

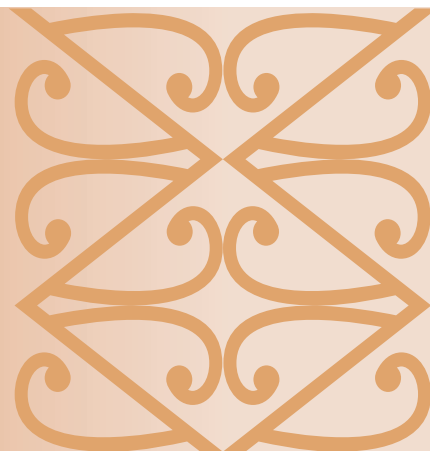
REPORT

MINISTRY OF EDUCATION

For the year ended 30 June 2013

ANNUAL REPORT

2013



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 2013.

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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 of Education Hon John Banks

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 2013

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 2013.

Peter Hughes

Secretary for Education

Contents

Foreword from the Secretary for Education	4
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Part 1 – Our focus

Executive summary	8
Responded to Government direction	10
Our 2012/13 priorities	15
Focus on Māori students, Pasifika students, students with special education needs and students from low socio-economic areas	17
Early childhood education	20
Primary and secondary schooling	24
Special education	33
Tertiary and international education	37
The Ministry is capable, efficient and responsive to achieve education priorities and deliver core business functions	46

Part 2 – Our performance

Introduction to financial performance	58
Financial statements	65
Supplementary information	83
Statements of service performance	102
Financial statements and schedules – non-departmental	143



FOREWORD FROM THE SECRETARY FOR EDUCATION

In July 2013, I was delighted to be appointed as the Secretary for Education, after acting in the role for a period. Education is crucial to New Zealand's future and the Ministry, our early childhood education services, schools and tertiary providers together have a huge responsibility to help children, young people and students prosper. It's a responsibility I take very seriously and I'm committed to ensuring the Ministry works with education leaders to back them every step of the way.

The 2012/13 year was clearly a challenging one. In terms of delivering initiatives and programmes, it was demanding in many ways. Through this work we made real progress on getting better education outcomes for New Zealanders. But the Ministry found itself stretched in terms of capacity and, in some cases, capability in key areas. We got some things wrong.

After eight years of development, the new schools' payroll service, Novopay, went live in August 2012. While many Ministry staff worked hard to deliver a modern, online payroll service for schools, there were significant issues with the Novopay service which caused considerable extra work for principals, executive officers, school administrators and the workforce, as well as impacting on payments. This caused a huge amount of stress for school staff and teachers. I deeply regret that.

The Ministerial Inquiry into Novopay made clear that there were things that should have been done differently and that change was needed. I fully accept the findings and recommendations of the Inquiry and leadership changes have been made, including the establishment of a dedicated Ministry group to give the Novopay service the focus and resource it needs. We've been fixing the issues with Novopay, and we are making steady progress.

We also learned valuable lessons through the Christchurch Education Renewal Programme. While the vision for education in Christchurch is compelling, we could have done better in engaging with local communities and schools. These lessons are being taken on board.

Through all of this, we did not lose sight of our mission – lifting aspiration and raising educational achievement for all New Zealanders.

In June 2012, the Government set the public sector 10 targets to improve outcomes for New Zealand. Three of those targets are about education:

- ▶ In 2016, 98% of children starting school will have participated in quality early childhood education.
- ▶ Eighty-five per cent of 18-year-olds will have achieved NCEA Level 2 or an equivalent qualification in 2017.
- ▶ Fifty-five per cent of 25- to 34-year-olds will have a qualification at level 4 or above in 2017.

In 2012/13, these targets were the Ministry's key priority. We made progress against every target, including delivering the biggest annual increase in prior participation in early childhood education in a decade.

But while the overall picture for educational achievement in New Zealand is positive, it's clear that more work and different approaches are needed to support students in four particular groups – Māori, Pasifika, those with special education needs and those from low socio-economic areas. So our work in 2012/13 concentrated on raising achievement for all students and specific initiatives to help those groups.

We provided specialist services and support to approximately 35,000 children with special education needs, through a team of over 800 front-line full-time equivalents working directly with children to support their engagement and achievement. In addition, we delivered the Incredible Years programmes to 3,848 parents and 2,594 teachers, supporting them to create positive learning environments and develop ways of turning around disruptive behaviour in the classroom.

To increase the number of students achieving NCEA Level 2, we ran a pilot programme with a group of secondary schools. These schools had high proportions of Māori students and Pasifika students, including a significant number who were unlikely to achieve the required standard through traditional schooling approaches. Working with school staff, we provided additional support for 311 students, 189 of whom went on to achieve NCEA Level 2. Following the success of the pilot, the programme is being rolled out to 141 schools.

We've continued to build and improve school infrastructure, knowing the positive impact that the right environment has on learning. This included committing \$19.6 million for new kura kaupapa Māori and wharekura and \$10.8 million for new schools and satellites for children with special education needs. In addition, by July 2013 we provided over 500,000 students in 1,790 schools with access to ultra-fast broadband.

We designed and delivered the Vocational Pathways programme, working closely with industry, other government agencies, schools and other education providers. This included a website for students and a series of career guides for schools to help students to understand what they need to do to qualify for their chosen career or further study.

Working with other government agencies, we co-funded trial programmes in different parts of the country, to change the way social services are delivered and achieve better outcomes. These programmes have shown reductions in truancy and improved secondary school attendance and we see them as a model for the future.

But while our efforts in 2012/13 helped raise achievement for children and young people, there is more to do. It is clear that we have some things to work on as an organisation. Now is the time to focus on these.

Our vision for education is ultimately about children, young people and students succeeding personally and achieving educationally, so in years to come they are productive, valued and competitive in the world.

To achieve this, the Ministry needs to change. We must improve relationships and adopt a culture of backing the efforts of principals, teachers and providers to succeed. We must also plan for the education system as a whole, so that every child, young person and student can succeed at every stage of their learning journey.

Peter Hughes

Secretary for Education

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EXECUTIVE SUMMARY

A successful education system is crucial to a strong civil society and a prosperous New Zealand. In 2012/13, the Ministry of Education's focus was on actions and policies that would help the education system work better for all New Zealanders, supporting the achievement of targets set by Government and helping every child, young person and student achieve their potential.

In early 2012, the Government announced 10 result areas to improve outcomes for New Zealanders. Three were concerned with educational goals:

- ▶ Increasing participation in early childhood education
- ▶ Increasing the percentage of 18-year-olds achieving NCEA Level 2 or an equivalent qualification
- ▶ Increasing the number of young people with higher qualifications.

To meet the Government's targets, we concentrated activity and investment on two priority areas in 2012/13:

- ▶ Improving the performance of the education system for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas
- ▶ Maximising the contribution of education to the economy.

Good progress was made in 2012/13 towards each of the Government's targets. The most significant progress was in early childhood education participation, with the largest annual increases in a decade.

Recognising that many different groups play a role in education success, and the need for a more connected public service, we worked with a range of other government agencies, local communities and education providers. This work included involvement in a range of cross-agency initiatives such as the Social Sector Forum, Children's Action Plan and Youth Mental Health Project.

The education system has not been consistently effective in lifting achievement for some groups: Māori, Pasifika, those with special education needs and those from lower socio-economic areas. We invested significant time, effort and money to improve education outcomes for these groups.

In 2012/13, the Ministry released the next phase of the Māori Education Strategy, Ka Hikitia, and developed Tau Mai Te Reo – the Māori Language in Education Strategy. To help raise achievement for Pasifika students we funded outreach services and co-delivered a programme of workshops to over 2,000 Pasifika families to help them understand NCEA and get more involved with their young person's education.

There were increases in prior participation of children in early childhood education in 2012/13. These increases are ahead of participation rate targets and will see us exceeding Government's expectations if trends continue. Māori participation exceeded the target but, despite increases, more work is needed for Pasifika children. These increases have been supported by engaging with communities and iwi and targeting investment where it could make the most difference.

During 2012/13, we continued to support and strengthen education at primary and secondary schools through significant investment, advice and a range of programmes to raise student achievement. We made progress against a number of key measures, including an increase in the percentage of school leavers achieving NCEA Level 2 and a lift in the proportion of pupils reaching National Standards, especially in reading.

We provided policy advice for legislation for the introduction of Partnership Schools | Kura Hourua, providing more choice and new alternative approaches for young people.

We maintained and improved school buildings and facilities. We connected more schools to ultra-fast broadband and upgraded more school networks to ensure good use of fibre connections for teaching, learning and school administration. All schools will be connected by 2016. We have a revised, integrated approach to the use of information and communication technology based on the outcomes of the 2012 Select Committee

Inquiry into 21st-Century Learning and the Government response. We have set up and worked closely with the new Crown-owned company, The Network for Learning Limited to plan and deliver a managed network service for schools. By July 2013, 600,000 children across 1,800 schools had access to improved broadband connections.

The Government has committed up to \$1,000 million over 10 years to rejuvenate the education system in greater Christchurch. In 2012/13, we undertook a programme of repairs, rebuilds and new schools.

Each year, the government invests \$500 million in special education services and in 2012/13 we provided specialised support to approximately 35,000 children and young people with special education needs. Progress was made on getting more Pasifika children accessing early intervention services, but we need to make more effort to increase access for Māori children. More schools are demonstrating inclusive practices for children with special needs, but more effort is needed to increase the percentage of eligible children seen by specialists within 90 days of referral. We implemented the Success for All – Every School, Every Child work programme and provided a range of resources, tools and programmes to support students, parents, principals, teachers and boards.

In 2012/13, there were 422,000 students enrolled in formal study programmes with tertiary education providers. Progress was made in a number of result areas including the proportion of 25- to 34-year-olds achieving higher-level qualifications. In addition, the cost of lending under the Student Loan Scheme has reduced. The number of international student enrolments declined in 2012, principally because of economic factors. However, overall tuition fee income from international students was higher than in 2011 and the gross benefit to the economy grew. Over the period, we have improved transition pathways, introduced the New Zealand Apprenticeship and strengthened the performance of the tertiary education system and its links to the labour market.

As well as working to improve education outcomes, the Ministry also had a particular focus on improving its own performance. Critical issues with the introduction of the new schools' payroll service, Novopay, highlighted the need for improvement, but from the start of 2012/13 the Ministry was already implementing a series of improvements to its core functions. The strengthening of processes, people capability, programme and project management, and systems all put the Ministry in a better position to maximise the return on the Government's investment in education.

RESPONDED TO GOVERNMENT DIRECTION

Education is key to social cohesion and involvement and economic prosperity. It impacts on all families in New Zealand – whether as students, teachers, parents, educators or employees. Achievement of qualifications and skills through primary and secondary schooling and in the tertiary sector enables young people to enter the workforce, and contribute to New Zealand's economy. To achieve this, education needs to deliver quality outcomes for all children and young people.

In 2012/13, we responded to new Government expectations and targets for the Ministry and the public service. To do this, we had two key priorities:

- ▶ Raising achievement for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas
- ▶ Maximising the contribution of education to the economy.

Work to deliver on these priorities was varied and targeted all parts of the education sector.

We recognised that achievement of these priorities and our key targets requires the Ministry to change our role and our ways of working. We are in the midst of a positive change so New Zealand's young students can achieve their potential. Our vision is ensuring children succeed personally and achieve educationally, so in years to come they are productive, valued and competitive in the world. We want New Zealand and New Zealanders to lead globally. We have worked, and will work, more collaboratively with the education sector, and back them every step of the way. This will require better sharing of expertise and effective practice across the sector. The Ministerial Cross-Sector Forum is already providing opportunities for quality, collaborative discussions, and to involve key stakeholders in a wide range of our activities.

We are making changes in the way we organise our functions and service delivery across the country to be more accessible and more focused on providing targeted support for local innovation. A stronger focus on team work is seeing us teaming up across the organisation and the sector to deliver results.

Delivered Better Public Services

In June 2012, the Government announced 10 result areas which are a core commitment to improve outcomes for New Zealanders.

After one year, results for the three education targets are positive.

