was finalised that could not have been accurately forecast, including revaluation of school property assets, changes to government policy or the timing of outputs.

The significant movements in expenditure related to a combination of:

- ▶ higher operating costs for management of the school sector property portfolio, including:
 - ▶ increased capital charge related to revaluation of the property portfolio on 30 June 2013 (\$15.6 million increase)
 - ▶ legal and other costs associated with weather-tightness issues surrounding negligent design, construction, management certification practices and product liability affecting school buildings (\$14.3 million increase), and
 - ▶ increased costs of programme management and detailed engineering evaluations for the schools infrastructure renewal programme funded by adjustments in out years (\$10.5 million increase).
- ▶ implementation of other policy changes during the year, which mainly included:
 - ▶ additional funding related to Novopay for remediation, investment in the sector, future-focused investments and increased operational expenditure (\$8.0 million increase)
 - ▶ provision for accelerating learning for priority learners including implementation of Ka Hikitia – Accelerating Success 2013-2017 and the Pasifika Education Plan 2013-2017; an engagement strategy to provide support to individual students who might not otherwise achieve NCEA Level 2; and provision for the Mutukaroa initiative to accelerate learning progress and achievement for students in Years 1 to 3 (\$4.5 million increase)
 - ▶ provision for hosting the International Teaching Summit with associated events and other initiatives including transition to a new professional body for the education profession (\$3.1 million increase), and
 - ▶ progressing the Tertiary Information Future State programme, particularly to improve current tertiary data collection processes (\$1.3 million).
- ▶ transfers of funding from the previous year and to subsequent years (\$3.8 million net decrease) that mainly included changes in timing for:
 - ▶ a value-for-money programme carried forward from 2012/13 (\$3.4 million increase)
 - ▶ replacement of the Education Sector Authorisation and Authentication software due to delays from previous years after changes in the ownership of the product that was to be used (\$1.0 million increase)
 - ▶ provision for accelerating NCEA Level 2 achievement as part of the implementation of the Youth Guarantee (\$1.0 million increase)
 - ▶ the transition of schools to the managed network and the National Education Network Trial which will now extend past 30 June 2014 (\$1.2 million decrease)
 - ▶ alignment of achievement standards to Te Marautanga o Aotearoa (the Māori-medium curriculum) with more activity occurring in 2014/15 and 2015/16 (\$1.6 million decrease)
 - ▶ transfer to 2014/15 owing to delays with the Learning with Digital Technologies Programme developing materials for the managed network mainly because of the network taking longer than expected to be established (\$1.7 million decrease)
 - ▶ improving the Ministry's asset management maturity, involving development of the modern learning environment and asset condition frameworks and corresponding assessment methodologies being delayed a little into the new year (\$1.8 million decrease), and
 - ▶ extending development of the Progress and Consistency Tool to subsequent years (\$3.7 million decrease).



- ▶ transfers from non-departmental appropriations to Ministry outputs for:
 - ▶ remediation, investment in the sector (including eliminating the transaction backlog), future-focused improvements and increased operational expenditure related to Novopay (\$9.2 million increase)
 - ▶ unitary charge and finance costs relating to the construction of two new schools at Hobsonville Point under the Public Private Partnership arrangement (\$1.1 million increase), and
 - ▶ additional work arising from the transformation of the Resource Teachers Learning and Behaviour and other minor changes (\$1.2 million).
- ▶ transfers from departmental output expenses to Departmental Net Assets for additional capital expenditure on schools network upgrades and development of the Progress and Consistency Tool (\$4.1 million decrease).
- ▶ other lower than budgeted expenditure which was due to a combination of:
 - ▶ lower than expected costs for behavioural services and Positive Behaviour for Learning programmes
 - ▶ lower than expected school property asset-related costs
 - ▶ delays in the Learning with Digital Technologies project
 - ▶ delays and lower than expected costs related to a range of programmes including early childhood projects such as Early Learning Information and summer schools
 - ▶ delays in establishing community relationships for Te Ataraangi, and
 - ▶ delays in some information technology projects such as firewall replacement and authorisation and authentication transition.

Consideration will be given to further transfers of funding to the new financial year as a result of the delays in some programmes above.

Revenue for services in 2013/14 was \$2,047.7 million, which was \$116.2 million more than originally budgeted. This increase was mainly owing to a combination of:

- ▶ additional outputs purchased by the Government as noted above (\$29.9 million)
- ▶ final insurance settlement for school property assets affected by the Christchurch earthquakes of 2010 and 2011 (\$82 million).

The operating surplus this year was therefore \$72 million.

At \$11,831.3 million, taxpayers' equity as at 30 June 2014 is \$776.1 million more than projected on Budget night, mainly owing to a combination of:

- ▶ an upward revaluation of school property assets by \$617.1 million in 2013/14 – this comprises an increase of \$324.2 million for land and \$292.9 million for buildings. This mainly reflects market movements particularly for land and revised construction costs for replacement buildings
- ▶ the impact of increased revaluation from 2012/13 (\$107.2 million)
- ▶ changes in the impairment provision for defective buildings due to weather-tightness issues and provision for damage to school buildings arising from the Canterbury earthquakes (\$111.7 million)
- ▶ capital withdrawal (\$174.5 million) reflecting paying Christchurch insurance recoveries back to the Crown and a change in the timing of capital funding requirements related to public-private partnerships
- ▶ retention of net operating surpluses over the two years, mainly comprising insurance recoveries recognised in 2013/14 (\$82.0 million).

The property, plant and equipment balance at 30 June 2014 was \$11,485.3 million, with a further \$46.0 million for intangibles, which was a total of \$753.0 million more than expected on Budget night last year. The increase was largely owing to a combination of:

- ▶ an upward revaluation of school land and buildings from last year (\$107.2 million) and this year (\$617.1 million)
- ▶ movements in the impairment of school buildings at 30 June 2014 as discussed above (\$111.7 million)
- ▶ higher than expected expenditure on development of assets.



The cash balance for the Ministry at 30 June 2014 was \$77.5 million less than originally budgeted. This is largely as a consequence of a capital withdrawal for insurance receipts in 2012/13 and 2013/14 related to Christchurch school property assets.

The capital withdrawal, changes in capital expenditure on property, plant and equipment and the final settlement for earthquake-related insurance account for the major movements in the Statement of Cash Flows.

The Ministry's working capital (current assets less current liabilities) at the end of 2013/14 was \$375.5 million, \$25.5 million more than originally budgeted. This was mainly owing to a combination of:

- ▶ a higher than expected level of receivables and prepayments (\$101.4 million), mainly owing to funding not drawn down from the Treasury
- ▶ a higher than forecast amount of school sector property intended for disposal (\$35.2 million)
- ▶ higher than expected payables, entitlements and provisions owed by the Ministry on 30 June 2014 (\$33.7 million)
- ▶ a lower level of cash in bank (\$77.5 million).



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.

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Capital works projects:		
▶ Not later than one year	278,615	202,743
▶ Later than one year and not later than two years	24,347	55,499
▶ Later than two years and not later than five years	24,468	40,931
▶ Later than five years	153	253
Accommodation leases:		
▶ Not later than one year	14,116	11,934
▶ Later than one year and not later than two years	14,036	8,163
▶ Later than two years and not later than five years	19,071	14,989
▶ Later than five years	69,637	65,540
Total commitments	444,443	400,052

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or not recognised as a liability at balance date.

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.



Statement of Contingent Liabilities and Contingent Assets

The Statement of Contingent Liabilities and Contingent Assets discloses situations that exist at 30 June 2014, 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 the following unquantifiable contingent liabilities.

The Post Primary Teachers' Association and several teachers have lodged a claim in the High Court alleging a breach of statutory duty in respect of the Novopay service failures. The Ministry is defending this claim.

Quantifiable contingent liabilities

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Contractual dispute	170	385
Total contingent liabilities	170	385

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 2014 the Department had one unquantified contingent asset. This relates to as yet unquantified revenue resulting from legal settlements as a consequence of the weather-tightness issue.

Quantifiable contingent assets

The Ministry has one quantifiable contingent asset (2013: \$nil).

- ▶ As at the balance date, the Ministry was in negotiations with its school payroll provider, Talent2. The purpose of these negotiations was to agree settlement on both the amounts payable by Talent2 towards the costs of remediating the Novopay school payroll service and a new operating model for the school payroll system. The Ministry's assessment at this date was that it was probable that the settlement would result in an inflow of economic benefits to the Crown, but that the nature and timing of the outcome was uncertain. No assets have been recognised in the Statement of Financial Position in relation to this probable settlement.
- ▶ Subsequent to the balance date, on 30 July 2014, the Ministry announced that settlement had been reached with Talent2. The settlement provides for Talent2 to pay the Ministry between \$18 million and \$22 million, made up of \$7 million in cash, plus other considerations including fixed assets, a software licence and discounted fees for software support and maintenance. The Ministry will also obtain full ownership of customisations of software. Full settlement will be completed during the 2014/15 financial year. The financial effect will be the recognition of a gain in the Ministry's Statement of Comprehensive Income for the year ending 30 June 2015.



Statement of Unappropriated Expenditure

In terms of sections 26C of the Public Finance Act 1989, the following unappropriated expenditure was incurred against departmental output expenses for 2013/14 (there was no unappropriated expenditure for the year ended 30 June 2013).

	30/06/2013 Unappropriated expenditure \$000	30/06/2014 Unappropriated expenditure \$000
Vote Education		
Departmental output expenses:		
Policy advice	-	587
Unappropriated expenditure for Policy Advice, in excess of appropriation, resulted from a technical adjustment. Employee and other direct costs were as expected, but there was an increase in indirect costs. This was because various savings and reprioritisations had an unexpected impact on overhead costs allocated to particular output classes, including Policy Advice. This impact was not identified until after the Supplementary Estimates were finalised.		
Vote Tertiary Education		
Departmental output expenses:		
Policy advice	-	509
Unappropriated expenditure for Policy Advice, in excess of appropriation, resulted from a technical adjustment. Employee and other direct costs were as expected, but there was an increase in indirect costs. This was because various savings and reprioritisations had an unexpected impact on overhead costs allocated to particular output classes, including Policy Advice. This impact was not identified until after the Supplementary Estimates were finalised.		



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Note 1 – Budget composition

	30/06/2013 Budget	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Budget	30/06/2015 Forecast*
	Forecasts	Forecasts	Increase/ (decrease)	Total	Total
	\$000	\$000	\$000	\$000	\$000
Revenue:					
From the Crown	1,897,935	1,925,495	48,488	1,973,983	1,928,702
Other	20,517	6,056	86,275	92,331	12,695
Total revenue	1,918,452	1,931,551	134,763	2,066,314	1,941,397
Expenditure:					
Personnel	235,214	261,274	16,497	277,771	273,894
Operating	47,839	50,296	4,614	54,910	56,758
Depreciation	466,325	472,021	-	472,021	472,021
Maintenance of school land and buildings	56,116	41,895	21,325	63,220	47,056
Capital charge	868,316	881,986	6,646	888,632	900,954
Other expenses	236,731	224,079	13,704	237,783	190,714
Total expenditure	1,910,541	1,931,551	62,786	1,994,337	1,941,397
Net operating surplus/(deficit)	7,911	-	71,977	71,977	-

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

Note 2 – Other revenue

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Payroll deduction fees	510	420
Sale of learning materials	115	82
Early childhood licences	396	382
Sundry rentals	372	282
School house rentals	3,697	3,594
Miscellaneous revenue	16,106	4,608
Special education	1,095	963
Insurance recoveries	-	81,977
Total other revenue	22,291	92,308

Insurance recoveries pertain to the balance of claims arising from the Canterbury earthquakes.

In 2013 Miscellaneous revenue included a grant from New Zealand Transport Agency for Waterview School (\$10.2 million).



Note 3 – Personnel expenditure

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Salaries and wages	229,781	262,630
ACC	761	893
Superannuation subsidies	5,169	6,443
Training	2,989	3,362
Increase/(decrease) in provision for annual leave	(759)	(1,253)
Increase/(decrease) in provision for long service leave	285	13
Increase/(decrease) in provision for retiring leave	(493)	(170)
Total personnel expenditure	237,733	271,918

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

Note 4 – Operating expenditure

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Travel	12,574	15,067
Communications	4,365	4,279
Operating lease rentals	15,702	16,321
Contracts	3,020	4,537
Equipment maintenance	1,001	1,410
Other operating costs	11,240	14,043
Total operating expenditure	47,902	55,657

Note 5 – Depreciation and amortisation

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Buildings	441,769	441,269
Service concession arrangements	50	1,453
Furniture/office equipment	7,012	7,382
Motor vehicles	1,768	1,845
Total depreciation	450,599	451,949
Computer software	10,930	12,220
Total amortisation	10,930	12,220
Total depreciation and amortisation	461,529	464,169



Note 6 – 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 2014 was 8.0% (at 30 June 2013 the rate was 8.0%).

Note 7 – Other expenses

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Fees to auditors		
▶ Audit fees for audit of the financial statements	424	401
▶ Other assurance services	663	660
▶ Advisory services	83	90
Debt impairment	73	411
Loss/(gain) on sale of property, plant and equipment (Note 8)	636	(4,337)
Loss/(gain) on demolition of earthquake-affected buildings	15,344	13,850
Contracts for services	74,662	92,913
Special education payments	96,733	98,456
Other	30,492	29,351
Total other expenses	219,110	231,795

Fees to auditors for other assurance services relate to a review of the control environment maintained by Talent2 to operate the Novopay education payroll service and the review of school payroll reporting and pay data information for the purposes of 2013 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 2013 year and to inform the Ministry's remediation plan.

Fees to auditors for advisory services relate to a review of financial controls for public funding received by the Te Kōhanga Reo National Trust.

Note 8 – Loss/(gain) on sale of property, plant and equipment

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Chattels	(6)	(13)
Land and buildings	642	(4,324)
Total loss/(gain) on sale of property, plant and equipment	636	(4,337)



Note 9 – Net surplus payable to the Crown

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Surplus from the Statement of Comprehensive Income	8,045	71,977
Deficit/(surplus) carried to taxpayers' equity	[8,045]	[71,977]
Total for repayment to the Crown	-	-

Note 10 – Revaluation reserves

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Revaluation reserves consist of:		
Land revaluation reserves	2,305,430	2,429,716
Building revaluation reserves	4,245,855	4,850,193
Service Concession reserve	315	493
Total revaluation reserves	6,551,600	7,280,402

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



Note 11 – Accounts receivable

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Trade receivables	9,687	2,453
Crown debtor	195,220	345,204
Non-trade receivables	98,303	426
Total accounts receivable	303,210	348,083

The carrying value of debtors and other receivables approximates their fair value.