RESULT AREA	BETTER PUBLIC SERVICES TARGET	CURRENT PERFORMANCE
Reducing long-term welfare dependence and supporting vulnerable children (contributing)		
Increase participation in early childhood education.	In 2016, 98% of children starting school will have participated in quality early childhood education.	95.7% in year to 30 June 2013 INCREASE of 0.7 percentage points from June 2012.
<p>Current performance This represents an additional 2,453 children compared with the year before, including 834 more Māori children, 389 more Pasifika children and 388 more children starting a decile 1-3 school. This is the biggest annual increase in a decade.</p> <p>Progress towards meeting 2016 target This is an equitable target – that is, the target is 98% of all children starting school in 2016 having participated in early childhood education, including 98% of Māori children and 98% of Pasifika children. This recognises that the 98% participation rate targets for European/Pākehā children and Asian children have already been met, or will be met much earlier than for Māori children and Pasifika children.</p> <p>If the level of growth seen in 2012/13 is maintained over the next three years, we will meet the 2016 target for the total population. The increase for Māori children, Pasifika children and children starting at decile 1-3 schools is currently not large enough for these groups to reach 98% in 2016.</p>		

RESULT AREA	BETTER PUBLIC SERVICES TARGET	CURRENT PERFORMANCE
Boosting skills and employment (leading)		
Increase NCEA Level 2 results of 18-year-olds.	In 2017, 85% of 18-year-olds will have achieved NCEA Level 2 or an equivalent qualification.	77.2% in 2012 INCREASE of 2.9 percentage points from 2011.
<p>Current performance The NCEA Level 2 achievement rate for Māori 18-year-olds rose at a faster rate than for the overall population, while the achievement rate for Pasifika 18-year-olds rose at a slightly lower rate than for the overall population.</p> <p>Progress towards meeting 2017 target This is an equitable target – that is, the target is 85% of all 18-year-olds achieving NCEA Level 2 or an equivalent qualification in 2017, including 85% of Māori 18-year-olds and 85% of Pasifika 18-year-olds.</p> <p>The increase in overall NCEA Level 2 achievement rates in 2012 is on track for 85% of all 18-year-olds to achieve NCEA Level 2 or an equivalent qualification in 2017. The increases in Māori and Pasifika achievement are currently not large enough to be sure these groups will achieve the 85% target in 2017.</p>		
RESULT AREA	BETTER PUBLIC SERVICES TARGET	CURRENT PERFORMANCE
Boosting skills and employment (leading)		
Increase the number of young people with higher qualifications.	In 2017, 55% of 25- to 34-year-olds will have a qualification at level 4 or above on the New Zealand Qualifications Framework.	52.6% in 2012 INCREASE from 51.8% in 2011.
<p>Current performance Progress is being measured by looking at the participation in, and completion of, qualifications among the cohort of young people who will be between the ages of 24 and 34 years in 2017. Net migration will affect this measure, and is being monitored for its impact.</p> <p>Progress towards meeting 2017 target Steady progress is being made in increasing achievement of qualifications at level 4 or above on the New Zealand Qualifications Framework. Enrolments among young people are being maintained and net migration trends in the 25- to 34-year-old age group have improved slightly.</p>		

We have concentrated on outcomes for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas. In our early childhood education participation and NCEA Level 2 achievement targets, there is less work to do to meet targets for European/Pākehā and Asian children. The stretch in these targets is ensuring equitable participation and achievement:

- For the year ending 30 June 2013, the overall early childhood education participation rate was 95.7%. Rates were high for European/Pākehā children (98.2%) and Asian children (97.1%). Rates were much lower for Māori children (92.3%) and Pasifika children (88.6%).
- In 2012, the overall NCEA Level 2 or an equivalent qualification achievement rate for 18-year-olds was 77.2%. Rates were higher for European/Pākehā 18-year-olds (82.1%) and Asian 18-year-olds (87.0%). Rates were significantly lower for Māori 18-year-olds (60.9%) and Pasifika 18-year-olds (68.1%).

These results provide further impetus for our focus on activity that improves outcomes for Māori students and Pasifika students.

What we did

We increased participation in early childhood education. Currently, 4,885 children are participating through the Early Childhood Education Participation Programme, including high numbers of Māori children and Pasifika children.

Actions we took include:

- ▶ set up action groups in 12 communities to tap into the knowledge and understanding of the communities
- ▶ established 36 supported playgroups in communities of high need
- ▶ established three new Engaging Priority Families initiatives in communities with the lowest rates of participation in early childhood education
- ▶ re-licensed 766 early childhood education services to meet the 2008 regulatory framework, exceeding the target.

We increased the range and use of achievement information publicly available to support schools to increase achievement and to improve parental and family understanding of their child's progress.

We increased achievement of qualifications in senior secondary and tertiary education by:

- ▶ working intensively with selected secondary schools to increase NCEA Level 2 achievement for identified students at risk of not achieving the qualification in 2012
- ▶ working with the New Zealand Qualifications Authority to implement the NCEA and the Whānau programme in 2012/13, delivered to 4,254 whānau through one of 165 workshops, and the NCEA ma le Pasifika programme, delivered to 2,037 Pasifika families through one of 44 workshops
- ▶ investing \$75 million in professional learning and development for teachers, leaders and principals
- ▶ working with 748 whānau, reaching a total of 1,368 children – we provided information to 864 participants, developed whānau education action plans with 445 whānau and brokered 177 whānau into early childhood education, Incredible Years programmes, the Youth Guarantee and other education services and programmes. We delivered 106 presentations to 2,214 participants about early childhood education, National Standards or NCEA
- ▶ implementing five Vocational Pathways, developed in partnership between industry and education
- ▶ making 8,500 fees-free places available to help students gain foundation skills for employment or further study
- ▶ funding 5,400 fees-free places at levels 1 and 2 through the Student Achievement Component
- ▶ establishing 23 Youth Guarantee networks across the country to improve outcomes for young people, including retention, participation, achievement and effective transitions
- ▶ supporting 3,695 places in secondary-tertiary programmes, which provide another type of education provision for young people.

Set up taskforces

In 2012/13, we set up taskforces to drive faster rates of change in key areas for our priority groups of students and to help us achieve our Better Public Services targets. The taskforces' approach was to:

- ▶ act to get faster progress, remove obstacles and prioritise action
- ▶ share the data that identifies the greatest opportunities to make a difference
- ▶ diagnose what can be achieved quickly to deliver sustainable change
- ▶ prescribe and co-develop solutions, working as one Ministry, within communities and with education providers.

Staff across the Ministry have been involved in design and implementation of solutions, bringing together expertise and on-the-ground knowledge to accelerate outcomes. Planning and coordination ensured interventions were targeted to the schools and children and young people that will benefit most.

Engaged communities in priority work

The taskforces engaged parents, families, whānau and communities in their activity, and in education, with three overarching community engagement goals in mind:

- ▶ Inviting community leaders and groups in three communities of high potential and high need (Whangarei, West Auckland and Rotorua) to champion better outcomes for their communities
- ▶ Improving community access to information, support and services
- ▶ Establishing multi-disciplinary teams to work on the front line, providing a more seamless and integrated service to education providers and communities.

Worked across government

Focus on the Better Public Services result areas has resulted in cross-agency work, vital to achievement of the targets. We worked across government agencies to align investment, direction and work, to ensure a seamless experience for the public and to make the best use of resources.

Supported the Ministerial Cross-Sector Forum on Raising Achievement

We supported the cross-sector forum which the Minister of Education established in 2012 to bring together key sector leaders to develop strategies and actions that lift achievement for all students.

The Forum has provided the opportunity for cross-sector discussion and input into the key issues in raising education achievement. Forum members have participated in education events such as a pre-release briefing on National Standards data and a Budget 'lock-up' sharing information on the education budget for 2013/14.

Contributed to cross-agency initiatives

Our involvement in cross-agency initiatives intensified during 2012/13 in response to Government direction.

Social Sector Forum

We are one of the key agencies in the Social Sector Forum, which is made up of 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.

Social Sector Trials

The Social Sector Trials involve the Ministries of Social Development, Justice, Education and Health and the New Zealand Police working together to trial a new way of delivering social services.

The trials have been set up to improve outcomes specific to the needs in particular communities, particularly youth. They support decision-making at the local level, build on existing networks and strengthen coordination at every level of government and within the community.

In 2012/13, we supported existing social sector trials and worked with the other agencies to establish the new trial sites. At a national level, we contributed to planning, governance and programme management, and at the local level, in trial communities, by participating in local advisory groups.

We are heavily involved in supporting and working with the Rotorua Education Initiative trial lead, Ngāti Whakaue. We appointed a local manager to actively support both the Rotorua Education Initiative and the Rotorua Children's Action Plan team with the day-to-day operation of the education sector aspects of the initiative.

The Children's Action Plan

The Children's Action Plan is a cross-sector collaboration to reduce child abuse and neglect and improve outcomes for at-risk children.

We are contributing to several of the work streams, at both the national and local level. For example, as part of the Children's Teams, regional staff are involved in new multi-agency responses to at-risk children, and are contributing to a strategy to improve outcomes for children in care.

We are the lead agency for the Safe and Competent Workforce project within the plan. This involves working with the education, health, justice, social services and community sectors to deliver the workforce changes required in the plan.

Youth Mental Health Project

The Youth Mental Health project includes 22 initiatives to improve mental health and well-being for young people with, or at risk of developing, mild to moderate mental health issues and improve access to appropriate services.

The Ministries of Health, Education and Social Development, Te Puni Kōkiri and the Department of the Prime Minister and Cabinet are delivering this project. Our contribution is providing special education services to children and young people, and through programmes and initiatives as part of Success for All – Every School, Every Child and Positive Behaviour for Learning.

Skilled and Safe Workplaces

Skilled and Safe Workplaces is one of the six key areas in the Government's Business Growth Agenda, a key priority for the Government. The work brings together targets for lifting New Zealanders' skills and qualifications, reducing long-term unemployment and improving workplace health and safety.

Working with the Ministry of Business, Innovation and Employment and other relevant agencies, our main focus has been on how the tertiary education system:

- ▶ delivers more, higher-skilled graduates
- ▶ is responsive to the needs of business
- ▶ has high-quality provision
- ▶ provides information for students to make informed study and career decisions.

We are also involved in cross-government work on innovation and export markets to support the Business Growth Agenda.

OUR 2012/13 PRIORITIES

In order to meet the Government's targets and expectations for the education sector, we focused on two priorities in 2012/13:

- ▶ 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 economy.

We recognised that this required changes in the way we work with the education sector to enable more collaborative approaches, as well as improvements in our capability and delivery.

Māori students, Pasifika students, students with special education needs and students from low socio-economic areas

The evidence is clear that the system is underperforming for certain groups in our population. Outcomes overall are poorer for Māori students, Pasifika students, students with special education needs and students from lower socio-economic areas.

This is a system issue that we need to address. The education system must meet the needs of these students, and deliver education in ways that reflect and affirm their identity, language and culture. We know that engaging parents, families, whānau and the communities around these students in education in positive and affirming ways makes a significant difference to student achievement. Improved outcomes for these groups are a priority for the Ministry in all our activity and will support overall lifts in system performance.

It is through improved outcomes for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas that overall system performance will improve. In many of our key targets, including our Better Public Services targets for early childhood education participation and NCEA Level 2 achievement, performance for European/Pākehā students and Asian students is already at or close to target. This highlights that the stretch in these targets is equitable performance, particularly for Māori students and Pasifika students.

The Student Achievement Function has been designed specifically to support schools to improve achievement of their Māori and Pasifika students. Schools supported through this programme have seen increases in achievement for their Māori and Pasifika students, as well as for other groups of students.

Our pilot work with secondary schools in 2012 to increase NCEA Level 2 achievement was targeted in schools with high proportions of Māori students and Pasifika students. We supported schools to put in place programmes that helped their students at risk of not achieving NCEA Level 2 in the 2012 academic year, and many of these identified students were Māori and Pasifika. In these schools, the programmes that were put in place to support these identified students also led to increased achievement for other groups of students.

Maximising education's contribution to the economy

Education is a major contributor to economic growth and development. Maximising that contribution requires all children and young people to acquire the skills and knowledge that make it possible for them to realise their potential and contribute to the economy and society of New Zealand.

In 2012/13, we accelerated changes that would enable young people to successfully gain the skills and qualifications required by employers. We co-led the cross-government action plan to improve the supply of skilled workers to the labour market as a key activity. Working with other agencies, we put in place changes to strengthen the performance of the tertiary, research, knowledge transfer and international education sectors to contribute to the Government's economic growth goals.

Improving the performance of the Ministry

The Ministry continues to improve the way we carry out our core functions, providing better public services to all New Zealanders and maximising the return on Government's investment in education.