Non-trade receivables as at 30 June 2013 include insurance recoveries for the Canterbury earthquake and other insurance claims.

As at 30 June 2014 and 2013, all trade receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2013			30/06/2014		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	8,364	-	8,364	507	-	507
Past due 1 - 30 days	625	-	625	113	-	113
Past due 31 - 60 days	405	-	405	905	-	905
Past due 61 - 90 days	93	-	93	49	-	49
Past due > 91 days	545	345	200	1,674	795	879
Total	10,032	345	9,687	3,248	795	2,453

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:

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Balance at 1 July	312	345
Additional provisions made during the year	39	454
Receivables written off during period	(6)	(4)
Balance at 30 June	345	795



Note 12 – Prepayments

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Prepayments	1,892	2,750
Property capital	14,809	15,729
Total prepayments	16,701	18,479

Note 13 – Non-current assets held for sale

A range of school land and 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 but an active programme is in place to dispose of these properties.

Non-current assets held for sale include:

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Buildings	5,729	6,797
Land	41,668	69,147
Total non-current assets held for sale	47,397	75,944

Note 14 – Accounts payable

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Trade payables	8,145	6,801
Accrued expenses	74,133	88,224
Crown entities	1,449	1,083
Total accounts payable	83,727	96,108

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



Note 15 – Provision for employee entitlements

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Current liabilities		
Annual leave	12,830	14,075
Provision for State Sector Retirement Savings Scheme	232	201
Government Superannuation Fund: Employer Subsidy	27	-
Long service leave	393	449
Retiring leave	1,345	1,621
Total current portion	14,827	16,346

The provision for annual leave represents the amount owing to employees as at 30 June 2014.

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Non-current liabilities		
Long service leave	1,370	1,301
Retiring leave	4,934	4,828
Total non-current portion	6,304	6,129

The provision for long service and retiring leave is calculated on an actuarial basis as at 30 June 2014. 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 at 30 June 2014, where the main economic assumptions applied were discount rates prescribed by the Treasury calculated as at 30 June 2014 and a salary growth rate of 3.0% (3.0% in 2012/13).

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 \$148,000 higher/\$135,000 lower
- ▶ retiring leave liability would be an estimated \$449,000 higher/\$388,000 lower.

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 \$10,000 higher/\$10,000 lower
- ▶ retiring leave liability would be an estimated \$17,000 higher/\$18,000 lower.



Note 16 – 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	Buildings	Service concession arrangements	Furniture/ office equipment	Motor vehicles	Total
	Valuation	Valuation	Valuation	Cost	Cost	
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation						
Balance at 1 July 2012	2,640,152	8,992,447	10,153	78,481	12,804	11,734,037
Additions	14,685	399,024	38,357	6,505	-	458,571
Revaluation increase/(decrease)	139,795	(474,787)	315	-	-	(334,677)
Disposals	(3,357)	(15,477)	-	(7,531)	(321)	(26,686)
Balance at 30 June 2013	2,791,275	8,901,207	48,825	77,455	12,483	11,831,245
Additions	4,619	481,129	26,112	6,048	3,258	521,166
Revaluation increase/(decrease)	323,748	(148,361)	493	-	-	175,880
Disposals	(50,753)	(19,234)	-	(12,570)	(2,811)	(85,368)
Balance at 30 June 2014	3,068,889	9,214,741	75,430	70,933	12,930	12,442,923
Accumulated depreciation and impairment losses						
Balance at 1 July 2012	-	1,098,605	-	47,968	3,836	1,150,409
Depreciation expense	-	441,769	50	7,012	1,768	450,599
Eliminate on disposal	-	(1,916)	-	(414)	(210)	(2,540)
Eliminate on revaluation	-	(441,906)	-	-	-	(441,906)
Reassessment of impairment provision	-	(92,023)	-	-	-	(92,023)
Balance at 30 June 2013	-	1,004,529	50	54,566	5,394	1,064,539
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)
Reassessment of impairment provision	-	(111,707)	-	-	-	(111,707)
Balance at 30 June 2014	-	891,986	1,503	58,651	5,508	957,648
Carrying amounts						
At 1 July 2012	2,640,152	7,893,842	10,153	30,513	8,968	10,583,628
At 30 June 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



Service concession arrangements

The Ministry entered into a project 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
- ▶ 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 (2014 value: \$4.9 million).

The Hobsonville Point Primary School opened in January 2013; 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.

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 2014. 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	3,068,889	129,208	4,911	3,203,008
Internal assessment by experienced Ministry staff	-	8,193,547	69,016	8,262,563
Total	3,068,889	8,322,755	73,927	11,465,571

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, plant and equipment valued at \$75.9 million (\$47.4 million for the year ended 30 June 2013) 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 2013/14 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 \$460 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:
 - \$25 million for each and every loss except
 - \$35 million for overseas insurers and \$50 million for NZ insurers for each and every loss Cresta zones 10 (Wellington) and 13 (Canterbury).

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 \$310.7 million (2012/13: \$312.8 million).



Note 17 – Intangible assets

	Internally generated software \$000
Cost	
Balance at 1 July 2012	77,521
Additions	21,141
Disposals	-
Other movements	1,567
Balance at 30 June 2013	100,229
Additions	19,866
Disposals	(1,950)
Other movements	8,190
Balance at 30 June 2014	126,335
Accumulated amortisation	
Balance at 1 July 2012	58,516
Amortisation expense	10,930
Disposals	-
Other movements	410
Balance at 30 June 2013	69,856
Amortisation expense	12,220
Disposals	(1,950)
Other movements	167
Balance at 30 June 2014	80,293
Carrying amounts	
At 1 July 2012	19,005
At 30 June 2013	30,373
At 30 June 2014	46,042

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 \$61.0 million that are fully amortised but that are still in use (2012/13: \$39.2 million).

The total amount of software assets in the course of development is \$29.6 million (2012/13: \$17.4 million).



Note 18 – Reconciliation of net surplus with cash flows from operating activities

Description of reconciliation

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

	30/06/2013 Actual \$000	30/06/2014 Budget	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000	30/06/2015 Forecast* \$000
Reported net surplus	8,045	-	71,977	71,977	-
Add non-cash items:					
Depreciation and amortisation	461,529	472,021	472,021	464,169	472,021
Buildings demolished and identified for demolition	13,666	10,000	10,000	13,850	-
(Decrease)/increase in non-current employee entitlements	(116)	-	-	(175)	-
	475,079	482,021	482,021	477,844	472,021
Add/(less) movements in working capital items:					
(Increase)/decrease in accounts receivable	(53,629)	(84,609)	(35,640)	(45,062)	5,000
Increase/(decrease) in prepayments	(147)	40,000	97,456	(807)	-
Increase/(decrease) in accounts payable	2,556	99,609	(25,708)	1,605	(1,920)
(Decrease)/increase in current employee entitlements	1,202	-	-	1,446	-
	(50,018)	55,000	36,108	(42,818)	3,080
Add/(less) items classified as investing activities:					
Net loss/(gain) on sale of property, plant and equipment	636	-	-	(4,337)	-
	636	-	-	(4,337)	-
Net cash flows from operating activities	433,742	537,021	590,106	502,666	475,101



Note 19 – 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. We have no significant exposure to interest rate risk on our financial instruments.

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 incurs credit risk from accounts receivable and bank balances.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents net debtors (Note 11). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Maximum credit risk exposure

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Cash and bank balances	107,181	59,361
Accounts receivable	303,210	348,083
Total maximum credit risk exposure	410,391	407,444

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 target 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 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
2013					
Creditors and other payables	84,625	17,401	13,119	27,345	142,490
2014					
Creditors and other payables	90,866	24,680	21,133	42,775	179,454

Note 20 – Categories of financial instruments

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

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Loans and receivables		
Cash and cash equivalents	107,181	59,361
Debtors and other receivables (Note 11)	303,210	348,083
Total loans and receivables	410,391	407,444
Financial liabilities measured at amortised cost		
Creditors and other payables	142,490	179,452

Note 21 – Capital management

The Ministry's capital is our equity (or taxpayers' funds), 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 income, expenses, assets, liabilities, and compliance with the Government Budget processes and with Treasury Instructions.

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 22 – 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.

The Ministry enters into transactions with other government departments, Crown entities and state-owned enterprises on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Ministry would have adopted if dealing with that entity at arm's length in the same circumstance are not disclosed.



The following transactions were carried out with related parties:

During the year, the Ministry purchased services from the following related parties:

- Te Whare Wānanga o Awanuiārangi, in which a Deputy Secretary's brother-in-law is a Board member. These services cost \$65,033 (2013: \$35,264). There was no balance outstanding at year end (2013: \$764).

Transactions are carried out with a number of educational institutions with members of governing bodies that are related to key management personnel of the Ministry. These related individuals do not financially benefit from these transactions in their roles as board members or trustees.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Key management personnel compensation

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Salaries and other short-term employee benefits	2,730	3,892
Post-employment benefits – superannuation	58	119
Total key management personnel compensation	2,788	4,011

Key management personnel information relates to the positions of the senior management team – Secretary for Education and 11 Deputy Secretaries (2013: nine 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 not paid by the Ministry.

Note 23 – Events after the balance date

On 30 July 2014, the Ministry announced that a financial settlement had been reached with its school payroll provider, Talent2. Details of the nature of the settlement and an estimate of the financial effect are included under the Quantifiable contingent assets in the Statement of Contingent Liabilities and Assets (see page 86).



Statements of service performance

Summary of departmental expenses

To contribute to the outcomes sought by the Government, the Ministry agreed to produce seven classes of outputs for Vote Education and two classes of outputs for Vote Tertiary Education during the 2013/14 year, to standards specified in accordance with management performance obligations and the financial performance targets agreed with the Minister of Education and the Minister for Tertiary Education, Skills and Employment.

The statements of service performance outline for each output expense:

- ▶ the objectives established at the beginning of the year which contribute towards the outcomes sought by the Government, and measures of the levels of service achieved for each output produced
- ▶ actual performance measured against the objectives
- ▶ operating costs and revenues for each output expense produced.

In this way the operational and financial performance of the Ministry can be reviewed together to provide a better understanding of the relationship between effort and accomplishment.

Vote Education – Statement of Expenditure and Appropriations for the year ended 30 June 2014

Departmental Expenses	30/06/2013 Expenditure	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Expenditure
	\$000	\$000	\$000	\$000
Appropriations for output expenses				
Interventions for Target Student Groups	255,789	270,170	275,037	271,610
Policy Advice	11,005	11,719	11,776	12,363
School Property Portfolio Management	1,415,077	1,423,602	1,463,012	1,456,120
Strategic Leadership in the Sector	26,645	26,961	33,876	33,085
Support and Resources for Education Providers	95,687	92,802	112,842	107,488
Support and Resources for Teachers	61,588	79,468	68,214	66,686
Support and Resources for the Community	11,075	13,181	14,543	14,286
Total appropriation for output and other expenses	1,876,866	1,917,903	1,979,300	1,961,638
Capital expenditure	479,712	600,798	526,798	541,032



Vote Education – changes to departmental appropriations in 2013/14

Expenditure on outputs delivered by the Ministry increased by \$61.4 million (GST exclusive) during 2013/14 (refer table on page 107). The major reasons for the increase were:

Cabinet and other decisions

Cabinet and other decisions resulted in a \$27.7 million increase to appropriations. The major initiatives agreed by the Government during 2013/14 were:

- ▶ increased costs of programme management and detailed engineering evaluations for the schools infrastructure renewal programme funded by adjustments in out years (\$10.5 million)
- ▶ additional funding related to Novopay for remediation, investment in the sector, future-focused investments and increased operational expenditure (\$8.0 million)
- ▶ provision for accelerating learning for priority learners including
 - ▶ implementation of Ka Hikitia – Accelerating Success 2013-2017 and the Pasifika Education Plan 2013-2017 (\$2 million)
 - ▶ an engagement strategy to provide support to individual students who might not otherwise achieve NCEA Level 2 (\$1.4 million)
 - ▶ provision for the Mutukaroa initiative to accelerate learning progress and achievement for students in years 1 to 3 (\$1.1 million)
- ▶ provision for hosting the International Teaching Summit and associated events (\$2.2 million) and other initiatives including transition to a new professional body for the education profession (\$0.9 million), and
- ▶ funding for three new primary schools and provision for additional classrooms to meet roll-growth pressures (\$1 million).

Expense transfers

Transfers from 2013/14 to subsequent financial years or from 2012/13 to 2013/14 totalled \$3.8 million. The major transfers reflected changes in timing in the following outputs:

- ▶ funding carried forward from 2012/13 for a value-for-money programme (\$3.4 million)
- ▶ transfer from 2012/13 owing to delays in the project to replace the Education Sector Authorisation and Authentication software after changes in the ownership of the product that was to be used (\$1.0 million)
- ▶ provision for accelerating NCEA Level 2 achievement as part of the implementation of the Youth Guarantee (\$1.0 million)
- ▶ ongoing implementation of the Integrated Change Management Programme originally planned for 2012/13 (\$0.9 million)
- ▶ transfer to 2014/15 owing to delays with the transition of schools to the managed network and the National Education Network Trial continuing past 30 June (\$1.2 million)
- ▶ transfer to 2014/15 and 2015/16 owing to delays with alignment of achievement standards to Te Marautanga o Aotearoa (the Māori-medium curriculum) (\$1.6 million)
- ▶ transfer to 2014/15 owing to delays with the Learning with Digital Technologies Programme developing materials for the managed network mainly because of the network taking longer than expected to be established (\$1.7 million)
- ▶ transfer to 2014/15 for costs associated with the programme to improve the Ministry's asset management maturity involving development of the modern learning environment and asset condition frameworks and corresponding assessment methodologies (\$1.8 million), and
- ▶ transfers to subsequent years after delays in development of the Progress and Consistency Tool (\$3.7 million).



Other output adjustments

Other funding adjustments during the year totalled \$37.4 million. This increase was mainly due to a combination of:

- ▶ fiscally neutral adjustment between departmental appropriations for the year, primarily related to a \$9.2 million transfer from departmental output expense Support and Resources for Teachers to Support and Resources for Education Providers for operating costs of Novopay
- ▶ increased capital charge related to revaluation of the property portfolio on 30 June 2013 (\$15.6 million)
- ▶ legal and other costs associated with weather-tightness issues surrounding negligent design, construction, management certification practices and product liability affecting school buildings (\$14.3 million)
- ▶ reallocation of funding from non-departmental appropriations for remediation, investment in the sector (including eliminating the transaction backlog), future-focused improvements and increased operational expenditure related to Novopay (\$9.2 million)
- ▶ transfers from non-departmental appropriations to departmental outputs for unitary charge and finance costs relating to the construction of two new schools at Hobsonville Point under the Public Private Partnership arrangement (\$1.1 million)
- ▶ transfers from non-departmental appropriations for additional work arising from the transformation of the Resource Teachers Learning and Behaviour and other minor changes (\$1.2 million), and
- ▶ transfers from departmental output expenses School Property Portfolio Management and Support and Resources for Education Providers to Departmental Net Assets for additional capital expenditure on schools network upgrades and development of the Progress and Consistency Tool (\$4.1 million).

Capital injection

All figures \$000	Budget Night	Supplementary Estimates	Final Appropriation
School sector property	93,496	33,608	127,104
Other programmes	3,700	2,838	6,538
Closing Balance	97,196	36,446	133,642

The increase in injections was mainly owing to provision for new primary schools and additional classrooms for roll-growth (\$33.6 million) as part of the school property work programme, and an operating to capital swap for development of the Progress and Consistency Tool (\$3.0 million).

Capital expenditure

This appropriation decreased by \$74.0 million to \$526.8 million for 2013/14 owing mainly to delays in the schools property works programme.



Departmental Output Expense Appropriations 2013/14	Interventions for Target Student Groups	Policy Advice	School Property Portfolio Management	Strategic Leadership in the Sector	Support and Resources for Education Providers	Support and Resources for Teachers	Support and Resources for the Community	Total
Budget 2013	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	270,170	11,719	1,423,602	26,961	92,802	79,468	13,181	1,917,903
Cabinet and Ministerial Decisions								
Greater Christchurch Schools Infrastructure Renewal Programme Business Case	-	-	10,500	-	-	-	-	10,500
Novopay appropriation adjustments	-	-	-	-	8,000	-	-	8,000
Accelerating Education for Priority Learners	1,405	-	-	50	-	2,125	1,040	4,620
Quality Teaching Agenda Contingency Drawdown	-	-	-	3,054	-	-	-	3,054
Establishing Three New Primary Schools and the Provision of Roll-Growth Classrooms	-	-	1,000	-	-	-	-	1,000
Settlement of Ministry Funded Field Staff and Special Education Frontline Practitioners Collective Agreements	306	-	-	-	-	21	-	327
School Property Programme Business Case and New Capital Funding for Budget 2014	-	-	205	-	-	-	-	205
	1,711	-	11,705	3,104	8,000	2,146	1,040	27,706
Expense Transfers								
Value for Money	-	-	-	3,400	-	-	-	3,400
Education Sector Authorisation and Authentication	1,000	-	-	-	-	-	-	1,000
Youth Guarantee Learning Networks	-	-	-	-	-	1,000	-	1,000
Ministry of Education's Integrated Change Management Programme	510	27	85	-	197	88	30	937
Managed Network Commercial Management Team and National Education Network Trial	-	-	-	-	(1,008)	(196)	-	(1,204)
NCEA Māori-medium	-	-	-	-	-	(1,580)	-	(1,580)
Learning with Digital Technologies Programme	-	-	-	-	(1,683)	-	-	(1,683)
School Property Asset Management Improvement Programme	-	-	(1,789)	-	-	-	-	(1,789)
Quality Teaching Initiative – Progress and Consistency Tool	-	-	-	-	-	(3,700)	-	(3,700)
Other transfers	400	-	(560)	-	(210)	187	50	(133)
	1,910	27	(2,264)	3,400	(2,704)	(4,201)	80	(3,752)



Departmental Output Expense Appropriations 2013/14	Interventions for Target Student Groups	Policy Advice	School Property Portfolio Management	Strategic Leadership in the Sector	Support and Resources for Education Providers	Support and Resources for Teachers	Support and Resources for the Community	Total
	\$000		\$000	\$000	\$000	\$000	\$000	\$000
Fiscally Neutral Adjustments								
Novopay appropriation adjustments	-	-	-	-	9,199	[9,199]	-	-
Early Learning Taskforce	-	30	-	411	[683]	-	242	-
	-	30	-	411	8,516	[9,199]	242	-
Technical and Other Changes								
Capital charge movements related to revaluation, retention and others	-	-	15,602	-	-	-	-	15,602
Legal Costs – product liability and weather tightness claims	-	-	14,298	-	-	-	-	14,298
Reallocation from Crown appropriations to Novopay	-	-	-	-	9,228	-	-	9,228
Covering public private partnerships shortfall	-	-	1,145	-	-	-	-	1,145
Development of Resource Teachers Learning and Behaviour	600	-	-	-	-	-	-	600
Other changes	646	-	-	-	-	-	-	646
School Network Upgrade	-	-	[1,076]	-	-	-	-	[1,076]
Quality Teaching Initiative – Progress and Consistency Tool	-	-	-	-	[3,000]	-	-	[3,000]
Total Changes	1,246	-	29,969	-	6,228	-	-	37,443
	4,867	57	39,410	6,915	20,040	[11,254]	1,362	61,397
Final 2013/14 Appropriations	275,037	11,776	1,463,012	33,876	112,842	68,214	14,543	1,979,300



Vote Tertiary Education – Statement of Expenditure and Appropriations for the year ended 30 June 2014

Departmental Expenses	30/06/2013 Expenditure	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Expenditure
	\$000	\$000	\$000	\$000
Appropriations for output expenses				
Policy Advice	5,188	5,347	5,347	5,856
Strategic Leadership in the Tertiary System	7,489	8,301	9,690	8,230
Total appropriation for output expenses	12,677	13,648	15,037	14,086

Vote Tertiary Education – changes to departmental appropriations in 2013/14

Expenditure on outputs delivered by the Ministry increased by \$1.4 million (GST exclusive) during 2013/14 (refer table below). The major reasons for the increase were:

Cabinet and other decisions

- ▶ progressing the Tertiary Information Future State programme, particularly to improve current tertiary data collection processes (\$1.3 million)
- ▶ development of a creative industries vocational pathway and associated materials (\$0.5 million), and
- ▶ transfer of administration of the Code of Practice for the Pastoral Care of International Students to the New Zealand Qualifications Authority under Vote Education, non-departmental output expense Quality Assurance (\$0.4 million).

Departmental Output Expense Appropriations 2013/14	Policy Advice \$000	Strategic Leadership in the Tertiary System \$000	Total \$000
Budget 2013	5,347	8,301	13,648
Cabinet and Ministerial Decisions			
Contingency Drawdown to Progress the Tertiary Information Future State Programme	-	1,280	1,280
Transfer and Return of 2012/13 Underspend – vocational pathways	-	500	500
Transfer of administration of the Code of Practice for the Pastoral Care of International Students to the New Zealand Qualifications Authority	-	(391)	(391)
Total Changes	-	1,389	1,389
Final 2013/14 Appropriations	5,347	9,690	15,037



Vote Education – Departmental output expense specifications

Interventions for Target Student Groups

Portfolio Minister – Minister of Education

Scope of Appropriation

This appropriation is limited to 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.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Targeted Student Participation Interventions			
The following scholarships, awards and school grants will be administered:			
New Boarding Allowances and Bursaries.	629	400 - 600	722 Boarding Allowances were awarded ⁷
Home Schooling Allowances.	6,726	5,500 - 6,500	5,654
Puawaitanga Scholarships.	New measure	90	87 scholarships awarded
Interim Response Fund grant applications paid to schools for students in need.	3,530 There are more demands on the fund resulting in lesser amounts being approved for the increased number of applicants	1,500 - 2,500	3,353 grants were paid to schools. This was managed within budget
The following funding will be provided to schools for the provision of support to English language learners:			
English for Speakers of Other Languages funding for provision of support.	Funding was provided for 31,741 students in 1,318 schools	33,000 - 35,000 students in 1,200 schools	32,241 students in 1,342 schools (demand driven)
Refugee Flexible Funding pool (for additional support to at-risk refugee background students).	Funding was provided for 675 students in 34 schools	600 students in 30 - 40 schools	775 students in 40 schools. This was managed within budget

⁷ Boarding Allowances and Bursaries and Māpihi Pounamu scholarships were combined into one overall Boarding Allowances Scheme at the start of 2014.



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Refugee pathways.	Funding was provided for 21 secondary schools	25 - 35 secondary schools	22 secondary schools This is a per student allocation and has been focused on fewer schools (demand driven)
The following interventions for non-participation will be undertaken:			
Reduce truancy rates for frequent truants in years 9 and 10. ⁸	Total – 1.1% Māori – 2.4% Pasifika – 1.4%	Reduce to: Total – 1.0% Māori – 2.5% Pasifika – 1.2%	Total – 1.1% Māori – 2.5% Pasifika – 1.4%
Reduce average time excluded learners are out of school.	Achieved 45.5 days	Average days excluded 40.0	Average school days excluded 49.0 Average days out of school is higher at 74 days for students who enrol at the Correspondence School after exclusion compared to 44 days for others The Ministry continues to work on improving processes for working with excluded students to reduce the length of time they are out of school
Boarding Bursaries and Allowances will be:			
<ul style="list-style-type: none"> ▶ awarded in line with Government policies and published criteria ▶ calculated accurately ▶ paid to the correct payee, and ▶ paid within the timeframes notified. 	Achieved	100%	100% of the 722 allowances awarded met the standards ⁹

⁸ The Statement of Intent targets are: All 1.3%, Māori 2.8%, Pasifika 1.6%. These targets were based on provisional data for 2012. Targets in the Estimates were based on the final data for 2012.

⁹ Boarding Allowances and Bursaries and Māpihi Pounamu scholarships were combined into one overall Boarding Allowance Scheme at the start of 2014.



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Percentage of students receiving boarding allowances and scholarships who gain National Certificate of Educational Achievement Level 2 by age 18.	New measure	85%	Boarding Allowances, Bursaries and Māpihi Pounamu Boarding Scholarships were combined into one overall Boarding Allowance Scheme at the start of 2014 As the first selection round for the new Boarding Allowances scheme did not take place until September 2013, no students have completed all of the credits required to gain NCEA Level 2 while receiving a boarding allowance
Schools provide appropriate support programmes and monitor the progress and achievement of English for Speakers of Other Languages (ESOL) students.	98.8% Eight of the 260 schools audited did not meet the quality assurance standards and have received remedial action Five of these are resolved	100% of schools audited annually meet the Ministry's required ESOL support provision criteria	99% Three of the 260 schools audited did not meet the standard for satisfactory provision and require follow-up visits to monitor progress with the verifier's recommendations
Special Education Needs Interventions			
Number of communication services learners.	6,358 (demand driven)	6,500 - 8,000	6,909 (demand driven)
Number of behavioural services learners.	3,534 (demand driven)	4,000 - 6,000	3,622 (demand driven)
Number of early intervention services learners.	12,958 (demand driven)	11,000 - 13,000	13,687 (demand driven)
Number of gateway assessments and support for learners in Child, Youth and Family care.	433 (estimate)	400 - 600	No reporting available as systems to capture data were not fully operational during the year
Number of complex needs services comprising of:			
▶ Ongoing Resourcing Scheme (ORS) students.	8,019 (demand driven)	7,650 - 8,050	8,631 (demand driven) The higher than expected number is due to an increase in demand and has been managed within budget



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
▶ High Health Needs Fund students.	687 (demand driven)	550	763 (demand driven) The higher than expected number is owing to an increase in demand and has been managed within budget
▶ Other services.	3,268 (demand driven)	2,200 - 2,500	3,250 (demand driven) The higher than expected number is owing to an increase in demand for assistive technology. Funding was reprioritised to manage this demand
Positive Behaviour for Learning Programme:			
▶ Parents completing Incredible Years Parent programme.	3,848 (demand driven)	3,000	2,930 (demand driven)
▶ Teachers completing Incredible Years Teacher programme.	2,594 (demand driven)	2,500	2,390 (demand driven)
▶ Schools participating in School-Wide Framework (new starts).	119 (demand driven)	120	118 (demand driven)
Parents and educators ¹⁰ are satisfied with the Ministry's overall quality of service delivery (see Note 1).	Partly achieved Parents – 78% were satisfied with the overall quality of service delivery Educators – 63% were satisfied with the overall quality of service delivery	75%	Parents – 76% were satisfied with the overall quality of service delivery Educators – 67% were satisfied with the overall quality of service delivery
Contracted providers of Positive Behaviour for Learning deliver Incredible Years Parent programmes in accordance with Incredible Years protocols and standards.	Achieved	100%	100%

10 Over 2014/15 we will be looking at how to improve parent and educator satisfaction along with the quality and effectiveness of our service.



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
The Ministry's practice frameworks for delivery of core services are based on a best-evidenced approach.	Achieved	100% of cases reviewed demonstrate evidence of a best practice approach	99.4% All but one of the 177 cases reviewed demonstrated sound or strong evidence-based practice
Percentage of eligible children receiving a service within 90 days of referral for Communications, Behavioural, Early Intervention and ORS services.	Communication Service – 65%	At least 95% for each service	Communication Service 74.8%
	Behaviour Service – 82%		Behaviour Service 94.1%
	Early Intervention Service – 65%		Early Intervention Service 63.4%
	Complex Needs (including Ongoing Resourcing Scheme) – 79%		Ongoing Resourcing Scheme 94.5%
	The percentage range of 65%-82% across services varied for a number of reasons, including increased demands for intensive interventions combined with fewer specialist providers		The high-levels of demand for Communications and Early Interventions services exceeded capacity to deliver which in turn impacted on wait times
Parents are satisfied training delivered as part of Positive Behaviour for Learning Incredible Years programme meets standards.	New measure	75%	91%
Teachers are satisfied training delivered as part of Positive Behaviour for Learning Incredible Years programme meets standards.	New measure	75%	90%
Teachers are satisfied training delivered as part of Positive Behaviour for Learning School-Wide programme meets standards.	New measure	75%	89%

Note 1 – As measured through the annual Special Education Client Satisfaction Survey. The survey uses a five-point scale. For the purposes of the survey a response of '1' or '2' indicates a negative response (eg, dissatisfied or disagree), while a '4' or '5' indicates a positive response (eg, satisfied or agree).