In 2012/13, we lifted the capability and capacity of the Ministry to be more efficient in the way we work and to deliver equitable results for all children and young people. We changed the way we interact with education government agencies and other government departments to ensure we contributed to broader Government goals. We directed our funding to interventions that have the greatest impact on our priorities.

Future focus – our changing role

We are changing our role in the sector and we are in the midst of a positive change initiative to set a platform for New Zealand's young students to be the best they can be. Our vision is ensuring children succeed personally and achieve educationally, so in years to come they are productive, valued and competitive in the world. We want New Zealand and New Zealanders to lead globally. We will work more collaboratively with the education sector, and back them every step of the way. This will require better sharing of expertise and effective practice across the sector. We provided support to the Ministerial Cross Sector forum. The forum is an advisory group to the Minister of Education to contribute their leadership, advice and proposals for raising achievement.

We are making changes in the way we organise our functions and service delivery across the country to be more accessible and more focused on providing targeted support for local innovation. A stronger focus on team work is seeing us teaming up across the organisation and the sector to deliver results.

FOCUS ON MĀORI STUDENTS, PASIFIKA STUDENTS, STUDENTS WITH SPECIAL EDUCATION NEEDS AND STUDENTS FROM LOW SOCIO-ECONOMIC AREAS

This section outlines our system-level activity to improve outcomes for these groups, including use of the evidence of what works for these students to enable them to participate and achieve.

ACTIVITY

- ▶ Refreshed the Māori education strategy, Ka Hikitia – Accelerating Success, with a stronger focus on quality provision, community engagement and Māori language in education.
- ▶ Redeveloped the Pasifika Education Plan, with increased focus on our Better Public Services result areas.
- ▶ Continued to implement Success for All – Every School, Every Child to build inclusive practice for children and young people with special education needs in schools.

Improved system performance for and with Māori

Refreshed Ka Hikitia – Accelerating Success

In 2012/13, we released the next phase of the Government's Māori Education Strategy, Ka Hikitia. It retains the vision and key guiding principles of Ka Hikitia – Managing for Success 2008-2012, with a stronger focus on tertiary education and implementation of Tau Mai Te Reo – the Māori Language in Education Strategy.

The strategy includes actions to improve the two factors essential to the educational success of Māori children and young people:

- ▶ Quality provision, leadership, teaching and learning supported by effective governance
- ▶ Strong engagement and contribution from parents, whānau, hapū, iwi, Māori organisations, communities and businesses.

During 2012/13, the Office of the Auditor-General released its report on the implementation of Ka Hikitia – Managing for Success. The report outlined that the development and framework of the strategy were sound but implementation could have been better. In response, we will undertake activity for the new Ka Hikitia at national and regional level and programmes and policies will be targeted and tailored to be effective for Māori.

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

In 2012/13, we completed Tau Mai Te Reo to ensure the Māori language is valued, considered and prioritised within the education sector. A literature review of what works for students of Māori language and a stock take of Māori language in education activity will add further value to the strategy.

Implemented Whakapūmautia, Papakōwhaitia, Tau ana – Grasp, Embrace and Realise

Whakapūmautia, Papakōwhaitia, Tau ana – Grasp, Embrace and Realise is the Ministry's guide to conducting excellent education relationships with iwi. In 2012/13, we delivered 60 workshops to staff to support implementation. We increased the number of relationships to 65 with iwi and seven with national Māori organisations, giving iwi and Māori organisations an opportunity to play a key role in the education success of Māori children and young people.

One example is our work with Ngāti Whakaue in Rotorua to build new early childhood education centres and to introduce a programme of science learning for school-aged children. This has created opportunities for Ngāti Whakaue identity, language and culture to be expressed in education and will address barriers to early childhood education participation in Rotorua.

The Port Nicholson Block Settlement Trust (on behalf of Taranaki Whānui ki te Upoko o Te Ika) has developed and distributed educational resources on the history of Taranaki Whānui in the Wellington area. We provided funding and advice for this work, as well as the establishment of the Ahi Kaa Learning Centre to help young Māori work towards NCEA and equivalent qualifications.

Strengthened the Ministry's capability to deliver for Māori

In 2012/13, we implemented the Measurable Gains Framework, a tool that helps us identify how our work contributes to raising achievement for Māori. For the first time, all project managers were required to use the tool in their project documentation and are reporting monthly on progress.

The Tātai Pou Competency Framework was introduced to all Ministry staff from October 2012, and sets the key performance competencies for our staff to deliver on through their work to improve outcomes for and with Māori. By early 2013, about two-thirds of our staff had these competencies included in their individual development plans.

Improved system performance for Pasifika students

In response to issues raised in a 2011 review of the Pasifika Education Plan, we released the next phase of this plan in 2012/13. The review of the previous plan identified improvements in all sectors, but also significant challenges:

- ▶ Pasifika participation in early childhood education remains lower than for any other ethnic group, despite strong increases in recent years.
- ▶ Pasifika students experience disparities in literacy and numeracy achievement compared with students of other ethnicities.
- ▶ Disparities in achievement levels for Pasifika students are significant at NCEA level and widen further at higher qualification levels.
- ▶ Although tertiary participation and completion rates for Pasifika students have increased, there is still a way to go in achieving parity of outcomes.

The plan sets out actions based on the evidence of what works, including the active involvement of parents, families and communities in education. The plan sets more ambitious targets for improvements in outcomes for Pasifika children and young people and is a key contributor to our effort to achieve our Better Public Services targets.

In partnership with the Ministry of Pacific Island Affairs, we funded the Pasifika Early Learning Mobile Outreach Service (called SMART Bus). The service works directly with the community in targeted areas to raise awareness of early learning in the Pasifika community and to engage Pasifika children and families in early childhood education. In addition to providing funding, we selected the contractor to run this service and identified potential events for the service to attend.

The NCEA ma le Pasifika programme, delivered with the New Zealand Qualifications Authority, is designed to increase Pasifika parents' knowledge and understanding of NCEA. During 2012/13, 24 navigators (trainers) delivered 44 workshops to 2,037 Pasifika families. Over 99% of those who participated said they feel more knowledgeable and confident to discuss NCEA with schools.

We ran fono and clinics to encourage Pasifika parents and families to stand for board of trustees election. This is a key to ensuring schools are reflective of their communities. Anecdotal evidence suggests that, as a result of the clinics conducted in Auckland, Pasifika parents ran for, and were elected to, boards of trustees.

We shared the evidence and focus of the new Pasifika Education Plan with schools to help them identify the support they needed to serve their Pasifika students better. We brokered access to critical interventions and services such as the Student Achievement Function, professional learning and development, and support from front-line staff. We shared information on developments such as the Integrated Attendance Services Project and the Greater Christchurch Education Renewal Programme, ensuring they are responsive to Pasifika children and young people.

Improved system performance for children and young people with special education needs

The Education Act 1989 states that all children with special education needs have the same rights to enrol and receive education at state and state-integrated schools as children without special education needs. Success for All – Every School, Every Child sets the Government’s vision of a fully inclusive education system.

Success for All’s three main areas of work are the:

- ▶ Success for All work programme, focused on accountability, system transformation and supporting schools
- ▶ Inclusive Education Taskforce, focused on strengthening schools’ inclusive practices
- ▶ Positive Behaviour for Learning Action Plan, providing programmes to schools, teachers, parents and students.

Detail of outcomes for children and young people with special education needs is covered in the Special education section of this report.

EARLY CHILDHOOD EDUCATION

Regular participation in quality early childhood education significantly increases a child's likelihood of future success in education, particularly for children from vulnerable families. Ensuring that all children and their parents and families have access to high-quality provision that meets their needs and supports their identity, language and culture increases participation.

Snapshot

As at 1 July 2012, there were:

- ▶ 5,161 early education services:
 - ▶ 4,265 licensed services
 - ▶ 896 certificated services
- ▶ 217,727 enrolments in licensed and certificated services. Of these:
 - ▶ 44,525 (20%) were identified as Māori
 - ▶ 15,045 (7%) were identified as Pasifika
- ▶ 21,455 teaching staff at teacher-led licensed services. Of these:
 - ▶ 2,009 (9%) identified as Māori teachers
 - ▶ 1,780 (8%) identified as Pasifika teachers.

ACTIVITY

- ▶ Increased participation in early childhood education.
- ▶ Engaged communities.
- ▶ Improved information about participation and quality.
- ▶ Targeted support to increase participation.
- ▶ Increased the quality of the entire network of early childhood education.

Results

Data and targets reported below are for the 2012/13 financial year.

MEASURE	TREND TO DATE	METRIC	ACTUAL 2012/13	TARGETS 2013
INCREASE the percentage of children who have attended early childhood education prior to starting school ¹	↑	Total	95.7%	95%
INCREASE the number of children accessing early childhood education as a result of targeted participation projects	↑	Total number of new participants (cumulative numbers)	4,885	2,706
RE-LICENSE early childhood education services that meet new licensing quality standards	↑	Early childhood services	85%	80%
INCREASE the number of Māori and Pasifika early childhood education teachers ²	↑	Māori	1,221	1,107
	↑	Pasifika	1,179	1,137

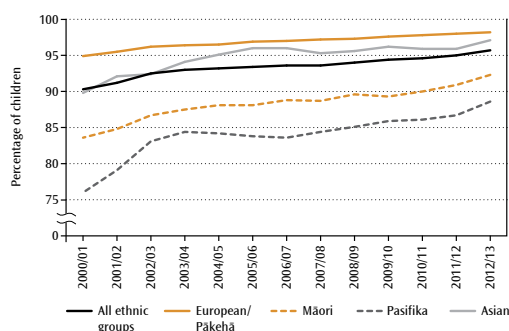
KEY ↑ Improved, target met ↑ Improved, target not met ↓ Worsened ■ No change

1 Those children starting school whose prior early childhood education attendance is unknown are excluded from the calculation.

2 2013 data is not available yet.

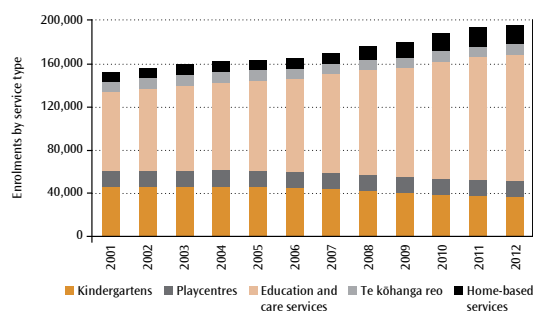
What our indicators are telling us

Early childhood education prior participation of children starting school, by ethnic group



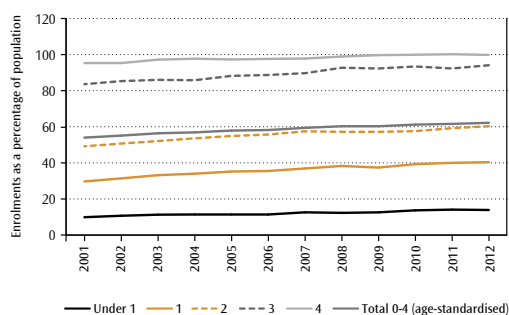
Participation rates continue to increase for most ethnic groups – notably, Māori children and Pasifika children. The rate for European/Pākehā children is already above the Better Public Services target of 98%. The overall rate is 95.7% and continues to rise.

Enrolments in licensed early childhood education services, by service type



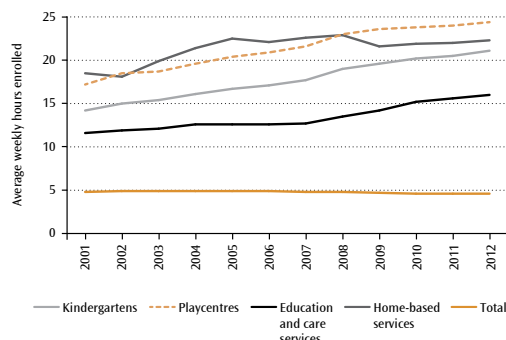
The proportion of children participating in education and care services is still growing. This is not at the expense of other forms of provision, and reflects increased numbers of children in early childhood education.

Enrolments in licensed early childhood education services, by age



Enrolments in licensed services are fairly stable across each age group with slight increases in the age-standardised (0-4 year old) rate and in the rate of 2- and 3-year-olds especially.

Average weekly hours attended for children at licensed early childhood education services, by service type



The number of hours that children are in early childhood education continues to increase across most forms of provision.

What we did

Raised and sustained participation levels in, and the quality of, early childhood education overall

Increased participation in early childhood education

In 2012/13, we made significant progress towards our Better Public Services early childhood education participation target. We have used local intelligence and worked with local people to implement local solutions.

As at 30 June 2013, the prior participation rate in early childhood education at school entry was 95.7%, up from 95.0% at the same time in 2012. In 2012/13, we saw the biggest increase in the early childhood education participation rate in 10 years, including for Māori children and Pasifika children, more of whom are participating in early childhood education than ever before.

Engaged communities

In 2012/13, we met increasing demand for early childhood education in communities of lowest participation. We built strategic relationships with communities, as well as with organisations that have the knowledge, relationships and reach to provide better access to early learning. We supported innovative approaches to provision, including mobile resources and playgroups in homework study hubs and sports clubs.

We established action groups in 12 communities to tap into the knowledge and understanding of the communities. The groups develop action plans to deliver early learning in their communities and are creating demand for early childhood education provision and addressing supply issues in locally tailored ways.

Supporting play days in malls, parks or vacant lots has given us a way to promote the value and benefits of early learning. The play days have successfully engaged children and their families and whānau, and stimulated demand for early childhood education. We were present at cultural events (such as the Pasifika Festival), where we connected with families, whānau and the community.

With iwi, we tailored programmes that take into account their identity, language and culture and increase supply and demand for early childhood education. A joint initiative with the Ministry of Pacific Island Affairs promoted the value of early learning to Pasifika families in Auckland.

Improved information about participation and quality

In 2012/13, we completed more work on the Early Learning Information System, which will allow more, and better quality, information on early childhood education participation. After a successful pilot with a small number of services in early 2013, we have begun allocating national student numbers to children in early childhood education.

Building a simpler, more transparent funding system for early childhood education will more effectively direct resources to Māori children, Pasifika children and children from low socio-economic areas. It will ensure quality provision and greater accountability for public investment.

Targeted support to increase participation

In 2012/13, we implemented more targeted early childhood education participation projects in high-priority communities of low participation. Stage one of the evaluation of the Early Childhood Education Participation Programme, published in June 2013, showed that our activity has occurred in the right areas to address barriers and increase participation. In particular, the Supported Playgroups and Engaging Priority Families initiatives improved participation significantly.

Currently, 4,885 children are participating through the Early Childhood Education Participation Programme, including high numbers of Māori children and Pasifika children.

In 2012/13, we established 36 supported playgroups in communities of high need, providing early childhood education to 694 of the 1,000 children offered the service. Finding suitable, permanent venues continues to be an issue for some providers.

The Engaging Priority Families initiative provides intensive early learning support to families and whānau of three- and four-year-olds not currently participating in early childhood education. In 2012/13, we established three new initiatives in communities with the lowest rates of participation. Of the 1,904 children ever registered in this initiative, 884 are currently enrolled in early childhood education and 386 children were reported as having successfully transitioned to school. A further 236 children are working towards participation in early childhood education.

Through the Intensive Community Participation project, we worked with communities in Kaikohe, Papakura, Tamaki, Waitakere, Camberley, Flaxmere, Hastings, Christchurch and Kaiapoi. There are now 10 initiatives operating with 72 children currently enrolled.

Increased the quality of the entire network of early childhood education

We re-licensed 766 early childhood education services to meet the 2008 regulatory framework. As at 30 June 2013, 85% of services were on the 2008 framework (3,555 services), well over our target of 50% of services.

Future focus

We will continue to accelerate our work with communities of lowest participation, supporting them to use their own resources, and to raise demand for early childhood education. There will be greater targeting of government and private investment in new services and child places.

Quality early childhood education provision will be boosted by a new professional development performance fund to provide support in poorly performing services. We will improve transitions from early childhood education to school, in particular for Māori children and Pasifika children, and children from low socio-economic areas.

PRIMARY AND SECONDARY SCHOOLING

Gaining foundation literacy and numeracy skills and knowledge is the platform on which young people engage in education and gain meaningful qualifications. The biggest influences on outcomes for children and young people are the quality of teaching they experience, and the involvement of their parents, families and whānau. Learning through modern technology and outside of the classroom allows schools and students to become more active and contributing members of the global community.

Snapshot

As at April 2012,³ there were:

- ▶ 2,405 principals
- ▶ 36,885 teachers
- ▶ 12,948 staff with management/and teaching or specialist roles
- ▶ Of these 52,238 principals, teachers and staff with management/and teaching or specialist roles, 3,464 were Māori and 1,053 were Pasifika.

As at July 2012, there were:

- ▶ 2,558 schools
- ▶ 759,960 students, of whom 173,011 identified as Māori and 75,000 identified as Pasifika
- ▶ 6,568 homeschooled students
- ▶ 16,792 students participating in Māori-medium education (2.2% of the student population) and an additional 140,945 learning Māori language in English-medium settings (18.5% of the student population)
- ▶ 1,181 students in Pasifika-medium education (0.2% of the student population)
- ▶ 18,694 boards of trustees members.

ACTIVITY

- ▶ Increased accountability for achievement, particularly for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas.
- ▶ Supported improvement in teaching practice.
- ▶ Engaged parents, families and whānau in education.
- ▶ Engaged and retained young people in education, and ensured they achieved qualifications.
- ▶ Implemented tailored, specific approaches to increasing achievement in Auckland and Canterbury.
- ▶ Further developed 21st-century learning and digital literacy.
- ▶ Continued to develop a 21st-century learning system, with high-quality, relevant learning environments.

³ 2013 data is not yet available.

Results

Data and targets are for the 2012 calendar year unless stated otherwise.

MEASURE	TREND TO DATE	METRIC		ACTUAL 2012	TARGET
PROPORTION of learners achieving the National Standards 					

KEY ↑ Improved, target met ↑ Improved, target not met ↓ Worsened ■ No change

4 2011 results are contained in the Statement of Intent 2013-2018.

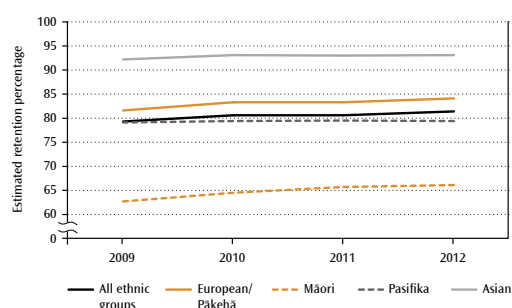
5 Interim 2012 target: 76.1%.

MEASURE	TREND TO DATE	METRIC	ACTUAL AS AT APRIL 2012	TARGET 2012/13
INCREASE the number of registered Māori and Pasifika school teachers	↑	Māori	5,140	5,600
	■	Pasifika	1,385	1,520

KEY ↑ Improved, target met ↑ Improved, target not met ↓ Worsened ■ No change

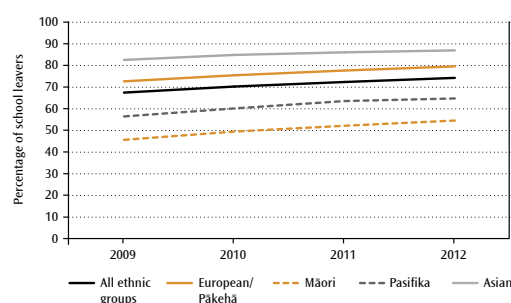
What our indicators are telling us

Percentage of school leavers who stayed to age 17, by ethnic group



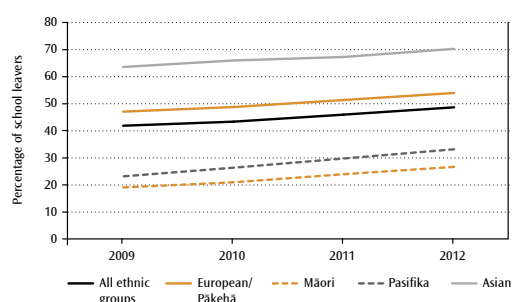
The percentage of young people staying on in school to age 17 has increased overall and for each ethnic group except Pasifika. The increases are likely due to the tighter labour market and an increased focus on all young people gaining at least NCEA Level 2 before leaving school.

Percentage of school leavers with NCEA Level 2 or above, by ethnic group



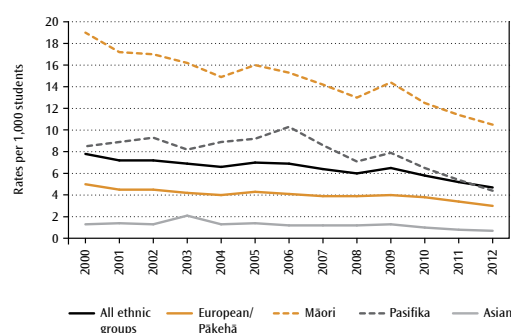
The overall percentage of school leavers with NCEA Level 2 has increased, as well as the percentage for each ethnic group. This is a result of the focus on NCEA Level 2 achievement for all young people before they leave school and may also reflect the tight labour market as young people seek higher qualifications to be better prepared for the workforce.

Percentage of students who leave school with University Entrance, by ethnic group



The overall percentage of young people leaving school with University Entrance, and for each ethnic group, has increased. This also reflects the focus on ensuring that young people leave school with qualifications that enable them to participate in the workforce and future study.

Age-standardised suspension rates, by ethnic group



Suspension rates continue to fall overall and for each ethnic group. Schools are employing initiatives and programmes to address challenging behaviour when it occurs, which is reducing the incidences of more serious behaviour that would lead to suspension.

What we did

We ensured that areas of excellent practice became common practice across the system to accelerate results for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas.

Improved the performance of primary and secondary education to increase attainment of core skills and qualifications

Increased accountability for achievement, particularly for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas.

Focused on literacy and numeracy achievement

In December 2012, results for two international studies in which New Zealand participated were published. The reading results for students at year 5 measured through the Progress in International Reading Literacy Study (PIRLS) in 2010/11 remained largely unchanged since 2001. However, the performance of year 5 students in mathematics and science measured through the Trends in Mathematics and Science Study (TIMSS) in 2010/11 fell relative to 2006. The performance of year 9 students in mathematics and science measured through the Trends in Mathematics and Science Study (TIMSS) in 2010/11 held steady.

The data shows persistent disparities in performance for Māori students and Pasifika students. This result is consistent with other key data and evidence shown in the Public Achievement Information (PAI).

Overall, schools and kura have raised the achievement of their students across the curriculum, in:

- ▶ reading, writing and mathematics using The New Zealand Curriculum (the curriculum for teaching and learning in English-medium settings)
- ▶ kōrero, pānui, tuhihihi and pāngarau using Te Marautanga o Aotearoa (the curriculum for teaching and learning in Māori-medium settings).

In 2012/13, we identified three key areas for action:

- ▶ Clear achievement targets
- ▶ Local ownership and leadership
- ▶ Differentiated support and interventions for schools and kura.

Targets for National Standards and Ngā Whanaketanga Rumaki Māori were set at a national level to ensure children and young people are gaining the knowledge, skills and understanding critical for engagement and achievement in secondary school and beyond.

In 2012/13, we worked with schools and kura to help them set goals, decide their own challenging targets, develop action plans and identify professional learning needs appropriate to promoting the progress of their students.

Unless we understand student achievement, we cannot work to improve it, so we promoted the importance of using information effectively to reinforce continuous improvement. We encouraged local ownership and leadership of results. This enables a strong emphasis on transparency, information sharing and collaboration.

To this end, in 2012/13, we:

- ▶ developed the Public Achievement Information (PAI) plan, including public metrics and regional and national education profiles
- ▶ published National Standards and Ngā Whanaketanga Rumaki Māori information to support a collective response to raising achievement
- ▶ used progress and achievement information to understand student need and better target support where most needed.

Focused on NCEA Level 2

In late 2012, we trialled a new approach to work intensively with selected secondary schools to increase NCEA Level 2 achievement for identified students at risk of not achieving the qualification in 2012.

With our support, schools designed their own tailored, innovative programmes and interventions and engaged their communities. Some of the initiatives schools put in place included:

- ▶ student mentoring programmes, where identified students received one-on-one study support from a staff member
- ▶ academic coaching by specialist teachers in subjects where the students needed to gain NCEA credits in their learning areas
- ▶ school holiday study centres, where students had access to teaching staff and the opportunity to gain NCEA credits
- ▶ information-sharing by teachers across departments about which and how many credits students required, which enabled teachers to maximise their contribution to the students' achievement.