Cost of output expense: Interventions for Target Student Groups

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	253,960	268,470	273,337	270,376
Other	1,829	1,700	1,700	1,234
Total revenue	255,789	270,170	275,037	271,610
Total expenditure	255,789	270,170	275,037	271,610
Surplus/(deficit)	-	-	-	-

The increase in appropriation for 2013/14 compared to 2012/13 is mainly owing to a combination of:

- ▶ changes in allocations between the two financial years for the Positive Behaviour for Learning initiative
- ▶ provision for an organisation change management programme over 2012/13 and 2013/14
- ▶ the full-year effect of recent pay rate increases for teachers' aides
- ▶ the full-year effect of expanding the Intensive Wraparound Service after closure of McKenzie School
- ▶ the impact of other funding transferred to 2012/13 only from previous financial years, and
- ▶ funding provided in 2012/13 only to support the education sector in Christchurch, Waimakariri and Selwyn to recover from the 2010 and 2011 earthquakes.

The appropriation increased further during the year mainly owing to a combination of:

- ▶ provision through Achievement 13 for an engagement strategy and to provide support to individual students who might not otherwise achieve NCEA Level 2
- ▶ transfer from 2012/13 owing to delays in the project to replace the Education Sector Authorisation and Authentication software after changes in the ownership of the product that was to be used
- ▶ transfers from non-departmental other expense Special Needs Support for additional work arising from the transformation of the Resource Teachers Learning and Behaviour Service and to cover the cost of resources provided to teachers under the Incredible Years programme
- ▶ ongoing implementation of the Integrated Change Management Programme, and
- ▶ settlement of various employment collective agreements.

The under-expenditure for the year was mainly owing to:

- ▶ lower than expected costs for behavioural services and Positive Behaviour for Learning programmes. Some funding may be transferred to subsequent years.



Policy Advice

Portfolio Minister – Minister of Education

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.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Independent assessment of the quality of the Ministry's policy advice (see Note 1).	Quality score independently assessed at 7.31/10	70%	Achieved 75%
The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey) (see Note 2).	New measure	7.0	Minister of Education did not complete a survey but expressed her satisfaction verbally
The total cost per hour per person of producing policy outputs (see Note 3).	New measure	\$116.00	Achieved
		Original standard	Original result \$106 (see Note 4)
		Updated standard N/A (see Note 5)	Updated result \$129 (see Note 6)

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, of not less than 85%.

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 to 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 unit outputs. Total cost includes the cost of labour, overheads, support staff, direct costs and outsourced work to support output production.

Note 4 – Treasury updated the formula used to calculate the result after the original standard was set. This result is a non-aligned result (based on the formula used to set the original standard).

Note 5 – As the original Treasury formula was not used to set the original standard, an updated standard (based on the updated formula) is not available.

Note 6 – Aligned result (based on the updated formula).



Cost of output expense: Policy Advice

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	10,998	11,719	11,776	12,363
Other	7	-	-	-
Total revenue	11,005	11,719	11,776	12,363
Total expenditure	11,005	11,719	11,776	12,363
Surplus/(deficit)	-	-	-	-

The appropriation increased during the year owing to minor increases for the Early Learning Taskforce (transferred from departmental output expense Support and Resources for the Community) and the Integrated Change Management Programme carried forward from 2012/13.

The appropriation was overspent as a result of a technical adjustment. There was an increase in indirect costs because various savings and reprioritisations had an unexpected impact on overhead costs allocated to particular output classes, including Policy Advice. This impact was not identified until after the Supplementary Estimates were finalised.



School Property Portfolio Management

Portfolio Minister – Minister of Education

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.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
The Ministry ensures school property is maintained and improved according to plan.	Achieved The financial variance for 2012/13 was 16% of the Capital Plan	The Ministry delivers its school property capital plan with a variance across the entire school property capital plan of less than 20%	Achieved 2013/14 actual capital spend was \$485.523m, a 5% under spend on the budget of \$510.965m
The Ministry is seen as a high-quality property manager and advisor to Government.	New measure	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 30 June 2014)	75% ¹¹
The Ministry disposes of surplus property in an efficient and effective manner.	New measure	The Ministry has a surplus property disposal plan, incorporating a prioritisation framework in place by 31 December 2013	Achieved The property disposal plan was in place before 31st December 2013 The Memorandum of Understanding between the Ministry of Education and Land Information New Zealand (LINZ) has key performance indicators that allow tracking of progress against expectations LINZ has met the 2013/14 sales target

¹¹ Target should have been for 2015.



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
The Ministry increases the number of visits to schools to support planning and asset management advice.	New measure	Every school is visited a minimum of once every two years and given support to undertake planning and asset management as required	Achieved All schools have had at least one formal onsite visit within the last two years
The Ministry fosters improved and cohesive relationships with school boards through support, leadership and, where appropriate, management.	New measure	80% satisfaction by school boards as measured by Bi-annual Regional Forum satisfaction surveys	Achieved The Regional Sector Property Forum was held in May and 90% of respondents were 'satisfied' or 'very satisfied'
The Ministry supports teaching and learning, ensuring schools have the range and quality of teaching spaces needed to support education.	New measure	The Ministry formally reviews the Ministry's standard for Modern Learning Environment guidelines. The first of these reviews is to be available to schools by 30 June 2014	Achieved The Modern Learning Environment Assessment has been reviewed As a fitness for purpose assessment tool this is available to schools to complete as they enter the Five Year Agreement cycle
The Ministry will upgrade schools to be ready to access ultra-fast broadband and Network for Learning content on a timely basis.	New measure	72% (100% by 30 June 2016)	70% ¹² On track to achieve the 100% target by 30 June 2016
The Ministry manages fluctuations in demand for school buildings.	New measure	The Ministry develops a strategy regarding the use of transportable buildings by 31 December 2013	Achieved

12 The target in the Statement of Intent was set to 70% and 72% in the Estimates of Appropriations.



Cost of output expense: School Property Portfolio Management

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	1,404,049	1,420,416	1,445,528	1,437,998
Other	19,073	3,186	89,461	90,099
Total revenue	1,423,122	1,423,602	1,534,989	1,528,097
Total expenditure	1,415,077	1,423,602	1,463,012	1,456,120
Surplus/(deficit)	8,045	-	71,977	71,977

The increase in appropriation for 2013/14 compared to 2012/13 was mainly owing to a combination of:

- ▶ continuation of the improvement programme related to leaky buildings and commencement of an earthquake resilience programme
- ▶ funding in 2013/14 only for increased insurance premiums as a result of the Christchurch earthquakes
- ▶ funding for the first year of a change management programme to improve asset management maturity, as well as continuing work on a condition assessment framework for the school property portfolio
- ▶ increased provision for depreciation on school property assets
- ▶ reduced funding for treaty settlements as a result of a departmental line-by-line review
- ▶ provision to support the education sector in Christchurch, Waimakariri and Selwyn to recover from the 2010 and 2011 earthquakes, and
- ▶ provision for additional legal expenses in 2012/13 only related to seeking recoveries for weather-tightness issues.

The further increase in the appropriation during 2013/14 was mainly owing to a combination of:

- ▶ increased capital charge related to revaluation of the property portfolio from 2012/13
- ▶ increased costs of programme management and detailed engineering evaluations for the schools infrastructure renewal programme funded by adjustments in out years
- ▶ legal and other costs associated with weather-tightness issues surrounding negligent design, construction, management certification practices and product liability affecting school buildings
- ▶ transfer from non-departmental other expense Primary Education for unitary charge and finance costs relating to the construction of two new schools at Hobsonville Point under the Public Private Partnerships arrangement
- ▶ funding for three new primary schools and provision for additional classrooms to meet roll-growth pressures
- ▶ transfer to 2014/15 for costs associated with the programme to improve the Ministry's asset management maturity involving development of the modern learning environment and asset condition frameworks and corresponding assessment methodologies, and
- ▶ transfer funds relating to the schools network upgrade project to Departmental Net Assets.

The under-expenditure for the year was mainly owing to:

- ▶ lower than expected school property asset-related costs (eg, depreciation, losses on disposal).

The increase in other revenue mainly relates to receipt of insurance settlements following the Christchurch earthquakes.



Strategic Leadership in the Sector

Portfolio Minister – Minister of Education

Scope of appropriation

This appropriation is limited to expenditure on policies and services focused on the Ministry's leadership role in the tertiary system. This includes enhancing coordination with sector and Government agencies and forums, undertaking research and analysis, monitoring the system, providing information on tertiary and international education services, representing the education sector internationally, supporting international students, and supporting Ministers to meet their obligations to Parliament.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Cross-Agency Coordination			
The Ministry is effective in leading education agencies to: <ul style="list-style-type: none"> ▶ determine, and deliver on, a shared strategic direction (outcomes, priorities and approaches) for the education sector, and ▶ address issues of alignment within the sector. 	Achieved	All education agencies' accountability documents and business plans show evidence of a cohesive shared strategic direction for education	Achieved
	Sector Statements of Intent for 2013/14 included a shared outcomes framework and increased evidence of cross-sector alignment	Education agency annual reports show evidence of an implementation of programmes within the agreed shared direction for education	Crown Entity Letters of Expectation were used to communicate Government's priorities and were supported by the Ministry's other monitoring and coordinating activities Sector Statements of Intent and Statements of Performance Expectations for 2014/15 and Annual Reports for 2012/13 reflected Government's priorities and showed evidence of cross-sector alignment
	Sector strategic planning and a shared budget process have been progressed under the mandate of the Education Sector Leadership Board Education sector Chief Executives report positive experiences with the Education Sector Leadership Board		The Education System Stewardship Forum is functioning to support stewardship of the education system and to build sector alignment
Research and Analysis			
All major research and analysis projects are externally reviewed for quality and are determined to have met their objectives.	Achieved	100%	Achieved



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Research programmes are provided within the agreed timeframes.	Achieved	100%	Achieved There are two research programmes, one comprising of several international studies, the other is a programme of research and evaluation comprising a range of monitoring, evaluation and strategic research projects

Monitoring of the Education Sector

Expenditure forecasts of early childhood education and primary and secondary schooling salaries are accurate.	Achieved	Forecasts are accurate to within an average of 3% and a maximum of 5% of actual values	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.	Achieved	100%	Achieved The Ministry provided advice on the quarterly reports of Careers New Zealand, the New Zealand Qualifications Authority and the New Zealand Teachers Council
The membership of Crown entity boards is regularly reviewed and nominations are made for boards three months prior to terms expiring.	Achieved	100%	Ten scheduled appointments and seven unscheduled appointments were made to the boards of the five Vote Education Crown entities Although the three month measure was not met, nominations advice was provided for these appointments

Support for the Education Minister

Parliamentary questions.	973 (demand driven)	1,500 - 2,000	599 (demand driven)
Select committee questions, inquiries and petitions.	352 (demand driven)	300 - 500	439 (demand driven)
Statutory information.	240 (demand driven)	250 - 300	109 (demand driven)
Briefing notes.	2,267 (demand driven)	3,500 - 4,500	1,023 (demand driven)
Ministerial correspondence.	2,718 (demand driven)	3,500 - 4,500	2,060 (demand driven)



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
The content of ministerial services provided will be factually accurate and appropriate in style and content for the individual Minister, consistent with the Ministry's ministerial guidelines.	2.6% rejection rate Ongoing training and development, and work to improve quality assurance processes, should improve the Ministry's performance in 2013/14	The rate of rejection of Ministerial services from the office of the Minister will be less than 2% of all services provided	1.34% rejection rate
Responses and provision of information to the Minister of Education and Parliament, and its committees, will be responded to within agreed timeframes.	Achieved	At least 95% will meet agreed timeframes	96.28%
The Minister of Education is satisfied with the quality of briefings, reports and policy advice provided (see Note 1).	Information is not available. A new survey of the Minister will be available in September 2013	All papers rated by the Minister obtain a rating of 'acceptable' or higher	Achieved All papers obtained a rating of 'acceptable' once corrections were made to rejected papers

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



Cost of output expense: Strategic Leadership in the Sector

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	26,556	26,951	33,866	33,014
Other	89	10	10	71
Total revenue	26,645	26,961	33,876	33,085
Total expenditure	26,645	26,961	33,876	33,085
Surplus/(deficit)	-	-	-	-

Changes to appropriations during 2013/14 were mainly owing to:

- ▶ funding carried forward from 2012/13 for a value-for-money programme
- ▶ hosting the International Teaching Summit and associated events, and
- ▶ supporting transition to a new professional body for teachers.



Support and Resources for Education Providers

Portfolio Minister – Minister of Education

Scope of appropriation

Expenditure on policies, regulations and services focused on the governance, management and operation of education providers. This includes managing regulations, administering the distribution of resources, delivering services that support school management – including industrial relations and education payroll – and working with providers to resolve underperformance.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Regulation of Providers			
New early childhood education services licensed.	158 (demand driven)	150 - 250	146 (demand driven)
Early childhood education services relicensed.	766 (demand driven)	800 - 900	635 (demand driven)
Playgroups certificated.	180 (demand driven)	100 - 200	135 Playgroups certified (demand driven)
Education providers are satisfied with the quality of the Ministry licensing and relicensing actions (measured through the customer survey questions below)	91%	Survey of providers (based on State Services Commission Common Measurement Tool) results in scores of 3 (out of 5) and above	
► Satisfaction with the overall quality of service delivery.	An action plan has been developed to address the quality of service	At least 94% of providers	91%
► 'It's an example of good value for tax dollars spent'.	Achieved	At least 65% of providers	88%
New early childhood education licences and certificates are granted within 30 working days of an application being received by the Ministry.	97% of new licences and certificates were granted within 30 working days There were delays in the issuing of some licences and certificates An improved tracking system will be put in place to ensure delays do not occur	100%	Achieved



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
The Ministry will continue relicensing early childhood education services (from the 1998 licence to the 2008 licence) within planned timeframes.	Achieved 83% of services were re-licensed on the 2008 Framework by 30 June 2013	At least 90% of all providers will be relicensed by the end of 2013/14 ¹³ 100% relicensed by November 2014	99% of all licensed ECE services were operating on the 2008 regulatory framework On track to relicense 100% by November 2014
New enrolment schemes (State schools). ¹⁴	36 (demand driven)	0 - 15	27 new enrolment schemes (demand driven)
Supplementary integration agreements.	49 (demand driven)	30 - 50	44 (demand driven)
Integration of private schools.	1 (demand driven)	0 - 10	No private schools were integrated. (demand driven)
Approval of attendance dues. ¹⁵	77 (demand driven)	80 - 100 ¹⁶	No attendance dues were approved (demand driven)
Education providers are satisfied that the Ministry's actions are consistent with regulatory requirements.	Project was refocused as resources were diverted to other priorities. This measure has been discontinued for the 2013/14 year	85% positive feedback obtained in the questionnaire at the end of the regulatory process	No survey was undertaken
Information advice and support meets providers' expectations.	Project was refocused as resources were diverted to other priorities. This measure has been discontinued for the 2013/14 year	85% positive feedback obtained in the questionnaire at the end of the regulatory process	No survey was undertaken
Contracts with providers are negotiated within agreed timeframes.	Achieved	100%	100%

¹³ This target was set to 100% in the Statement of Intent and 90% in the Estimates of Appropriations.

¹⁴ An enrolment scheme is a means of allowing boards of trustees to manage school rolls to prevent overcrowding or the likelihood of overcrowding at a school, and enabling the Ministry of Education to make best use of the accommodation at schools in the surrounding area.

¹⁵ During 2012 a national review was conducted to recalculate attendance dues of all proprietors. As a result no attendance dues were submitted for approval during the 2013/14 year.

¹⁶ Attendance dues are fees which can be collected by the Proprietor of a state integrated school for approved costs related to the provision and major maintenance of school property and for approved associated costs. Attendance dues are the only compulsory fees that may be charged by state integrated schools. The levels of attendance dues paid by parents with children enrolled at state integrated schools is subject to the approval of the Minister or his / her delegated representative and are published in the New Zealand Gazette.



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Resourcing Education Providers			
The Ministry will carry out resource allocation audits on schools and early childhood education services for accuracy of claims.	New measure	90% of schools and early childhood education services pass audit standards for accuracy of claims	85% of early childhood education services passed audit standards for accuracy of claims 90% of schools passed audit standards for accuracy of claims
All resourcing payments will be accurate and timely in respect of:	Number of payments: 18,145 Payment value: \$1,502 million	100% accurate 100% on time	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. 	<p>All payments made to the correct providers</p> <p>Statutory requirements met</p>		
The Ministry's forecasting of school rolls will be accurate (to minimise the financial risk to the Crown and to support the sector with its planning).	Achieved Overall variance was 0.75%	The variance between actual rolls and previous year forecast provisional rolls will be less than 5%	Achieved
School transport			
▶ Contracted daily routes.	Achieved 1,445 daily routes	1,400 - 1,500	1,453 contracted daily routes
▶ Contracted routes transporting students to technology training.	Achieved 730 bus routes The number of bus routes is over budget standard due to re-capitated primary schools taking up technology entitlements	680 - 720	Achieved 734 technology bus routes
▶ Directly resourced routes.	Achieved 586 bus routes were resourced	580 - 630	597 directly resourced routes



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
The Ministry will ensure that contracted transport providers deliver eligible students to school safely and on time (measured through school and provider feedback).	Of approximately 21 million trips, there were 367 reported instances where eligible students were not delivered to school safely and/or on time	100% of eligible students are delivered to school safely and on time	99.5% No service failures reported. Some services were delayed due to circumstances outside of the providers control, such as weather related service disruptions and one instance of detours required due to a civil defence emergency
Provision of Services			
All payments to eligible payees (permanent and temporary employees) will be accurately calculated.	Payroll accuracy for 12-month period: ► Highest – 100.00% ► Lowest – 86.08% ► Average – 96.74% Performance was relatively low due to issues in introducing the new schools' payroll service, Novopay, in September 2012 For most of the final quarter of the year (April through June 2013), performance was restored to above the 99% range	100%	99.59% Accuracy has consistently been above 99%, with the exception of the January payment pay runs which was due to issues around the complex start of year process for schools payroll Note: This statistic excludes overpayments data due to the Ministry being unable to match overpayments to specific pay periods
Percentage of payroll payments made on or before advised pay dates.	Achieved Banking files were provided on the day expected to enable payment to be made	100%	99.89%
All bargaining for collective agreements will be undertaken in line with the: ► bargaining parameters agreed by the Secretary for Education, and ► Government Expectations for Pay and Employment Conditions in the State Sector.	Achieved	100%	Achieved ¹⁷

¹⁷ Collectives re-negotiated were – The School Caretakers' and Cleaners' (including Canteen Workers) Collective Agreement, the Secondary and Area School Groundstaff Collective Agreement, Te Aho o te Kura Pounamu Early Childhood Teachers Collective Agreements, The Area School Principals' Collective Agreement, The Special Residential Schools' Collective Agreement, Kindergarten Teachers' Collective Agreement, Adult Community Education Collective Agreement, Support Staff in Schools Collective Agreement, Kaiahi ite Reo, Therapists', ATSSD Special Education Assistants Collective Agreement.



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
At-risk Provider Interventions			
Schools with interventions are returned to full self-governance in a timely manner.	<p>Six schools (27%) with interventions were returned to full self-governance within 12 months of the intervention commencing</p> <p>18 schools (82%) with interventions were returned to full self-governance within 24 months of the intervention commencing</p>	At least 30% within 12 months of the intervention commencing and 95% within 24 months	<p>As at 30 June 2014 the Ministry was partially or fully intervening in 64 schools</p> <p>35 schools have been returned to full governance over the year</p> <p>17% of these schools were returned to full self-governance within 12 months</p> <p>40% were returned to full self-governance within two years</p>
Decisions on whether an intervention under Part 7A of the Education Act 1989 will be made within two months of the confirmed Education Review Office (ERO) report being published, request from boards of trustees (Board) or determination by the Ministry.	<p>44%</p> <p>20 of the 46 new interventions were put in place within two months of the trigger date</p> <p>This figure is lower than expected due to local consultation and national processing which have contributed to the delay for the 26 formal interventions not in place within two months</p> <p>Delegations to the Secretary for Education have recently been signed off and consideration is being given to whether these delegations should be further delegated to regional directors to improve timing</p>	95%	<p>54% of interventions were approved within two months¹⁸</p> <p>The Ministry is working with the regions to improve their processes for responding to requests for interventions</p>

¹⁸ This target was set to three months internally (69% was achieved for three months) as two months does not provide an adequate timeframe for robust decision making around the need for and type of intervention.



Cost of output expense: Support and Resources for Education Providers

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	94,685	91,662	111,702	106,674
Other	1,002	1,140	1,140	814
Total revenue	95,687	92,802	112,842	107,488
Total expenditure	95,687	92,802	112,842	107,488
Surplus/(deficit)	-	-	-	-

The reduced budget night appropriation for 2013/14 compared to 2012/13 was mainly owing to a combination of:

- ▶ reduced costs for the ultra-fast broadband in schools project
- ▶ initiatives to support the introduction of a managed network service for all schools, and
- ▶ ongoing development of the Early Learning Information System.

The increase in the appropriation for 2013/14 was mainly owing to additional funding for remediation, investment in the sector (including eliminating the transaction backlog), future-focused improvements and increased operational expenditure related to Novopay, partially offset by:

- ▶ transfer from operating to capital funding to complete development of the Progress and Consistency Tool
- ▶ delays with the Learning with Digital Technologies Programme developing materials for the managed network and other consequential delays with the transition of schools to the managed network, and
- ▶ some providers taking longer than expected to modify their products to work with the Early Learning Information System.

The under-expenditure for the year was mainly owing to:

- ▶ delays and lower than expected costs related to a range of programmes including early childhood projects such as Early Learning Information.



Support and Resources for Teachers

Portfolio Minister – Minister of Education

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.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Provision of Teaching and Learning Resources			
Teaching, learning and assessment resources will be aligned with the Ministry's priorities and provided in print or online (in both English and Te Reo Māori, and te reo-a-iwi, as appropriate).	New measure	100%	Achieved
All resources will be subject to appropriate quality development and user consultation processes (trialling, peer review and focus groups) to ensure they are aligned with the latest educational research and fit for purpose.	Achieved	100%	Achieved
The number of schools/kura that student achievement practitioners will have worked with since the implementation of the function.	618 Recruitment of appropriate practitioners took longer than anticipated and also, owing to complexity, the time taken to complete work within the timeframe was extended. The Ministry is reviewing the practitioner to school and kura ratios	700 - 800	696



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Percentage of schools where Student Achievement Function practitioners have worked that demonstrate an improvement in student achievement levels (as measured by a random sample of students).	New measure	75%	73% An increase in achievement is more likely to be evident six months after a Student Achievement Function engagement 88% of schools showed an increase in capability, which is crucial to long-term sustainability for improving student achievement

Provision of Services to Support Professional Leadership and Learning

Professional learning and development (PLD) programmes will be provided in the following areas:

	Achieved	100%	Achieved
	All programmes are aligned with the priorities outlined in the Ministry's Statement of Intent		
▶ New Zealand Curriculum and Te Marautanga o Aotearoa learning areas.			This is a high-level outcome in every contract.
▶ Secondary curriculum, learning and development.			Two Professional Learning and Development contracts were supplied by Auckland Uniservices, Te Tapuae O Rēhua For Māori-medium PLD contracts all providers are expected to service years 9-13
▶ Achievement for priority groups, including Māori learners and Pasifika learners.			This is a high-level outcome in every contract
▶ Te Reo Māori.			This is a high-level outcome across all Māori-medium PLD contracts. In addition, all but three Māori-medium PLD provisions, have an explicit te reo Māori literacy focus
▶ Leadership and assessment.			This is a high-level outcome in every contract



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
<ul style="list-style-type: none"> ▶ Gifted and talented. 			Two PLD contracts were supplied by the University of Waikato and Te Tapuae O Rēhua. In Māori-medium this is a high-level outcome across all contracts
<ul style="list-style-type: none"> ▶ E-learning. 			This is a high-level outcome in every contract
<ul style="list-style-type: none"> ▶ Improving learning outcomes for priority learners in early childhood education. 			This consists of programme streams comprising in depth professional development and community specific professional learning and development
Professional learning and development programmes are designed to improve attendance, engagement and achievement of priority students, as determined through a needs assessment process.	Achieved	100%	Achieved
All professional learning and development programmes provide evidence of shifts in teacher/leader practice and student outcomes. ¹⁹	New measure	100%	Achieved
Study awards to support professional development will be: <ul style="list-style-type: none"> ▶ awarded in line with Government policies and published criteria ▶ calculated accurately, and ▶ paid to the correct payee, within the timeframes notified. 	Achieved	100%	Achieved

¹⁹ Measurement includes conducting a needs analysis that forms the basis of an action plan specific to the school. Shifts in capabilities are measured by the application of an intervention logic that should result in a lift in student achievement.



Cost of output expense: Support and Resources for Teachers

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	61,316	79,458	68,204	66,597
Other	272	10	10	89
Total revenue	61,588	79,468	68,214	66,686
Total expenditure	61,588	79,468	68,214	66,686
Surplus/(deficit)	-	-	-	-

The increase in appropriation for 2013/14 compared to 2012/13 was mainly owing to a combination of:

- ▶ a work programme to strengthen the teaching profession and lift the quality of teaching
- ▶ work transferred from 2012/13 for development of achievement standards and associated resources to align the curriculum in the Māori-medium sector with the New Zealand Curriculum
- ▶ changes in funding between years related to learning networks for national standards, and
- ▶ reduced funding for work on vocational pathways for the Youth Guarantee.

The subsequent decrease in the appropriation for 2013/14 was mainly owing to a combination of:

- ▶ transfer of funding to departmental output expense Support and Resources for Education Providers for additional operational costs of Novopay
- ▶ transfers to subsequent years after delays in development of the Progress and Consistency Tool
- ▶ delays with alignment of achievement standards to Te Marautanga o Aotearoa (the Māori-medium curriculum) pushing some costs out to 2015/16
- ▶ provision for the Mutukaroa initiative to accelerate learning progress and achievement for students in years 1 to 3
- ▶ implementation of Ka Hikitia - Accelerating Success 2013-2017 and the Pasifika Education Plan 2013-2017, including funds carried over from 2012/13, and
- ▶ accelerating NCEA Level 2 achievement as part of the implementation of the Youth Guarantee

The under-expenditure for the year was mainly owing to:

- ▶ delays in establishing community relationships for Te Ataraangi and delays and lower than expected participation in other programmes such as summer schools.



Support and Resources for the Community

Portfolio Minister – Minister of Education

Scope of appropriation

Expenditure on policies and programmes focused on the community's knowledge of and participation in the education system. This includes engaging with, providing information and support to, and delivering education courses to the community.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Engagement and Provision of Information to the Community			
Community-based engagement and information programmes for parents, families, whānau and iwi operate in communities where student achievement and early childhood education participation data indicate a need for improvement, as measured by evaluation of contracts and project initiation documents.	Achieved Community-based programmes are in place for all areas where participation indicates a need for improvement	100%	There are no formal contracts in place for community based engagement and information programmes. Information was provided to communities with identified improvement needs based on student achievement and early childhood attendance data. Community-based engagement and information programmes were provided to 267 whānau and 183 community presentations were made with 4264 participants
Community-based engagement and information programmes for parents, families, whānau and iwi align with the education priority areas, as measured by evaluation of contracts or project initiation documents.	New measure	100%	There are no formal contracts in place for community based engagement and information programmes. 357 whānau have been engaged with programmes in targeted communities aligned with the education priority areas
All contracted programme providers meet the required contract management standards and quality standards of the Ministry, as measured by evaluation of milestone reports.	Evaluation of milestone reports have yet to be undertaken	100% of evaluations of milestone reports reflect achievement of standards	90% All reports evaluated reflect achievement of standards



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Participants in community engagement and information programmes report that they are more confident and better equipped to support and make informed decisions about their children's learning as a result of the programme.	Achieved 99% of presentation participants reported ratings of 'positive' or higher Of the 1,799 participants surveyed, 1,785 reported they were more confident and better equipped to support their children	At least 95% of participants surveyed on completion of their programmes showed a rating of 'positive' or higher	99% of participants reported a rating of positive or higher
Provision of Services to the Community			
Community-based support programmes for parents, families and whānau operate in communities where student achievement and early childhood education participation data indicate a need for improvement, as measured by evaluation of contracts or project initiation documents.	Achieved	100%	There are no formal contracts in place for community based support programmes. 175 whānau have received in depth support to develop a specific whānau education action plan to improve student achievement and early childhood participation in communities with an identified need for improvement
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.	Achieved 44 workshops were held with 2,037 participants	At least 95% of participants reported a positive rating	100%



Cost of output expense: Support and Resources for the Community

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	11,065	13,171	14,533	14,285
Other	10	10	10	1
Total revenue	11,075	13,181	14,543	14,286
Total expenditure	11,075	13,181	14,543	14,286
Surplus/(deficit)	-	-	-	-



Vote Tertiary Education – Departmental output expense specifications

Policy Advice

Portfolio Minister – Minister for Tertiary Education, Skills and Employment

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.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Independent assessment of the quality of the Ministry's policy advice (see Note 1).	Achieved The median score was 8/10, while the mean was 7.33	70%	Achieved 75%
The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey) (see Note 2).	New measure	70%	Minister for Tertiary Education, Skills and Employment did not complete a survey but expressed his satisfaction verbally
The total cost per hour per person of producing policy outputs (see Note 3).	New measure	\$116.00 Original standard	Achieved Original result \$106 (see Note 4)
		Updated standard N/A (see Note 5)	Updated result \$129 (see Note 6)

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, of not less than 85 percent.