NCEA Level 2 achievement rates for supported students increased. More than 60% of supported students achieved NCEA Level 2 by the end of 2012. Most of the supported students who did not reach NCEA Level 2 by the end of the year were sufficiently engaged and motivated to stay on in school in 2013 to gain the qualification.

We developed Qualifications and Transitions teams to extend successful practices and are now supporting 30% of secondary schools, as well as some tertiary providers. We are linking with parents, families, whānau, hapū, iwi, church groups and employers to ensure young people are supported to achieve NCEA Level 2.

We worked with the New Zealand Qualifications Authority to implement the NCEA and the Whānau and NCEA ma le Pasifika programmes in 2012/13. These programmes inform parents, families and whānau about NCEA so they can better support their children to gain the qualification. A total of 85 champions, including Ministry staff, were trained to deliver NCEA and the Whānau, and 44 navigators were trained to deliver NCEA ma le Pasifika.

By the end of June 2013:

- ▶ 4,254 whānau had taken part in one of 165 NCEA and the Whānau workshops
- ▶ 2,037 Pasifika families had taken part in one of 44 NCEA ma le Pasifika workshops.

81% of participants in NCEA and the Whānau workshops surveyed in April 2013 found the programme very useful. Feedback showed that across four key focus areas – knowledge of NCEA, knowledge of pathways, how whānau can help and actions to help – participants felt a lot better informed after the workshops. Over 99% of participants in NCEA ma le Pasifika workshops said they felt more knowledgeable and confident to discuss NCEA with schools.

Implemented the Student Achievement Function

The Student Achievement Function began in January 2011, involving expert practitioners working intensively with schools to raise the achievement levels of their children and young people, particularly from priority groups. Practitioners work with schools to analyse their data and set targets, and broker access for schools to additional support and interventions in areas of need.

So far, 618 schools and kura have worked, or are working, through the Student Achievement Function process. The evidence collected through the review of 34 schools shows that over 900 students were accelerated from below or well below National Standard to at or above National Standard.

Supported the establishment of Partnership Schools | Kura Hourua

Partnership Schools | Kura Hourua are a new way of delivering education, bringing together the education, business and community sectors to provide opportunities for education success for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas. In 2012/13, we supported the establishment of the working group and the subsequent advisory group providing the direction for Partnership Schools.

Thirty-five communities and organisations submitted applications. From these applications, five Partnership Schools will be set up in areas of educational challenge and underachievement and will open in early 2014.

Changed school governance arrangements

School boards play a key role in the New Zealand education sector and have substantial responsibilities. The majority of trustees are parents and the 2012/13 board elections involved the election of more than 11,000 parent representatives. Changes in legislation during 2012/13 allow more flexible, alternative governance arrangements for new and merging schools, and allow boards to combine where this would increase capacity and capability.

Supported improvement in teaching practice

Invested in professional learning and development

In 2012/13, we invested approximately \$75 million in professional learning and development for teachers, leaders and principals. Funding for English-medium support continued to be spent in areas of priority, contracted in 2010. Schools continue to be identified for professional learning and development using a range of data and information, including school charters and schools' applications.

Funding for Māori-medium professional learning and development was allocated to 12 providers in 2012/13 to support schools in priority areas such as Te Reo Māori, Te Reo Matatini (literacy), Pāngarau (mathematics), Tumuaki and Kaikōtuitui (leadership and assessment) and Te Marautanga o Aotearoa (the curriculum for Māori-medium settings).

We are undertaking a comprehensive review of our professional learning and development investment to ensure investment is going to the right areas and will implement the redesigned approach from the beginning of 2015.

Reviewed the New Zealand Teachers Council

In 2012/13, a Ministerial Advisory Group supported the review of the New Zealand Teachers Council and in May 2013 we released the Transformation discussion paper and began a series of consultation meetings. Feedback gathered has clarified the key issues that need to be considered in any changes to the Council.

We expect to conclude consultation and introduce legislation making changes to the New Zealand Teachers Council by the end of 2013.

Supported developments in industrial relations and the teacher workforce

We worked with the New Zealand School Trustees Association and unions to settle expiring collective employment agreements for school teachers and principals. The new agreements continue until at least mid-2015 and provide certainty of conditions for teachers and principals.

We convened the Māori-medium Workforce Reference Group to develop a vision for the sector. We developed a plan based on recommendations from the group to identify initiatives and research required to strengthen the Māori-medium schooling workforce.

Our new recruitment strategy aims to attract more Māori and Pasifika high achievers into the teaching profession. This is important to improve outcomes for Māori students and Pasifika students through increased access to teachers grounded in their language and cultural contexts.

Engaged parents, families and whānau in education

We worked with parents, families and whānau in communities of high potential and high need to be more involved and more informed, demanding and determining to improve educational outcomes for their children and young people.

In 2012/13, we worked with 748 whānau, reaching a total of 1,368 children. We provided information to 864 participants, developed whānau education action plans with 445 whānau and brokered 177 whānau into early childhood education, Incredible Years programmes, the Youth Guarantee and other education services and programmes. We delivered 106 presentations to 2,214 participants about early childhood education, National Standards and NCEA.

Engaged and retained young people in education, and ensured they achieve qualifications

Our redesigned truancy support service, which began in 2013, combined the previous national Non-Enrolled Truancy Service and 77 District Truancy Services into one integrated service, the new Attendance Service. We invested \$9 million in this service in 2012/13.

The first quarter reviews of the contracted providers in April 2013 showed that contract requirements were being met at expected levels in all but one service.

Implemented tailored, specific approaches to increasing achievement in Auckland and Canterbury

We worked with other government agencies as well as education providers, social agencies and others to tailor approaches to education activity and investment in specific areas of large population growth and specific needs.

Auckland

To achieve our Better Public Services targets, we must improve outcomes for Māori students, Pasifika students, students with special education needs and students from low socio-economic areas in the Auckland region.

In 2012/13, we worked with local communities and representatives in the Auckland region to achieve these targets. We helped communities set up action groups to decide their early childhood education participation activities, and we provided resources and brokered relationships with other agencies.

In the schooling sector, we made gains in literacy and numeracy and NCEA achievement. We supported schools and kura to build their capacity to use data in planning, implement evidence-based programmes and strategies to accelerate progress for their children and young people, and target support to students, whānau and communities where needed.

Canterbury

In Canterbury, we made changes to the education network in response to changing demographics and demands, which primarily resulted from the earthquakes in 2011 and 2012. The Greater Christchurch Education Renewal Programme will provide a rejuvenated education system. This programme is balancing the challenges of repairs to earthquake-damaged schools, changing community demands and establishing a learning environment that will support ongoing achievement.

We changed the way we work with and support schools. We provided funding to schools for facilitators to assist them with their consultation with their community, and preparation of their submissions on the proposal. We gave schools access to a dedicated staff member who could answer further questions and identify additional support required.

We developed and implemented an Education Well-being Response Framework to address ongoing effects of earthquakes on the health and well-being of students and educators and to deal with increased stress levels.

Implemented the Christchurch infrastructure programme

The Government has committed up to \$1,000 million over 10 years to rejuvenate the education system in greater Christchurch – an area involving more than 85,000 children and young people in over 300 early childhood education centres and 200 schools. In 2012/13, we implemented a programme of repairs, rebuilds and new schools.

By 30 June 2013:

- ▶ more than 90 Canterbury state schools (outside of greater Christchurch) had been repaired
- ▶ work had commenced on the construction of two schools scheduled for completion in 2014 – the new Waikuku School in Pegasus Town and the complete rebuild of the earthquake-damaged Halswell Primary School
- ▶ around \$800,000 had been invested to repair 23 school swimming pools across greater Christchurch
- ▶ 1,800 out of a total of 2,530 Detailed Engineering Evaluation reports were underway, 200 reports finalised and nearly 400 completed in draft form.

We completed geotechnical assessments on all major sites. Schools are being assessed for earthquake damage, structural strengthening, fitness for purpose and weather-tightness issues. Modern Learning Environment assessments have been conducted in existing schools to ensure works undertaken support new approaches to education delivery.

Developed an integrated approach to the use of information and communication technology

Digital literacy is increasingly a central component of modern teaching and learning practices. During 2012/13, we worked with the Ministry of Business, Innovation and Employment and Crown Fibre Holdings to connect schools to fibre technologies through the ultra-fast broadband and rural broadband initiatives. We improved broadband connectivity for schools through the Remote Schools Broadband initiative.

By July 2013, over 600,000 students across 1,800 schools had access to improved broadband connections. The fibre rollout is on track to meet the Government target of improving broadband connections for all schools by 2016.

Implemented the School Network Upgrade Project

The School Network Upgrade Project ensures the internal network and cabling of schools and kura are upgraded to a consistent standard. By July 2013, 1,400 school networks had been upgraded and we are on track to have all eligible schools completed by 2016.

Established The Network for Learning Limited

The Network for Learning Limited was established as a Crown-owned company in July 2012 to offer schools affordable, safe and reliable ultra-fast internet access and a range of education content and services. The company managed the procurement process for a managed network for schools including appointing a network service provider.

We completed a series of seminars with schools and kura to better understand what they needed from the managed network and what content and services should be provided.

In early 2013, Government ministers reviewed all stages of the process and were satisfied that the proposed approach and contract would deliver the outcomes to support schools, students and communities. From 2014, The Network for Learning Limited will offer schools and kura access to the managed network. By the end of 2014, it is anticipated that it will be used in more than 700 schools.

Continued to develop a 21st-century learning system, with high-quality, relevant learning environments

Improved strategic asset management

During 2012/13, we made further improvements to support a strategic asset management approach to New Zealand's school property portfolio.

We set up a dedicated asset management and performance team to use a range of data to inform asset and portfolio management decisions. A new transformation programme will improve:

- ▶ relationships and engagement with the sector and suppliers
- ▶ management of the portfolio
- ▶ fit-for-purpose assets that have their economic life optimised
- ▶ value for money in investment choices
- ▶ advice to government and the sector about property matters.

Addressed defective buildings

We are now in the third year of a long-term programme to address weather-tightness failure in schools. The programme is expected to continue for a total period of around 10 to 15 years and has remediation, prevention and recovery work streams.

By the end of June 2013, more than \$150 million had been committed to remediate more than 80 school buildings, and a further 800 buildings were included in the Building Improvement Programme.

We carried out recovery work on defective buildings to protect Crown assets, offset remediation costs and promote better building and supplier practice.

As at 29 May 2013, we had successfully settled 38 claims and some actions are ongoing in relation to poor workmanship or design. We lodged a major product liability claim in April 2013, which is currently before the High Court.

Developed new schools and kura

At 31 May 2013, there were 69 'live' projects in our new schools and kura programme. These were:

- ▶ 6 new schools
- ▶ 3 stage two developments at existing schools (planned building projects to meet the roll growth capacity anticipated at the time of a school's establishment)
- ▶ 17 kura or wharekura
- ▶ 16 major redevelopments at existing schools
- ▶ 12 land acquisitions and designations
- ▶ 15 Greater Christchurch Education Renewal Programme projects.

Implemented Modern Learning Environment standards

In 2012/13, we modified the Modern Learning Environment assessment tool to inform asset management and investment decisions nationally and support the Greater Christchurch Education Renewal Programme. We now evaluate each school building and estimate the cost of upgrading to meet core Modern Learning Environment standards.

Invested in a national programme of major works and projects

In 2012/13, the following funds were invested:

- ▶ \$152.4 million to the capital maintenance and modernisation of schools through the five-year property programme
- ▶ \$63.5 million to rectify defective, or leaky, buildings
- ▶ \$41.9 million to accommodate school roll growth
- ▶ \$41.0 million for the acquisition of land and the construction of new state schools
- ▶ \$32.8 million to support a range of demand-driven programmes, including modifications for students with special education needs
- ▶ \$22.6 million to roll out upgraded wiring infrastructure and internal data networks of schools nationwide
- ▶ \$19.6 million for new kura kaupapa Māori and wharekura
- ▶ \$10.8 million for new special schools and satellites
- ▶ \$8.3 million to replace school buildings
- ▶ \$7.0 million to strengthen earthquake-prone buildings
- ▶ \$6.9 million to repair earthquake damage in Canterbury.

Future focus

We will lift the quality of teaching and strengthen the teaching profession through an enhanced range and use of achievement information in primary and secondary schooling. We will provide support to schools and tertiary providers to ensure young people achieve NCEA Level 2 or an equivalent qualification and make successful transitions to further education, training and employment.