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 unit outputs. Total cost includes the cost of labour, overheads, support staff, direct costs and outsourced work to support output production.

Note 4 – The formula to be used by Government Departments was changed after the original standard was set. This is a non-aligned result (based on the original formula).

Note 5 – As the original Treasury formula was not used to set the original standard, an updated standard (based on the updated formula) is not available.

Note 6 – Aligned result (based on updated formula).



Cost of output expense: Policy Advice

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	5,183	5,347	5,347	5,856
Other	5	-	-	0
Total revenue	5,188	5,347	5,347	5,856
Total expenditure	5,188	5,347	5,347	5,856
Surplus/(deficit)	-	-	-	-

The appropriation was overspent as a result of a technical adjustment. There was an increase in indirect costs because various savings and reprioritisations had an unexpected impact on overhead costs allocated to particular output classes, including Policy Advice. This impact was not identified until after the Supplementary Estimates were finalised.



Strategic Leadership in the Tertiary System

Portfolio Minister – Minister for Tertiary Education, Skills and Employment

Scope of appropriation

This appropriation is limited to expenditure on policies and services focused on the Ministry's leadership role in the tertiary system. This includes enhancing coordination with sector and Government agencies and forums, undertaking research and analysis, monitoring the system, providing information on tertiary and international education services, representing the education sector internationally, supporting international students, and supporting Ministers to meet their obligations to Parliament.

Output performance measures and standards

Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Cross-Tertiary Agency Coordination			
<p>The Ministry is effective in leading tertiary education agencies to:</p> <ul style="list-style-type: none"> ▶ determine, and deliver on, a shared strategic direction for the tertiary education sector, and ▶ address issues of alignment within the sector. 	Achieved	All tertiary education agencies' accountability documents and business plans show evidence of the shared strategic direction for education	Achieved
	Sector Statements of Intent for 2013/14 include a shared outcomes framework and increased evidence of cross-sector alignment		Crown Entity Letters of Expectation were used to communicate Government's priorities and were supported by the Ministry's other monitoring and coordinating activities
	Sector strategic planning and a shared Budget process have been progressed under the mandate of the Education Sector Leadership Board	Tertiary education agency Annual Reports show evidence of implementation of programmes within the agreed shared direction for education	Sector Statements of Intent and Statements of Performance Expectations for 2014/15 and Annual Reports for 2012/13 reflect Government's priorities and show evidence of cross-sector alignment
	Education sector Chief Executives report positive experiences with the Education Sector Leadership Board		The Education System Stewardship Forum is functioning to support stewardship of the education system and to build sector alignment
Tertiary and International Research and Analysis			
All major research and analysis projects are externally reviewed for quality and are determined to have met their objectives.	Achieved	100%	Achieved
			Twenty-five reports were published in 2013/14. All have been externally reviewed and were in line with the Ministry's priorities in tertiary education



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Research programmes are provided within the agreed timeframes.	The reports were provided to the Minister within agreed timeframes. Release of the reports did not meet agreed timeframes due to longer than expected time taken to develop communications releases	100%	Achieved The 25 reports were provided to the Minister within agreed timeframes
Monitoring the Tertiary System			
Critical forecasts of student loans and student allowances are accurate.	Achieved Over the last three years, the Budget Economic and Fiscal Update expenditure on student loans has been within 2% of the out-turn: 1.2%, 1.0% and -1.3% Over the same three forecasts, the student allowances forecasts have been within 2.3%, 2.3% and 4.3% of the out-turn	Forecasts are accurate to within an average of 3% and a maximum of 5% of actual values	Achieved The actual result for expenditure and the number of applications for student loans was within 5% of the forecast The actual number of student allowance applications was 0.6% above forecast and the gross expenditure for student allowances was 1.6% below forecast
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.	Achieved	100%	Achieved The Ministry provided advice on the quarterly reports of Education New Zealand and the Tertiary Education Commission
The membership of Crown entity boards is regularly reviewed and nominations are made for boards three months prior to terms expiring.	Achieved	100%	Three scheduled appointments and one unscheduled appointment were made to the boards of Education New Zealand and the Tertiary Education Commission Advice on the upcoming scheduled appointments was provided in the quarterly reports, and nominations advice was provided two and a half months prior to the terms expiring



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
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).	New measure	The quality of analytical outputs is assessed as 'Good' or better	Achieved
Support for International Education			
International students studying in New Zealand are safe and provided with appropriate advice and support.	<p>Estimated overall compliance status of signatories based on attestation data at year end: 96.4%</p> <p>Attestation and self-review documentation was sent to all 1,170 signatories (892 schools and 278 tertiary providers)</p> <p>Attestation documentation complete for 2012 – all tertiary providers comply, 38 schools followed up via International Education Appeal Authority intervention. Currently two cases are under investigation</p> <p>ERO and External Evaluation and Review reports were analysed and recorded and follow-up visits undertaken as required</p> <p>Most cases of External Evaluation and Review non-compliance were academic systems and performance related. One reported poor performance related to the Code requirements</p>	<p>100% of providers meet the Code of Practice for the Pastoral Care of International Students' quality standards, as measured by regular monitoring and evaluation reports from quality assurance agencies (New Zealand Qualifications Authority, ERO, and New Zealand Universities Academic Audit Unit)</p>	<p>As from 1 August 2013 NZQA became the agency designated as Code Administrator</p> <p>NZQA will report the performance of the Code Administrator function in their Annual Report</p>



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
International students studying in New Zealand are satisfied with their experience of living and studying in New Zealand.	New Zealand universities and tertiary providers are repeating the 2011 survey of international students in 2013. Results from these surveys are likely to be available in September 2013	Regular international student surveys report positive overall satisfaction rating	<p>No new survey was scheduled for the period</p> <p>The last Satisfaction Survey related to 2011 (for Universities and Institutes of Technology and Polytechnics) and 2012 (for all other providers)</p> <p>The survey reported that 89% of students in Institutes of Technology and Polytechnics, 88% of students in Universities, 87% of students in Private Training Establishments, 88% of students in English language providers, and 94% of students in secondary schools were satisfied or very satisfied with their overall experience</p> <p>The next survey is scheduled to be facilitated by Education New Zealand in 2015</p>
International obligations and commitments are delivered on time, as specified in bilateral and multilateral agreements with other countries.	Achieved	100%	<p>Achieved</p> <p>New Zealand hosted the World Summit on the Teaching Profession in cooperation with the OECD. Numerous bilateral ministerial meetings occurred around this event, including with the US, Hong Kong, Scotland, Singapore, and Canada</p>

Support for the Tertiary Minister

Ministerial services will be provided in the following ranges:

► Select Committee questions, inquiries and petitions.	244 (demand driven)	10 - 30	191 (demand driven)
► Parliamentary questions.	112 (demand driven)	40 - 80	47 (demand driven)



Performance measure	Performance 2012/13	Budget standard 2013/14	Actual performance 2013/14
Statutory information.	26 (demand driven)	20 - 30	26 (demand driven)
Briefing notes.	816 (demand driven)	900 - 1,100	488 (demand driven)
Ministerial correspondence.	385 (demand driven)	400 - 500	198 (demand driven)
The content of ministerial services provided will be factually accurate and appropriate in style and content for the individual Minister, consistent with the Ministry's Ministerial Guidelines.	Rejection rate was 5% Ongoing training and development, and work to improve quality assurance processes should improve the Ministry's performance in 2013/14	The rate of rejection of Ministerial services from the office of the Minister will be less than 2% of all services provided	8% A more thorough review of ministerial responses and a clearer definition have been adopted. The higher than expected result was due predominantly to clarification of statistical data
Ministerial support for the Minister for Tertiary Education, Skills and Employment and Parliament, and its committees, will be provided within agreed timeframes.	90% met agreed timeframes Ongoing training and development, and work to improve quality assurance processes should improve the Ministry's performance in 2013/14	At least 95% will meet agreed timeframes	Achieved
The Minister for Tertiary Education, Skills and Employment is satisfied with the quality of briefings, reports and policy advice provided (see Note 1).	A new metric was developed in 2012 to capture ministers' satisfaction on advice received, on a five-point scale. This process is still to be implemented	All papers rated by the Minister obtain a rating of 'acceptable' or higher	Achieved

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



Cost of output expense: Strategic Leadership in the Tertiary System

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Revenue				
From the Crown	7,485	8,301	9,690	8,230
Other	4	-	-	-
Total revenue	7,489	8,301	9,690	8,230
Total expenditure	7,489	8,301	9,690	8,230
Surplus/(deficit)	-	-	-	-

The increase in appropriation between 2012/13 and 2013/14 was mainly owing to ongoing participation in a programme for international assessment of adult competencies, partially offset by a decrease in the provision for payment in 2012/13 to Aotearoa Institute relating to a Waitangi Tribunal finding.

The increase in appropriation during the year was mainly owing to progressing the Tertiary Information Future State programme, particularly to improve current tertiary data collection processes.

Under-expenditure for the year is mainly owing to delays in the commencement of contracts for the tertiary education research and statistical analysis programme.



Financial statements and schedules – non-departmental for the year ended 30 June 2014

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 \$10,031.3 million of non-departmental payments, \$14.5 million of non-departmental revenue and receipts, \$147.8 million of assets and \$609.0 million of liabilities on behalf of the Crown for the year ended 30 June 2014. Further details of the Ministry's management of these Crown assets and liabilities are provided in the output performance sections of this report (page 105).

Statement of Expenditure and Appropriations for the year ended 30 June 2014

The Statement of Expenditure and Appropriations details expenditure and capital payments incurred against appropriations. The Ministry administers these appropriations on behalf of the Crown.

Vote Education

	30/06/2013	30/06/2014	30/06/2014	30/06/2014
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Non-departmental output expenses				
Curriculum Support	56,592	61,609	59,039	54,152
Education Research Initiatives	3,008	3,008	3,008	3,008
Professional Development and Support	83,887	97,359	94,909	86,990
Provision of Information and Advisory Services	24,804	23,559	23,759	23,140
Qualifications Support Structures	6,076	6,049	6,049	6,049
Quality Assurance	4,370	4,370	4,761	4,761
School Managed Network Funding	-	11,500	6,100	5,581
School Transport	174,118	178,583	176,383	176,680
Secondary School Assessments	26,480	26,480	26,480	26,480
Secondary-Tertiary Interface	20,150	50,858	50,858	50,263
Service Academies	3,102	3,640	3,640	3,362
Supporting Parenting	5,610	5,676	6,268	5,012
Total non-departmental output expenses	408,197	472,691	461,254	445,478

[All figures are GST exclusive where applicable]



	30/06/2013	30/06/2014	30/06/2014	30/06/2014
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
(All figures are GST exclusive where applicable)				
Benefits and other unrequited expenses				
Boarding Allowances	-	-	5,660	4,639
Boarding Allowances and Bursaries	6,129	8,069	2,854	2,854
Home Schooling Allowances	4,464	5,577	4,882	4,255
Māpihi Pounamu	3,434	3,250	1,625	1,438
National Study Awards	16,432	21,474	19,817	13,728
Puawaitanga Scholarships	-	-	576	362
Scholarships for Students to Attend Private Schools	3,961	4,126	4,126	3,916
Teacher Trainee Scholarships	1,494	3,852	825	825
United World Scholarships	50	50	50	50
Total benefits and other unrequited expenses	35,964	46,398	40,415	32,067
Non-departmental other expenses				
Early Childhood Education	1,410,309	1,480,809	1,515,337	1,536,819
Integrated Schools Property	55,481	59,947	57,702	57,382
Interest Subsidy for Schools	142	237	237	121
New Zealand Teachers Council	178	178	178	178
Primary Education	2,774,189	2,755,880	2,769,653	2,737,177
Remission of Fees	1,288	1,288	1,288	1,288
School Transport Bus Controllers	689	698	645	644
Schooling Improvement	6,108	9,684	7,462	6,160
Secondary Education	2,049,588	1,999,024	2,027,064	2,005,682
Special Needs Support	331,763	335,042	335,771	321,630
Support for Early Childhood Education Providers	20,019	19,882	18,452	15,984
UNESCO*	2,032	2,083	2,083	1,918
Total non-departmental other expenses	6,651,786	6,664,752	6,735,872	6,684,983
Non-departmental capital expenditure				
Property Disposal Incentives Scheme	1,500	3,511	2,562	2,518
School Support Project	-	1,880	-	-
Schools Furniture and Equipment	16,149	20,297	20,325	20,240
The Network for Learning Limited	5,500	5,500	5,500	5,500
Total non-departmental capital expenditure	23,149	31,188	28,387	28,258
Total non-departmental expenditure and appropriations – Vote Education	7,119,096	7,215,029	7,265,928	7,190,786

* United Nations Educational, Scientific and Cultural Organization



Reasons for significant variances from the Supplementary Estimates included:

Output expenses

- ▶ *Curriculum Support* – (\$4.887 million below budget) due to ICT services to schools costing less than expected and delays in progressing literacy and mathematics projects. Some funding may be transferred to subsequent years
- ▶ *Professional Development and Support* – (\$7.919 million below budget) due to lower than expected demand and costs across a range of development programmes. Some funding may be transferred to subsequent years
- ▶ *School Transport* – (\$0.297 million above budget) mainly due to more schools being eligible for assistance than expected and higher than expected numbers of students and distances travelled, particularly for kura kaupapa Māori and directly resourced schools
- ▶ *Supporting Parenting* – (\$1.256 million below budget) mainly due to unforeseen delays in development of some contracts and there being insufficient time left in the year to replace a vendor that suddenly withdrew.

Benefits and other unrequited expenses

- ▶ *Boarding Allowances* – (\$1.021 million below budget) due to lower than expected initial demand after the programme began in January 2014 (replacing Boarding Allowances and Bursaries and Mapihi Pounamu)
- ▶ *National Study Awards* – (\$6.089 million below budget) due to lower than expected demand for study awards and schools allocating less expenditure than expected although this may be exacerbated by payroll systems issues.

Other expenses

- ▶ *Early Childhood Education* (\$21.482 million above budget) mainly due to:
 - ▶ larger than anticipated increases in attendance on non-school working days, mainly in January 2014, related to increased labour market activity
 - ▶ an increased average price per funded child hour following a faster than expected movement of kindergartens from sessional to all-day operations
 - ▶ higher than expected population growth in the one-to-four-years age group, mainly resulting from higher than estimated migration.
- ▶ *Primary Education* – (\$32.476 million below budget) due to a combination of fewer than expected teachers for the year and lower than expected subsidies to schools and expenditure on other programmes
- ▶ *Schooling Improvement* – (\$1.302 million below budget) mainly due to fewer statutory interventions being required than expected and the effective schooling programme ceasing operation
- ▶ *Secondary Education* – (\$21.382 million below budget) due to a combination of fewer than expected teachers for the year and lower than expected subsidies to schools and expenditure on other programmes
- ▶ *Special Needs Support* – (\$14.141 million below budget) due to a combination of fewer than expected teachers for the year and lower than expected subsidies to schools and expenditure on other programmes, principally Positive Behaviour for Learning
- ▶ *Support for Early Childhood Education Providers* – (\$2.468 million below budget) mainly due to a combination of final grants being agreed at a lower level than initially estimated and some funding agreements proceeding more slowly than expected or not at all.



Vote Tertiary Education

	30/06/2013 Actual \$000	30/06/2014 Budget \$000	30/06/2014 Supplementary Estimates \$000	30/06/2014 Actual \$000
Non-departmental output expenses				
Centres of Research Excellence	31,690	31,690	32,754	32,754
Community Education	56,197	61,219	62,703	61,754
International Education Programmes	25,622	31,622	31,382	31,382
Managing the Government's Investment in the Tertiary Education Sector	33,882	41,191	41,891	40,766
Ownership Monitoring of Tertiary Education Institutions	2,567	2,567	2,567	2,567
Performance-Based Research Fund	256,250	268,750	268,750	268,750
Tertiary Education and Training Advice	3,837	3,837	3,837	3,837
Tertiary Education Grants and Other Funding	29,740	24,097	24,296	24,021
Tertiary Education: Student Achievement Component	2,023,978	2,040,201	2,051,418	2,029,642
Training for Designated Groups	242,159	331,897	314,858	291,893
Total non-departmental output expenses	2,705,922	2,837,071	2,834,456	2,787,366
Benefits and other unrequited expenses				
Apprenticeships Re-boot	1,600	13,150	26,611	16,153
International Student Scholarship Scheme	800	800	1,040	1,040
Study Abroad Awards	985	1,290	1,290	942
Tertiary Scholarships and Awards	10,977	12,754	12,754	12,387
Total benefits and other unrequited expenses	14,362	27,994	41,695	30,522
Non-departmental other expenses				
Auckland University Starpath Project	2,450	1,000	1,192	995
Reimburse Fees to ComputerPower Students	-	-	400	400
Tertiary Education Institutions Merger Support	1,000	1,500	1,500	1,500
Total non-departmental other expenses	3,450	2,500	3,092	2,895
Non-departmental capital expenditure				
Literacy and Numeracy Assessment Tool	250	250	250	250
Support for the University of Canterbury	-	-	110,000	10,000
Support for Trades Training	-	-	18,900	9,450
Total non-departmental capital expenditure	250	250	129,150	19,700
Total non-departmental expenditure and appropriations – Vote Tertiary Education	2,723,984	2,867,815	3,008,393	2,840,483



Reasons for significant variances from the Supplementary Estimates included:

Output expenses

- ▶ *Managing the Government's Investment in the Tertiary Education Sector* – (\$1.125 million below budget) due to delays in the Skills Highway project, work on Tertiary Education strategic priorities and business cases for Canterbury institutions
- ▶ *Tertiary Education: Student Achievement Component* – (\$21.776 million below budget) due to a softening of demand for tertiary education places from improved labour market conditions and fewer people in the major age groups participating in tertiary study
- ▶ *Training for Designated Groups* – (\$22.965 million below budget) mainly due to a lag between employers taking on an apprentice and being eligible for their payment under the Apprenticeships Re-boot programme, which wasn't reflected in the budget. The funding may be transferred to subsequent years. Lower than expected demand for industry training and Youth Guarantee programmes is also reflected.

Benefits and other unrequited expenses

- ▶ *Apprenticeship Re-boot* – (\$10.458 million below budget) mainly due to a lag between apprentices being signed up and being eligible for payments under the re-boot programme, which was not reflected in the budget. The funding may be transferred to subsequent years.

Other expenses

- ▶ *Auckland University Starpath Project* – (\$0.197 million below budget) due to the University not meeting the criteria for the full payment planned for the year. The funding may be transferred to subsequent years.

Capital expenditure

- ▶ *Support for the University of Canterbury* – (\$100 million below budget) due to delays in finalising the various business cases and the funding agreement with the University. The programme will be completed in subsequent years.
- ▶ *Support for Trades Training* – (\$9.450 million below budget) due to delays in receiving the necessary supporting information for the final instalment and the compressed timeframes for getting this funding approved. The programme will be completed in subsequent years.

For a brief explanation of key movements in non-departmental appropriations during 2013/14, refer to Changes to non-departmental appropriations for Vote Education (page 161) and Vote Tertiary Education (page 165).



Schedule of Expenses for the year ended 30 June 2014

The Schedule of Expenses summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Expenditure and Appropriations (pages 146 to 150).

Vote Education

	30/06/2013 Actual	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Actual
	\$000	\$000	\$000	\$000
Non-departmental output expenses	408,197	472,691	461,254	445,478
Benefits and other unrequited expenses	35,964	46,398	40,415	32,067
Non-departmental other expenses	6,651,786	6,664,752	6,735,872	6,684,983
Non-departmental capital expenditure	17,649	25,688	22,887	22,758
Total non-departmental expenses	7,113,596	7,209,529	7,260,428	7,185,286

The capital expenditure recorded in the Schedule of Expenses above (\$22.8 million) comprises the Property Disposal Incentives Scheme, Schools Furniture and Equipment, and School Support Project appropriations. The remaining capital contribution in the Statement of Expenditure and Appropriations (\$5.5 million) is treated as an investment.

Vote Tertiary Education

	30/06/2013 Actual	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Actual
	\$000	\$000	\$000	\$000
Non-departmental output expenses	2,705,922	2,837,071	2,834,456	2,787,366
Benefits and other unrequited expenses	14,362	27,994	41,695	30,522
Non-departmental other expenses	3,450	2,500	3,092	2,895
Non-departmental capital expenditure	250	250	250	250
Total non-departmental expenses	2,723,984	2,867,815	2,879,493	2,821,033

The capital expenditure recorded in the Schedule of Expenses above (\$250,000) comprises the Literacy and Numeracy Assessment Tool. The remaining capital contributions in the Statement of Expenditure and Appropriations (\$19.5 million) are treated as investments.



Statement of Revenue and Receipts for the year ended 30 June 2014

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 income on behalf of the Crown.

Vote Education

	30/06/2013 Actual	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Actual
(All figures are GST exclusive where applicable)	\$000	\$000	\$000	\$000
Operational revenue				
Export education levies	3,190	3,521	3,521	2,771
Miscellaneous receipts	1,294	485	485	175
Overseas students' fees	2,190	3,757	3,757	2,639
State Sector Retirement Savings Scheme recoveries	651	-	-	-
Total operational revenue	7,325	7,763	7,763	5,585
Total revenue and receipts	7,325	7,763	7,763	5,585

Vote Tertiary Education

	30/06/2013 Actual	30/06/2014 Budget	30/06/2014 Supplementary Estimates	30/06/2014 Actual
(All figures are GST exclusive where applicable)	\$000	\$000	\$000	\$000
Operational revenue				
Crown entity recoveries	7,862	-	6,068	8,932
Total operational revenue	7,862	-	6,068	8,932
Interest				
Tertiary investments interest	-	122	122	-
Total interest	-	122	122	-
Total current non-tax revenue	7,862	122	6,190	8,932
Capital revenue				
Repayment of investments	276	-	-	-
Total capital revenue	276	-	-	-
Total revenue and receipts	8,138	122	6,190	8,932



Schedule of Assets for the year ended 30 June 2014

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

(All figures are GST exclusive where applicable)	30/06/2013	30/06/2014	30/06/2014	30/06/2014
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Cash and bank balances	113,746	84,942	94,729	109,318
Accounts receivable	12,834	72,776	15,985	13,931
Prepayments	4,658	3,557	2,259	13,528
Physical assets*	11,000	11,000	11,000	11,000
Total non-departmental assets	142,238	172,275	123,973	147,777

* 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, the New Zealand Teachers Council, 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.

Schedule of Liabilities for the year ended 30 June 2014

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

	30/06/2013	30/06/2014	30/06/2014	30/06/2014
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Accounts payable	101,424	80,490	98,090	81,495
Accruals and provisions	327,970	302,221	281,587	351,848
Provision for teacher entitlements	264,714	175,862	175,673	175,673
Total non-departmental liabilities	694,108	558,573	555,350	609,016



Statement of Commitments for the year ended 30 June 2014

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

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Curriculum development projects:		
▶ Not later than one year	15,585	44,531
▶ Later than one year and not later than two years	18,149	13,284
▶ Later than two years and not later than five years	25,411	90
Total commitments	59,145	57,905

Statement of Contingent Liabilities for the year ended 30 June 2014

The Statement of Contingent Liabilities discloses situations that exist at 30 June 2014, 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.

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Legal proceedings:		
Personal grievance claims	2,900	2,795
Total contingent liabilities	2,900	2,795

Personal grievances

Personal grievances relate to historical abuse claims.

Unquantified contingent liability

Collective Agreement Interpretation

There is a dispute over interpretation of a clause in a collective agreement. The Ministry of Education is contesting the claim.

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



Statement of Contingent Assets for the year ended 30 June 2014

The Statement of Contingent Assets discloses situations that exist at 30 June 2014, 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.

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Suspensory loans – private and integrated schools	37,555	30,916
Total contingent assets	37,555	30,916

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 2014

Account	As at 1/07/2013 \$000	Contribution \$000	Distribution \$000	Revenue \$000	Expenses \$000	As at 30/06/2014 \$000
Export Education Levy	2,314	3,717	(2,756)	193	(42)	3,426
UNESCO ASPAC Conference	2	-	-	-	-	2
Total trust monies	2,316	3,717	(2,756)	193	(42)	3,428

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 2014

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 2014 (there was no unappropriated expenditure for the year ended 30 June 2013).

	30/06/2013 Unappropriated expenditure \$000	30/06/2014 Expenditure \$000	30/06/2014 Appropriation \$000	30/06/2014 Unappropriated expenditure \$000
Non-departmental other expenses:				
Early Childhood Education	-	1,536,819	1,515,337	21,482

Unappropriated expenditure for Early Childhood Education, in excess of appropriation, is mainly due to:

- ▶ larger than anticipated increases in attendance on non-school days, mainly in January 2014, related to increased labour market activity
- ▶ an increased average price per funded child hour following a faster than expected movement of kindergartens from sessional to all-day operations
- ▶ higher than expected population growth in the one-to-four-years age group, mainly resulting from higher than estimated migration.

These trends were not known at the time the Supplementary Estimates were finalised.

Non-departmental output expenses:				
School Transport	-	176,680	176,383	297

Unappropriated expenditure for School Transport, in excess of appropriation, is mainly due to more schools being eligible for assistance than expected and higher than expected numbers of students and distances travelled, particularly for kura kaupapa Māori and directly resourced schools. These increased costs were not known until after the Supplementary Estimates were finalised.

Total unappropriated expenditure	-	1,713,499	1,691,720	21,779
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Notes to the non-departmental financial statements

Note 1 – Statement of accounting policies for the year ended 30 June 2014

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.

Accounting policies

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 as appropriate for public benefit entities.



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 budgeted figures for the year ended 30 June 2014 are consistent with the financial information in the Main Estimates. In addition, these 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 income or expenses.

Revenue

Revenue is recognised when it is earned or received.

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).

Property, plant and equipment

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 Crown and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, 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.

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
Buildings	50

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

Land and buildings 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 asset 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. Additions between revaluations are recorded at cost.

Accounting for revaluations

The Crown 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 new surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.



Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Note 2 – Debtors and other receivables

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Accrued revenue	6,063	11,259
Less provision for doubtful debts	(1,735)	(2,709)
Other receivables	3,995	4,758
Total debtors and other receivables	8,323	13,308
Represented by:		
Current	5,923	8,550
Non-current	2,400	4,758

The carrying value of accrued revenue and other receivables approximates their fair value.

As at 30 June 2014 and 2013, all debtors and other receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2013			30/06/2014		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	551	-	551	728	-	728
Past due 1 - 90 days	67	-	67	700	281	419
Past due 90 - 180 days	860	-	860	1,078	28	1,050
Past due 180 - 360 days	1,179	367	812	1,120	40	1,080
Past due > 360 days	3,406	1,368	2,038	7,633	2,360	5,273
Total	6,063	1,735	4,328	11,259	2,709	8,550

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:

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Balance at 1 July	1,440	1,735
Increase/(release) of provisions during the year	295	974
Balance at 30 June	1,735	2,709

Note 3 – Creditors and other payables

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Creditors	101,424	81,495
Accrued expenses	327,970	351,848
Total creditors and other payables	429,394	433,343

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; 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 arm's 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 which it is reasonable to expect the Ministry would have adopted if dealing with that entity at arm's length in the same circumstance are not disclosed.

During the year the Crown purchased services from the following related parties:

- Te Aute Trust Board, in which a Deputy Secretary's brother-in-law is a Board member. These services cost \$105,598 (2013: \$108,008). No balance was outstanding at year end (2013: \$nil)

Transactions are carried out with a number of educational institutions with members of governing bodies that are related to key management personnel of the Ministry. These related individuals do not financially benefit from these transactions in their roles as board members or trustees.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Note 5 – School Contents Risk Management Scheme

The Ministry's Risk Management Scheme for Schools 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 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.

The valuation was as at 30 June 2014. A spreadsheet model was provided at that date.

The actuary was Jonathan Eriksen FNZSA FIA FIAA ASA.

The outstanding claims liability for existing claims was taken as the total claims estimate. The Incurred 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).