We will improve our management of the school property portfolio and invest in quality, high-standard and modern learning environments that have the infrastructure needed to support the delivery of 21st-century learning and digital literacy.

SPECIAL EDUCATION

Approximately 96% of children and young people with special education needs attend regular schools.

Snapshot

As at 30 June 2013, there were:

- ▶ 809.7 full-time equivalent specialist service delivery staff working in the Ministry to support children with special education needs.

In 2012/13, there were:

- ▶ 16 special education districts where services are delivered
- ▶ 5 specialist school providers delivering the physical disability service
- ▶ 862.2 full-time equivalent Resource Teachers: Learning and Behaviour.

ACTIVITY

- ▶ Delivered services and support for children and young people with special education needs.
- ▶ Continued to implement the Success for All – Every School, Every Child work programme.
- ▶ Supported inclusive education practices.
- ▶ Continued to implement Positive Behaviour for Learning.

Results

Data and targets are as at 30 June 2013 unless otherwise stated.

MEASURE	TREND TO DATE	METRIC	ACTUAL 2013	TARGET 2012/13
INCREASE percentage of Māori children and Pasifika children aged 0-5 years accessing early intervention services	↓	Māori	21%	24%
	↑	Pasifika	8%	10%
REDUCE the average age at which Māori children and Pasifika children start accessing early intervention services	↓	Māori	3 years, 5 months	3 years, 3 months
		Pasifika	3 years, 5 months	3 years, 3 months
MEASURE	TREND TO DATE	METRIC	ACTUAL 2009 ⁶	TARGET 2014
All schools will DEMONSTRATE inclusive practice for learners with special needs ⁷	N/A	Percentage of schools	50% mostly inclusive 30% some inclusive 20% few inclusive	80% of schools will demonstrate highly inclusive practice with 20% demonstrating good practice as measured through Education Review Office assessments
			July 2013 data (sample of 81 primary schools)	
			77% mostly inclusive 16% some inclusive 7% few inclusive	

KEY ↑ Improved, target met ↑ Improved, target not met ↓ Worsened ■ No change

⁶ No data assessed until 2014.

⁷ In line with common research terminology, the reality of the way schools operate, and Education Review Office reporting, we are now measuring performance in ways which recognise that schools can demonstrate a wide range of practices which are inclusive. Further, schools may demonstrate inclusive practices in some aspects of their operation without necessarily doing so in all areas. We are now using 'mostly' to reflect that schools are demonstrating inclusive practices, whereas 'highly' implies a more qualitative measure of a particular degree of expertise which is not currently being measured.

MEASURE	TREND TO DATE	METRIC	ACTUAL 2013	TARGET 2011-2013
PERCENTAGE of eligible children seen within 90 days of referral for communications, behavioural, early intervention and Ongoing Resourcing Scheme services	↓	All	Communications service: 65% Behaviour service: 82% Early intervention service: 65% Complex needs (including Ongoing Resourcing Scheme): 79%	At least 95% for each service
MEASURE	TREND TO DATE	METRIC	ACTUAL 2013	TARGET 2012/13
INCREASE the proportion of Māori and Pasifika specialist service delivery staff	↓	Māori	11.9%	13.0%
	↓	Pasifika	1.2%	2.0%

KEY ↑ Improved, target met ↑ Improved, target not met ↓ Worsened ■ No change

What we did

Delivered services and support for children and young people with special education needs

Delivered services to children and young people with special education needs

Annually, we invest \$500 million in special education services. In 2012/13, we provided specialist support to approximately 35,000 children and young people with special education needs, including:

- ▶ early intervention services to 12,958 children
- ▶ communications services, including language and learning intervention, to 6,358 children and young people
- ▶ behaviour services to 3,534 children and young people
- ▶ Ongoing Resourcing Scheme funding to 8,019 young people
- ▶ School High Health Needs funding to 687 young people
- ▶ other services (including the physical disability service, assistive technology, moderate hearing services) to 3,268 young people
- ▶ responses and support to 121 traumatic incidents.

We did not achieve some of our special education service delivery targets in 2012/13, namely the percentage of Māori children receiving early intervention services, and the percentage of eligible children seen within 90 days of referral for communications, behavioural, early intervention and Ongoing Resourcing Scheme services.

Results from the 2012 annual satisfaction survey of parents and educators of children who receive special education services were lower than in 2011. Key findings were that:

- ▶ 78% of parents and 63% of educators were satisfied with the overall quality of service, and 8% of parents and 14% of educators were dissatisfied
- ▶ 74% of parents and 59% of educators were satisfied with the child's progress after they received a special education service, and 10% of parents and 17% of educators were dissatisfied
- ▶ 83% of parents and 71% of educators were satisfied with how the child's and family's cultural needs were considered as we worked with them, and 4% of parents and 8% of educators were dissatisfied.

Non-achievement of our targets and the results of the 2012 satisfaction survey are in part due to a widened range of programmes and support being offered within existing specialist service delivery staffing levels. Our 2013/14 service delivery targets reflect the expanded range of programmes and support being offered with existing resources.

Implemented Success for All – Every School, Every Child

Success for All – Every School, Every Child articulates the Government's vision of a fully inclusive education system and sets a target to achieve this vision by 2014. Implementation of programmes as part of Success for All are building school capability to support learning and achievement of all children and young people, including those with special education needs.

We expanded the Resource Teacher: Learning and Behaviour service to include students who previously received support through the Supplementary Learning Support. As a result, 140 Supplementary Learning Support positions were shifted into the Resource Teacher: Learning and Behaviour Service, increasing that service to approximately 920 positions (of which 904 are permanent positions).

Supported inclusive education practices

We strengthened schools' capability to be fully inclusive of children and young people with special education needs. The goal is for 80% of schools to be demonstrating mostly inclusive practices by 2014, and the remaining 20% some inclusive practices.

We provided universal messages about what inclusive education looks like. Principals and boards were given clear expectations and guidelines for their charter-planning and target-setting. As a result, the 2013 school charters showed a significant shift in schools' planning and reporting for children and young people with special education needs.

We developed and provided targeted resources and tools, such as the Online Knowledge Centre website and the New Zealand Council for Educational Research (NZCER) Inclusive Practices self-review tool, to principals, teachers and boards of trustees to improve their practice.

With our in-depth support, some schools have started setting and achieving improvement targets for their inclusive practices. This involves working with identified schools in an integrated way to strengthen inclusive practices and ensure integration with other initiatives in place in the schools.

We created a team of 20 school leaders, specialist teachers and professional learning and development providers as part of the Inclusive Education Capability Building project. We are currently developing resources for providers to start using in early 2014 after a pilot and evaluation.

We initiated projects focused on building our knowledge of inclusive practices in Māori-medium settings and identifying systems, processes and leadership practices in secondary schools that support inclusive practices. The outcomes of these projects will ensure that differentiated support can be provided according to the setting.

Continued to implement Positive Behaviour for Learning

Positive Behaviour for Learning programmes and initiatives help parents, teachers and schools address problem behaviour, improve children's well-being and increase educational achievement. A group of organisations from the education sector continues to provide stewardship for this work.

Implemented Positive Behaviour for Learning School-Wide

In 2012/13, 119 new schools joined Positive Behaviour for Learning School-Wide, a programme of practices and organisational systems to help schools develop a positive social culture. This brings the number of schools participating up to 408.

Introduced the Intensive Wraparound Service

In January 2013, the Intensive Wraparound Service replaced the Intensive Behaviour Service. The service provides wraparound support in their local school and community for children and young people in years 3 to 10 with highly complex and challenging behaviour, social or education needs, including those associated with an intellectual impairment. In 2012, 114 students received this service and this will increase to 220 in 2013.

We reviewed the role of the residential special schools in relation to the Intensive Wraparound Service. As a result, one of the four schools closed. The remaining three schools are working alongside the Intensive Wraparound Service to provide wraparound support for over 180 young people in their local school and community.

Continued to provide the Incredible Years programmes

In 2012/13, 3,848 parents and 2,594 teachers participated in the Incredible Years Parent and Teacher programmes. Through the programmes, we provided parents and teachers of children aged three to eight years with strategies to promote positive behaviour and deal with challenging behaviour.

Piloted Positive Behaviour for Learning Restorative Practice

We piloted Positive Behaviour for Learning Restorative Practice, a programme to build respectful relationships in schools. In 2013, 24 secondary schools were invited to pilot the programme with 21 schools confirming participation. It is expected to lead to calmer school environments and fewer stand-downs and suspensions, and result in gains in student achievement. We will evaluate and refine the programme and will look to make it available to 200 secondary schools by 2017.

Future focus

We will deliver quality, relevant and timely special education services to the children and young people who need them to enable them to engage and achieve in education. To achieve our inclusive education target, we will provide the initiatives, programmes, resources, tools and information schools need to be inclusive.

TERTIARY AND INTERNATIONAL EDUCATION

Tertiary education and international education make a significant contribution to the performance of the economy. Gaining better value for money from tertiary spending and stronger alignment of tertiary education with the skills that employers require is critical to this contribution. International education is a significant contributor to our economic growth and development.

Snapshot

Tertiary

In 2012, there were:

- ▶ 422,000 students (domestic and international) enrolled in formal study programmes with tertiary education providers
- ▶ 374,800 domestic student enrolments, of which:
 - ▶ 77,900 (21%) were Māori
 - ▶ 33,800 (9.0%) were Pasifika
 - ▶ 20,200 (5.4%) had a disability
 - ▶ 286,100 (76%) were studying at level 4 and above
- ▶ 62% of New Zealanders aged 25 to 64 years with a tertiary qualification and 24% with a bachelors or higher qualification
- ▶ 8 universities, 18 polytechnics, 3 wānanga, 20 industry training organisations, 16 other tertiary education providers and 309 government-funded private training establishments
- ▶ 2,480 places in 21 trades academies and one tertiary high school
- ▶ 8,920 fees-free places in tertiary education for 16- and 17-year-olds
- ▶ 139,000 industry trainees, including modern apprentices.

International

In 2012:

- ▶ there were 15,645 international fee-paying students enrolled in primary and secondary schools, a three per cent decrease from 2011
- ▶ there were 47,700 international students in tertiary education
- ▶ income for tertiary education institutions from international fees was \$404 million
- ▶ the largest contingent of international fee-paying students in New Zealand education providers came from China (27%), followed by India (12%) and South Korea (11%).

ACTIVITY

- ▶ Improved transition pathways and foundation education to ensure all young people are able to gain skills and qualifications.
- ▶ Strengthened the performance of the tertiary education system and its links to the labour market.
- ▶ Increased the contribution of the international education sector to New Zealand's economy.

Results

Tertiary

Data and targets are for the 2012 calendar year unless otherwise stated.

MEASURE	TREND TO DATE	METRIC	ACTUAL JUNE QUARTER 2012	TARGET 2012
REDUCE the percentage of 15- to 24-year-olds not in education, employment or training (NEET) ⁸	↓	Total	12.9%	11.8%
MEASURE	TREND TO DATE	METRIC	ACTUAL 2011-12 (PROGRESSED WITHIN TWO YEARS)	TARGET 2012
INCREASE the percentage of domestic students with level 1-3 New Zealand Qualifications Framework qualifications going on to study at higher levels within two years	↑	Total	27%	27%
MEASURE	TREND TO DATE	METRIC	ACTUAL 2012	TARGET 2012
HIGHER domestic course completion rates ⁹	↑	Non-degree qualifications (levels 1-7)	78%	75%
		Bachelors degrees (level 7)	86%	85%
		Postgraduate qualifications (levels 8-9)	92%	91%
INCREASE the proportion of 25- to 34-year-olds holding higher-level qualifications ¹⁰	⬆️	Level 4 and above	53%	53%
	↑	Bachelors degrees and above	31%	30%
GREATER research in universities funded by businesses	↓	Total research funded by business	\$34 million	\$44 million ¹¹
MEASURE	TREND TO DATE	METRIC	ACTUAL AS AT JUNE 2013	TARGET 2013
REDUCE the cost of lending under the Student Loan Scheme	↑	Total cost (cents in the dollar lent)	35.2	41.5

KEY ↑ Improved, target met ⬆️ Improved, target not met ↓ Worsened ■ No change

8 The data used to calculate this measure is from the June quarter, since this is the most reliable period to measure unemployment and NEET. As the June 2013 data is not available yet, the data used in the calculation of this performance measure is from June 2012.

9 Postgraduate qualifications exclude doctoral course completions. Doctoral courses are wholly research-based and since research may last longer than the course end date there is likely to be, at any one time, a high number of courses that are still to be completed.

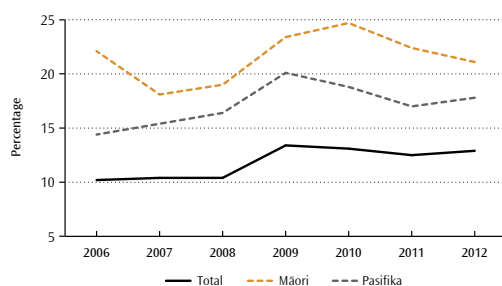
10 The data used to calculate this measure is based on the December year. The result is the average of the preceding quarters to December.

11 The targets in the Statement of Intent 2012-17 were incorrect: the 2013 target should have shown \$46 million and the 2012 target should have shown \$44 million and this has now been corrected in the table above.

What our indicators are telling us

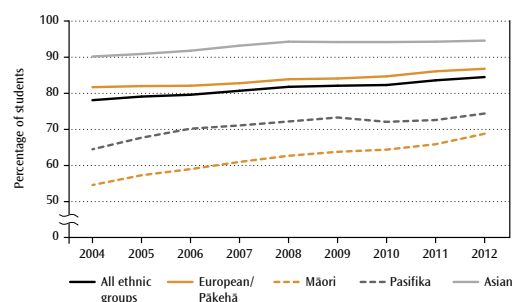
Tertiary

Proportion of young people not in employment, education or training



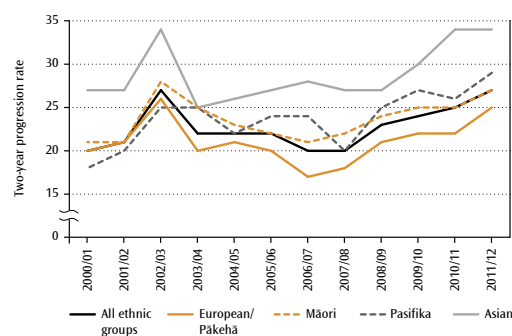
The proportion of young people not in employment, education or training has been higher since 2009, due to weaker employment conditions, especially for younger people.

Percentage of domestic students aged 18 to 24 years studying qualifications on the New Zealand Qualifications Framework at level 4 and above, by ethnic group



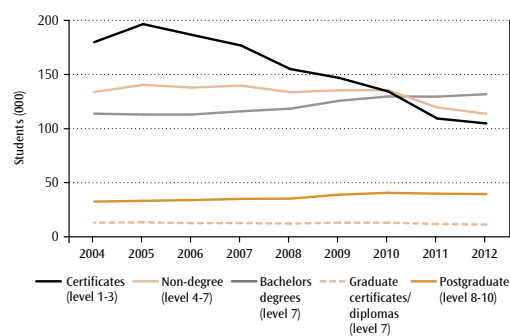
The upward trend in higher-level enrolments by young people continued in 2012. Enrolments at level 4 and above by 18- to 24-year-olds increased by 1.6% from 2011 to 2012. This continued upward trend in higher-level study also reflects increasing school achievement, with more young people qualified to study at higher tertiary education levels.

Percentage of domestic students who have gone on to study at higher levels within two years after starting a level 1 to 3 certificate



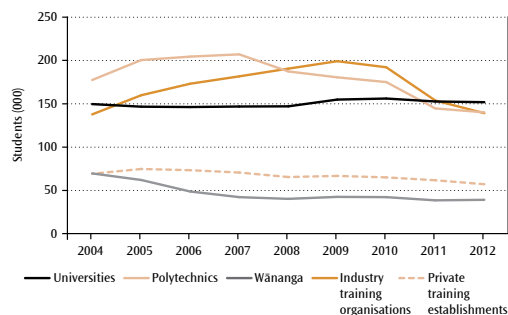
The trend to progress to higher-level study within two years of starting a lower-level certificate has continued to increase among all ethnic groups. This reflects the increased focus on higher-level study.

Number of domestic tertiary education students by qualification level



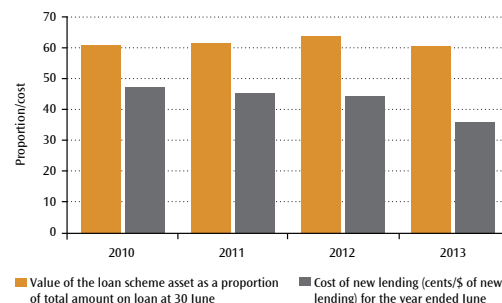
The shift away from non-degree qualifications continued in 2012, a trend which started in 2005. Formal enrolments fell from 2011 to 2012, due mainly to fewer enrolments in non-degree qualifications by domestic students aged 25 years and over.

Domestic students in formal tertiary education of more than one week duration, by subsector



While there were fewer students enrolled in 2011 than in 2012, the total study load undertaken by students remained stable in the same time period. That is, domestic students continued to take on a higher study load (on average) following a trend that began in 2007.

Return on the student loan asset



The cost of the student loan asset has continued to fall in 2012/13, in part as a result of the increase in repayment obligation. It also reflects forecasts of lower interest rates.

International

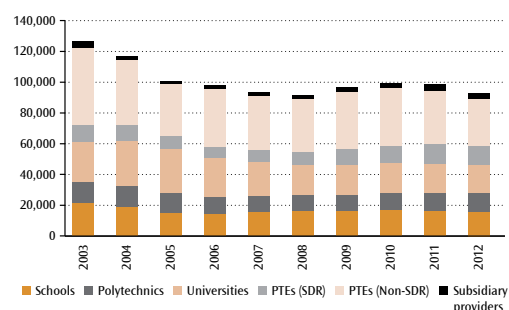
Data and targets are for the 2012 calendar year.

MEASURE	TREND TO DATE	METRIC	ACTUAL 2012	TARGET 2012
INCREASE the number of international students completing degree-level qualifications and above	↑	Total	7,957	6,400
International students studying in New Zealand are SATISFIED with their experience of living and studying in New Zealand	↑	Satisfaction survey of international students reports positive overall satisfaction rating	International students in all sectors were surveyed over 2011 and 2012. 94% of international students surveyed in schools and 89% in tertiary were satisfied or very satisfied with their overall experience.	Regular international student surveys report positive overall satisfaction rating

KEY ↑ Improved, target met ↑ Improved, target not met ↓ Worsened ■ No change

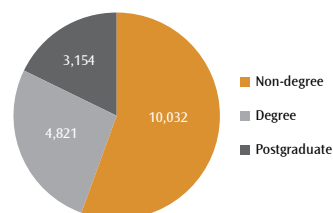
International

International fee-paying student enrolments by provider groups¹²



International enrolments declined in 2012 in most provider types, except polytechnics. Private training establishments were particularly affected. This drop can be attributed to economic factors (e.g. relative value of the New Zealand dollar), reaction to the Canterbury earthquakes and increased competition. However, while international enrolments declined, the overall level of international tuition fee income to education providers for 2012 was two percent higher than in 2011, and the gross benefit to the economy grew.

International students completing qualifications by level of study 2012



Most international students who complete qualifications in New Zealand are completing them at the non-degree and bachelors level. However, completion of degree programmes and enrolment in postgraduate programmes by international students are both increasing.

What we did

The performance of New Zealand's tertiary education system is critical to the supply of skills to the economy. To support economic growth, the system must deliver more and higher-skilled graduates, better quality provision and more relevant information to inform students' choices.

Late in 2012, work on the new Tertiary Education Strategy started. The strategy will set out the Government's expectations of the tertiary education sector. Work on this strategy has been jointly managed with the Ministry of Business, Innovation and Employment and has drawn contributions from across government.

The tertiary education system will become more flexible and strategic over coming years – more adaptive, able to address changing skill needs, and responding to changes in learning styles and learning delivery.

Over the past year, we have improved the tertiary system, in line with expectations, by:

- ▶ improving transition pathways and foundation education to ensure all young people are able to gain skills and qualifications
- ▶ strengthening the performance of the tertiary education system and its links to the labour market
- ▶ increasing the contribution of the international education sector to New Zealand's economy.

¹² PTEs (SDR) are those private training establishments which enrol Government-funded students, and so must complete the Single Data Return.

Improved the performance of transitions, foundation education and the tertiary education system

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

Launched Vocational Pathways

In April 2013, the Vocational Pathways, developed in partnership between industry and education, were launched in five industries:

- ▶ Manufacturing and technology
- ▶ Construction and infrastructure
- ▶ Primary industries
- ▶ Service industries
- ▶ Social and community services.

The pathways let students know what subjects and standards at NCEA Levels 1 and 2 move them towards their career goals. They show students how their learning and achievement will be valued in the workplace, and the types of jobs and further study options available. Students and their advisors engage with the pathways when they are planning what courses to undertake and putting together study programmes.

We will work with secondary schools and tertiary providers to introduce programmes for each pathway, including a new pathway for the creative industries, and to expand the pathways to NCEA Level 3.

Extended fees-free places

The Government made more fees-free places available to help students gain foundation skills for employment or further study. In 2012/13, there were 8,500 fees-free places for 16- and 17-year-olds through the Youth Guarantee scheme, up from 2,000 places in 2010. In addition, there are around 5,400 fees-free places at levels 1 and 2 funded through the Student Achievement Component.

Developed Youth Guarantee Networks

Youth Guarantee Networks make it easier to set up the Vocational Pathways and Youth Guarantee. They allow strategic local and regional partnerships to develop a network of learning provision and new learning arrangements and opportunities for young people.

The 23 networks across the country comprise secondary schools, tertiary providers and community stakeholders, and are crucial to achieving improved outcomes for young people, including retention, participation, achievement and effective transitions.

Supported secondary-tertiary programmes

In 2012/13, we supported a range of secondary-tertiary programmes, which provide another type of education provision for young people. In the 2013 academic year, 3,695 places in these programmes were allocated, up from 2,600 in 2012, an increase of 42%. Five new secondary-tertiary programmes began operating in 2012/13, bringing the total number to 22.

In March 2013:

- ▶ 69% of participants in these programmes were male and 31% were female
- ▶ 37% were Māori, 47% were Pākehā, 10% were Pasifika and 8% other
- ▶ 225 schools were participating in secondary-tertiary programmes, a 27% increase from March 2012.

We put in place a new flexible funding model to help schools offer these programmes to young people, and have provided support to help schools understand the new model.

Introduced the New Zealand Apprenticeship

In 2012/13, we developed a package of changes in response to the review of industry training. These changes will take effect in 2014.

The changes included the introduction of the New Zealand Apprenticeship, with clearer role and performance expectations of industry training organisations, a simplified funding system and direct employer access to industry training funding.

The New Zealand Apprenticeship will allow an additional 14,000 young people to start training over the next five years, over and above the 7,000 who currently enrol annually. We lifted the age restriction and required study in these apprenticeships to be at a minimum of level 4 on the New Zealand Qualifications Framework. To further increase uptake, up to 10,000 new apprentices have also been given access to a 're-boot' subsidy to put towards tools and off-job costs. Similar cash incentives were also provided to their employers.

Strengthened the performance of the tertiary education system and its links to the labour market

We worked with the Tertiary Education Commission and the tertiary sector to increase enrolments in quality programmes and improve completion rates. This has included increased expectations that providers will lift achievement for priority groups including Māori and Pasifika.

In 2012/13, we lifted tolerance bands to enable tertiary providers to accommodate additional students above their caps. High-performing private training establishments now have flexibility to increase enrolments.

Strengthened tertiary education overall

The performance of New Zealand's tertiary education system is critical to the supply of skills to the economy. Tertiary education provision was strengthened as a result of changes made to policy settings. This enabled stronger links between the skills required by businesses and qualifications and courses provided.

In 2012/13, we targeted foundation-level provision more closely to those with foundation learning needs and those who lack prior educational achievement at these levels. We expanded the amount of fees-free provision at these levels, recognising that those with these needs should not face barriers.

Improved employment information

With the Ministry of Business, Innovation and Employment, Careers New Zealand and Statistics New Zealand, we provided better information on employment and income outcomes after young people leave study. This is crucial to enable young people and providers to make better-informed decisions.

Resources released in 2012/13 to improve access to information on employment outcomes of education included:

- ▶ Moving on Up – what young people earn after their tertiary education, a report that provided comprehensive information on employment outcomes of education
- ▶ the Careers New Zealand web-tool that compares study options
- ▶ Occupation Outlook, a publication that looks at prospects for a range of occupations, produced by us and the Ministry of Business, Innovation and Employment.