	30/06/2013 Actual \$000	30/06/2014 Actual \$000
Opening claims liability	2,696	1,432
Plus premiums received	2,481	6,174
(Less) re-insurance premiums paid	(1,497)	(1,480)
(Less) claims paid	(1,279)	(1,054)
Plus/(less) claims liability adjustment from valuation	(969)	(3,396)
Insurance profit/(loss)	(1,264)	244
Closing claims liability	1,432	1,676

Vote Education – changes to non-departmental appropriations

Non-departmental appropriations for 2013/14 increased by \$50.9 million (GST exclusive) (refer table on pages 164). The major reasons for the increase were:

Cabinet and other decisions

Specific government decisions resulted in a \$32.6 million increase to appropriations. The major changes included:

- ▶ settlement of various collective agreements for teachers and principals (\$28.1 million)
- ▶ establishment of the first tranche of Kura Hourua / Partnership Schools (\$9.2 million)
- ▶ funding for furnishing new schools and classrooms to accommodate roll-growth pressures (\$1.6 million)
- ▶ support for a critical period of development for children (birth to eight years old) and a successful journey through education, as well as provision for improving literacy and numeracy outcomes for families with children under five and development of strong relationships between parties connected to a child's life (\$3.2 million)
- ▶ development of Māori-medium teaching resources for early childhood education (\$1.5 million)
- ▶ lifting student achievement in mathematics/pangarau and science/putaiao through extending the Accelerated Learning in Maths programme and developing Communities of Mathematical Inquiry (\$1.3 million)
- ▶ partly offset by reprioritisation of low-value spending or uncommitted funds to higher priorities (\$12.3 million).



Revised forecasts and other changes in demand

Revised forecasts and demand changes resulted in a \$41.7 million increase in appropriations.

Significant forecast changes during the year included:

- ▶ increased costs of early childhood education, mainly owing to a combination of:
 - ▶ additional forecasted funded hours, reflecting the latest information on actual hours used and changes in distribution of these hours across funding categories, as well as for latest population and labour market projections (\$33.4 million)
 - ▶ lower than expected average rates paid per funded hour (\$1.4 million)
- ▶ increased costs of schooling (across non-departmental other expenses Primary Education, Secondary Education and Special Needs Support appropriations), mainly comprising:
 - ▶ impact on teacher funding of updated projections for national school rolls (\$10 million)
 - ▶ school operations grant changes from the same revised projections (\$5.0 million)
 - ▶ partly offset by other revised forecast assumptions (\$2.4 million)
- ▶ decreased costs of school transport services, mainly owing to a combination of:
 - ▶ lower than expected index-based adjustments to contract prices (\$4.1 million)
 - ▶ other adjustments including updated route payment information for directly resourced schools, additional kura, the impact of projected roll growth on conveyance allowances and the impact of actual rates paid (\$1.4 million)
 - ▶ partly offset by increased costs for students with special education needs comprising additional kilometres travelled each day, transition to new operators in several locations and additional clusters added after January 2013 (\$3.3 million).

Fiscally-neutral adjustments

The major fiscally-neutral adjustment between non-departmental appropriations for the year related to:

- ▶ redistribution of salaries funding relating to conversion factors from other expense appropriations Secondary Education (\$1.6 million) and Special Needs Support (\$4.1 million) to Primary Education (\$5.7 million)
- ▶ creation of a new benefits and other unrequited expenses appropriation Boarding Allowances (\$5.7 million) from 1 January 2014, funded by transfers from Boarding Allowances and Bursaries and Mapihi Pounamu, and
- ▶ creation of a new benefits and other unrequited expenses appropriation Puawaitanga Scholarships (\$0.6 million) from 1 January 2014, funded by a transfer from non-departmental other expense Schooling Improvement.



Expense and capital transfers

Transfers between financial years (from 2012/13 to 2013/14 and from 2013/14 to 2014/15 and subsequent years) resulted in a net decrease of \$9.1 million. Significant transfers to subsequent years included:

- ▶ delays in rolling out the managed network under non-departmental output expense School Managed Network Funding (\$5.4 million)
- ▶ slower than expected progress with the School Network Upgrade Project (upgrading wiring infrastructure and internet data networks) comprising funds from Integrated Schools Property (\$2.2 million) and Schools Furniture and Equipment (\$1.6 million), and
- ▶ changes in the expected timing of property sales under the Property Disposal Incentive Scheme (\$0.9 million).

These were partially offset by transfers from 2012/13 to non-departmental other expense Early Childhood Education reflecting delays for:

- ▶ initial projects under targeted participation initiatives to increase demand for early childhood education services in priority communities (\$2.4 million), and
- ▶ programmes to engage and target vulnerable Māori children under the age of three and their whānau in high quality, culturally relevant early childhood education (\$0.7 million).

Other adjustments

Other adjustments resulted in a decrease of \$14.3 million. The major reasons for the decrease were:

- ▶ transfers from non-departmental output expense Curriculum Support, benefits and other unrequited expenses National Study Awards and Teacher Trainee Scholarships, non-departmental other expenses Primary Education and Special Needs Support, and non-departmental capital expenditure School Support Project to departmental output expense Support and Resources for Education Providers for additional costs related to Novopay (\$9.2 million)
- ▶ transfer of Community-Based Language Initiatives from non-departmental other expense Schooling Improvement to Vote Māori Affairs to be managed by Te Taura Whiri i te Reo Māori in conjunction with other programmes (\$1.6 million)
- ▶ a transfer from non-departmental other expense Primary Education to departmental output expense School Property Portfolio Management for unitary charge and finance costs relating to the construction of two new schools at Hobsonville Point under the Public Private Partnerships arrangement (\$1.1 million), and
- ▶ transfers from non-departmental other expense Special Needs Support to departmental output expense Interventions for Target Student Groups for additional work arising from the transformation of the Resource Teachers Learning and Behaviour Service (\$0.6 million), and the cost of resources provided to teachers under the Incredible Years programme (\$0.5 million).



Vote Education

Non-Departmental Appropriations 2013/14	Budget 2013	Cabinet & Ministerial Decisions	Demand Changes	Transfers Between Years	Fiscally Neutral Adjustments	Other Changes	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non-departmental output expenses							
Curriculum Support	61,609	(1,000)	-	-	(365)	(1,205)	59,039
Education Research Initiatives	3,008	-	-	-	-	-	3,008
Professional Development and Support	97,359	(450)	-	(2,000)	-	-	94,909
Provision of Information and Advisory Services	23,559	200	-	-	-	-	23,759
Qualifications Support Structures	6,049	-	-	-	-	-	6,049
Quality Assurance	4,370	-	-	-	-	391	4,761
School Managed Network Funding	11,500	-	-	(5,400)	-	-	6,100
School Transport	178,583	-	(2,200)	-	-	-	176,383
Secondary School Assessments	26,480	-	-	-	-	-	26,480
Secondary-Tertiary Interface	50,858	-	-	-	-	-	50,858
Service Academies	3,640	-	-	-	-	-	3,640
Supporting Parenting	5,676	732	-	-	(140)	-	6,268
Total non-departmental output expenses	472,691	(518)	(2,200)	(7,400)	(505)	(814)	461,254
Benefits and other unrequited expenses							
Boarding Allowances	-	-	-	-	5,660	-	5,660
Boarding Allowances and Bursaries	8,069	-	-	-	(4,035)	(1,180)	2,854
Home Schooling Allowances	5,577	-	(695)	-	-	-	4,882
Māpihi Pounamu	3,250	-	-	-	(1,625)	-	1,625
National Study Awards	21,474	(157)	-	-	-	(1,500)	19,817
Puawaitanga Scholarships	-	-	-	-	576	-	576
Scholarships for Students to Attend Private Schools	4,126	-	-	-	-	-	4,126
Teacher Trainee Scholarships	3,852	(327)	-	-	-	(2,700)	825
United World Scholarships	50	-	-	-	-	-	50
Total benefits and other unrequited expenses	46,398	(484)	(695)	-	576	(5,380)	40,415
Non-departmental other expenses							
Early Childhood Education	1,480,809	(861)	32,019	3,100	270	-	1,515,337
Integrated Schools Property	59,947	-	-	(2,245)	-	-	57,702
Interest Subsidy for Schools	237	-	-	-	-	-	237
New Zealand Teachers Council	178	-	-	-	-	-	178
Primary Education	2,755,880	23,230	(12,234)	-	5,745	(2,968)	2,769,653
Remission of Fees	1,288	-	-	-	-	-	1,288
School Transport Bus Controllers	698	-	(53)	-	-	-	645



Non-Departmental Appropriations 2013/14	Budget 2013 \$000	Cabinet & Ministerial Decisions \$000	Demand Changes \$000	Transfers Between Years \$000	Fiscally Neutral Adjustments \$000	Other Changes \$000	Total \$000
Schooling Improvement	9,684	-	-	-	(576)	(1,646)	7,462
Secondary Education	1,999,024	9,827	20,018	-	(1,605)	(200)	2,027,064
Special Needs Support	335,042	1,045	4,859	-	(3,775)	(1,400)	335,771
Support for Early Childhood Education Providers	19,882	(1,300)	-	-	(130)	-	18,452
UNESCO	2,083	-	-	-	-	-	2,083
Total non-departmental other expenses	6,664,752	31,941	44,609	855	(71)	(6,214)	6,735,872
Non-departmental capital expenditure							
Property Disposal Incentives Scheme	3,511	-	-	(949)	-	-	2,562
School Support Project	1,880	-	-	-	-	(1,880)	-
Schools Furniture and Equipment	20,297	1,628	-	(1,600)	-	-	20,325
The Network for Learning Limited	5,500	-	-	-	-	-	5,500
Total non-departmental capital expenditure	31,188	1,628	-	(2,549)	-	(1,880)	28,387
	7,215,029	32,567	41,714	(9,094)	-	(14,288)	7,265,928

Vote Tertiary Education – changes to non-departmental appropriations

Non-departmental appropriations for 2013/14 increased by \$140.6 million (GST exclusive) (refer table on page 167). The major reasons for the increase were:

Cabinet and other decisions

Specific government decisions resulted in a \$137.2 million increase to appropriations. The major changes included:

- ▶ a contribution towards the rebuild of the Science and Engineering Facilities at the University of Canterbury after the 2010 and 2011 earthquakes (\$110 million)
- ▶ a capital injection for expansion of the Sullivan Avenue campus of the Christchurch Polytechnic Institute of Technology and implementation of an enhanced and integrated programme delivery model (\$18.9 million)
- ▶ maintaining current levels of trades training and associated activities in response to the Christchurch earthquakes (\$6.9 million)
- ▶ funding for beneficiaries to be referred to specialist English for Speakers of Other Languages providers or to address intensive literacy and numeracy needs (\$4.4 million)
- ▶ extending the Apprenticeships Re-boot programme to include all eligible apprentices up to 30 June 2014, comprising an estimated additional 4,000 trainees (\$4 million)
- ▶ additional fees-free provision for 20- to 24- year-olds at Levels 1 and 2 of the New Zealand Qualifications Framework (\$2.9 million)
- ▶ provision for additional engineering places from 2014 - 2017 (\$2.4 million)
- ▶ provision or other additional student places in 2014 (\$1.6 million)
- ▶ a re-phasing of contractual payments to Centres of Research Excellence (\$1.1 million)



- ▶ establishing a new appropriation to enable reimbursement to 107 former ComputerPower students who did not receive refunds to which they were entitled following the liquidation of ComputerPower (\$0.4 million)
- ▶ provision for upgrading the Literacy and Numeracy Assessment Tool (\$0.4 million)
- ▶ partly offset by provision for extending the Apprenticeships Re-boot programme into 2014/15 (\$16 million decrease).

Expense and capital transfers

Transfers between financial years (from 2012/13 to 2013/14) resulted in a net increase of \$3.4 million. Significant transfers included:

- ▶ a carry forward from 2012/13 for contributions towards the costs of tools and equipment under the Apprenticeships Re-boot programme (\$1.7 million), and
- ▶ a transfer from 2012/13 for the Youth Guarantee programme recognising under delivery resulting from the change in the scheme from learner places to Equivalent Full-time Students based funding and the need for providers to apply to the New Zealand Qualifications Authority for programme approval and accreditation (\$1.2 million).

Fiscally neutral adjustments

The major fiscally neutral adjustment between non-departmental appropriations for the year were:

- ▶ transfer from non-departmental output expense Community Education to Training for Designated Groups and Tertiary Education Grants and Other Funding because the implementation date for those funds was 1 January 2014 instead of 1 July 2013 as assumed in the Budget (\$2.7 million), and
- ▶ a reallocation from non-departmental output expense Training for Designated Groups to benefits and other unrequited expenses Apprenticeships Re-boot for an increase in the proportion of apprentices who are in priority trades (\$1.6 million).



Vote Tertiary Education

Non-Departmental Appropriations 2013/14	Budget 2013	Cabinet & Ministerial Decisions	Fiscally Neutral Adjustments	Transfers Between Years	Total
	\$000	\$000	\$000	\$000	\$000
Non-departmental output expenses					
Centres of Research Excellence	31,690	1,064	-	-	32,754
Community Education	61,219	4,351	(2,867)	-	62,703
International Education Programmes	31,622	-	(240)	-	31,382
Managing the Government's Investment in the Tertiary Education Sector	41,191	400	-	300	41,891
Ownership Monitoring of Tertiary Education Institutions	2,567	-	-	-	2,567
Performance-Based Research Fund	268,750	-	-	-	268,750
Tertiary Education and Training Advice	3,837	-	-	-	3,837
Tertiary Education Grants and Other Funding	24,097	-	199	-	24,296
Tertiary Education: Student Achievement Component	2,040,201	11,049	168	-	2,051,418
Training for Designated Groups	331,897	(20,000)	900	2,061	314,858
Total non-departmental output expenses	2,837,071	(3,136)	(1,840)	2,361	2,834,456
Benefits and other unrequited expenses					
Apprenticeships Re-boot	13,150	11,000	1,600	861	26,611
International Student Scholarship Scheme	800	-	240	-	1,040
Study Abroad Awards	1,290	-	-	-	1,290
Tertiary Scholarships and Awards	12,754	-	-	-	12,754
Total benefits and other unrequited expenses	27,994	11,000	1,840	861	41,695
Non-departmental other expenses					
Auckland University Starpath Project	1,000	-	-	192	1,192
Reimbursement of Fees to ComputerPower Students	-	400	-	-	400
Tertiary Education Institutions Merger Support	1,500	-	-	-	1,500
Total non-departmental other expenses	2,500	400	-	192	3,092
Non-departmental capital expenditure					
Literacy and Numeracy Assessment Tool	250	-	-	-	250
Support for the University of Canterbury	-	110,000	-	-	110,000
Support for Trades Training	-	18,900	-	-	18,900
Total non-departmental capital expenditure	250	128,900	-	-	129,150
	2,867,815	137,164	-	3,414	3,008,393



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