Ensured tertiary research supports innovation

As part of the Government's Business Growth Agenda, we undertook reviews of the two main tertiary research funding streams – the Centres of Research Excellence and the Performance-Based Research Fund.

The Centres of Research Excellence review will be completed in July 2013. As a result, there will be changes, including:

- ▶ a refocused purpose for the Centres of Research Excellence
- ▶ a new performance monitoring framework that improves the ability of the Centres of Research Excellence to demonstrate the contribution they are making.

The review of the Performance-Based Research Fund began in 2012 and is currently seeking to address issues identified early in the process. We will look at transaction costs of the system and aim to improve alignment with the Government's tertiary education, research, science and innovation objectives. Public consultation on changes to the fund will occur in late 2013.

Improved use of the New Zealand Benchmarking Tool

In 2012/13, we worked with tertiary education institutions and Tribal, the developer of the New Zealand Benchmarking Tool, to ensure that we can analyse data from the tool to inform decision-making on tuition subsidy rates. The New Zealand Benchmarking Tool provides comparable information about income and delivery costs between providers and across different types of tertiary education.

Improved the performance of student support (student loans and allowances)

We improved the performance of student loans and allowances in 2012/13, building on previous changes that have targeted support and increased loan repayments. The changes we have made in the past year will come into force from 2014 and include:

- ▶ removing student allowance eligibility for those aged 65 years and over
- ▶ reducing the lifetime limit for student allowance eligibility for those aged 40 years and over from 200 weeks to 120 weeks
- ▶ extending the student loan and allowance stand-down period for permanent residents and Australian citizens to three years.

Working with Inland Revenue, we made changes relating to overseas-based borrowers, increasing personal responsibility for debt. The overseas-based borrower repayment regime was adjusted, with fixed repayment obligations and two new repayment thresholds. We are putting in place an ongoing information-sharing agreement between Inland Revenue and the Department of Internal Affairs and will also introduce the ability to arrest non-compliant borrowers who are about to leave the country.

Increased the contribution of the international education sector to New Zealand's economy

The Government's leadership statement for international education aims to double the economic value of international education to New Zealand by 2025. To achieve this goal, we have coordinated our efforts with the Ministry of Business, Innovation and Employment on immigration and economic development.

In 2012/13, we co-established a cross-government coordination group and work plan to increase the value of international education. We updated data on international education demand and supply trends, and monitored drivers of change.

We managed the export education levy funding, of which Education New Zealand is the largest user, and shared library, data and analytical services with them.

We improved the framework for care of international students, creating a roadmap to improve the efficiency and effectiveness of the Code of Practice for the Pastoral Care of International Students. This will include transferring administration of the code to the New Zealand Qualifications Authority in August 2013.

We strengthened the evidence base on international education and published evidence on a range of aspects of international students' lives including their:

- ▶ future intentions
- ▶ engagement in part-time work
- ▶ satisfaction with careers advice
- ▶ interest in tourism and travel within New Zealand
- ▶ satisfaction with the quality of education in New Zealand.

This evidence has built our understanding of the experience international students have in New Zealand and is informing our policy- and decision-making.

Developing and maintaining international relationships is crucial to improving the value of international education to New Zealand's economy. In 2012/13, we organised and hosted the Pacific Literacy Forum, hosted missions from the Organisation for Economic Co-operation and Development (OECD) and contributed to the Asia-Pacific Economic Cooperation (APEC) group and East Asia Summit education programmes. We hosted education groups from a range of countries, including Indonesia, China, the United States of America, Thailand, India, Libya, Colombia, Oman, Japan, Nigeria and Sweden.

Future focus

We will monitor progress towards the Better Public Services target to lift the proportion of 25- to 34-year-olds with qualifications at level 4 or above. More information about the age cohort covered by the target, and their engagement in education and employment, will help to identify groups that may need additional support to gain higher-level qualifications.

We will work with the tertiary sector to improve the performance and value of tertiary education. A new Tertiary Education Strategy for 2015 to 2019 will be released in 2013/14. It will promote a more outward-facing and engaged tertiary education system, with strong links to industry, community and the global economy. It will also have a strong focus on outcomes for individuals, businesses and the country.

We will increase the contribution of international education to New Zealand's economy. We will work with Education New Zealand to develop and strengthen education cooperation agreements with other countries, and work with the New Zealand Qualifications Authority on the Code of Practice for the Pastoral Care of International students, to ensure that international students are receiving quality experiences while studying in New Zealand. We will build the evidence base and research to better inform decision-making and resource allocation.

THE MINISTRY IS CAPABLE, EFFICIENT AND RESPONSIVE TO ACHIEVE EDUCATION PRIORITIES AND DELIVER CORE BUSINESS FUNCTIONS

Snapshot of the Ministry

As at 30 June 2013:

- ▶ we had 3,329 employees (2,569.8 full-time equivalents)
- ▶ we were based in 41 locations around New Zealand
- ▶ 78% of our workforce were women and 22% men
- ▶ the average age of our staff was 46.8 years
- ▶ staff members were employed for an average of 5.7 years
- ▶ staff turnover was 11.4%, down from 12.3% in 2012.

ACTIVITY

- ▶ Improved our governance and ways of working.
- ▶ Worked with education sector agencies.
- ▶ Lifted our people capability.
- ▶ Implemented shared services.
- ▶ Improved sector infrastructure.
- ▶ Implemented key information and communication technology projects.
- ▶ Lifted financial performance.
- ▶ Improved our procurement approaches.

What we did

In 2012/13, we strengthened our ability to manage, measure and deliver our programmes of work. This increased our capability to change how we work and better support the education sector to achieve the targets that the Government has set.

Better management processes and stronger governance systems for programmes and projects, and more robust risk management and trained key staff in professional project management practice, improved our delivery of key objectives.

We increased efficiency, centralised a number of services, strengthened procurement, removed manual processing and worked with other government agencies on significant cross-government work programmes.

New systems and tools for tracking, analysing and forecasting were introduced, enabling us to better support the education sector and understand where effort and investment are needed.

We invested in our people, introduced new behaviours, strengthened leadership, and delivered training to help us work better with providers, communities and iwi. We set up cross-Ministry teams to deliver outcomes rather than functions.

Improved our governance and ways of working

Made changes to our governance

In 2012/13, we improved organisational governance, leadership and capability. This programme of work was introduced as a continuous change and improvement process to ensure the Ministry is efficient and effective, has the required capabilities, and is an active and effective member of the education sector.

We established an Enterprise Portfolio Management Office and implemented enterprise-wide disciplines and a performance measurement framework. Ministry projects now use a consistent project governance and planning approach. Over 300 staff received training on effective project management.

We revised the Ministry's governance board structure to improve effectiveness and to simplify governance arrangements for the organisation.

Implemented a change programme

The Integrated Change Management Programme was developed to lead work on change being undertaken by the organisation.

In 2012/13, we built our capability to initiate and implement change, highlight opportunities and manage risks. We developed our understanding on change initiatives that affect us and the sector, as well as All-of-Government changes. Change management training is now a core part of leadership development and induction.

Our Regional Operations group is our interface with the sector and with children and young people, parents, families, whānau, education providers and the community. In 2012/13, we worked on a change programme to establish the Regional Operations group. We concentrated on the design of the group's leadership structure and future operating approach.

Responded to the Performance Improvement Framework report

In May 2013, the follow-up Performance Improvement Framework report on the Ministry of Education was published. The report followed on from the initial review of the Ministry conducted in 2010. The report suggested key areas for improvement for the Ministry, including:

- ▶ effectively managing risk
- ▶ developing a strong change process in the Ministry
- ▶ strengthening the Ministry's leadership position and collaboration with the sector
- ▶ providing more robust services to Ministers.

The recommendations of the Performance Improvement Framework report have been factored into the Ministry's work programme. We implemented a process of culture change, with a focus on team work, service, flexibility, responsiveness and accountability. We initiated new project management arrangements to further deliver on Better Public Services targets and Government priorities such as lifting educational outcomes. Early childhood education participation and NCEA Level 2 achievement rates have increased as a result of this activity.

Improved risk management

We have improved our understanding and management of risk. Our new risk management framework has set clear expectations for accountability and supports a culture of risk awareness and accountability. As a standard practice, risk registers are now essential and risk is a standing agenda item for most of the governance boards.

Improved our privacy and security of information procedures

As a result of an All-of-Government focus on privacy and security of information, we produced an information security strategy and associated policies to improve our practice when handling and sharing information. An independent organisation undertook a privacy assessment across the organisation and the results of the first stage of this work are informing our privacy improvement work programme, applying the lessons from some privacy and information security issues experienced in 2012/13. Advice, tools and resources give general guidance as well as helping staff assess information and handle it responsibly.

Lifted people capability

Developed our workforce

In 2012/13, we produced our first workforce plan, as part of the four-year Budget plan, which established the core capability and capacity requirements for the organisation over the next four years.

We developed capabilities to:

- ▶ work better with other government agencies, to increase economic growth and non-education social outcomes
- ▶ work and act as one Ministry to raise educational achievement, use data, raise teaching quality and strengthen accountability
- ▶ plan for the long term, including around governance and financial planning and management
- ▶ integrate and manage complex programmes of work through project and programme management disciplines
- ▶ deliver the findings of our research, evidence and evaluation work to front-line staff, particularly those engaging with the sector
- ▶ ensure regional service delivery has strong capability to advise and support early childhood education providers and schools to raise achievement
- ▶ engage the community in a confident, proactive, open, honest and challenging way about increased educational achievement
- ▶ integrate our activity, from policy advice to service delivery
- ▶ effectively manage large sector infrastructure, including the school property portfolio and information and communication technology initiatives
- ▶ enhance strategic leadership for student achievement so our senior leaders are results-driven.

Strengthened leadership and management development

In 2012/13, we recruited experienced leaders at senior levels to build our leadership and management strength and expertise. All tier two and significant-sized tier three roles have been offered the opportunity to be involved in the wider Public Sector Senior Leader Career Development Programme.

We introduced a leadership management and development framework, linked to the State Services Commission's public sector Leadership Success Profile. We provided management induction and leadership development programmes and established a wider range of online learning.

In 2012/13:

- ▶ 49 new managers participated in induction
- ▶ 29 managers participated in strategic leadership internal programmes
- ▶ 42 managers participated in the Leading for Results and The Leader Within programmes
- ▶ 27 managers participated in crisis management plan e-learning
- ▶ 78 managers participated in fraud awareness e-learning
- ▶ 22 managers participated in external management and leadership programmes.

We introduced an Aspiring Leaders programme for high-potential team leaders and first-line managers, and a mentoring and coaching programme is in place.

Supported workforce development to engage with the community

In 2012/13, we implemented core competencies required of Ministry staff to work effectively with Māori. So far, 1,700 managers and staff have attended training workshops designed to raise awareness and understanding of the competencies. We are now embedding these competencies into recruitment, performance management, learning and development and using them to build management capability.

We expanded the range of staff development available through mandatory induction modules, which each new staff member must complete. In May and June 2013, 132 new staff completed the Code of Conduct e-learning module.

Improved human resources information and automation

In 2012/13, we strengthened our human resources measures, and improved our regular reporting on the organisation and business group level. We made significant business improvements, including combining weekly pay cycles into a single fortnightly pay cycle for the organisation.

A new, online leave application process has removed manual processing and data entry requirements for most types of leave applications and approval. The recruitment application process was also automated, removing manual processes for supplying information to hiring managers. Over time, these improvements will result in efficiency gains for the Ministry.

Increased All-of-Government alignment

We are one of six foundation agencies in the Optimise HR programme, which is designing shared human resources services across the six agencies. We undertook extensive benchmarking of our operation to international practices and process design. We will also participate in the All-of-Government Recruitment Services panel to streamline procurement processes and achieve cost savings.

Implemented shared services

In 2012/13, we extended a shared services approach to administrative and corporate support to the Ministry's national office. All administration staff have been consolidated into the shared services group, centralising and streamlining systems and processes. We established the Business Processing Centre, focusing on transactional processes and activities, and building operational excellence.

We refined, reviewed and redesigned areas of bottleneck to ensure better customer service and greater efficiency gains. We produced a roadmap of priorities for system changes in 2013/14 and we are introducing a capability strategy for continuous change.

Improved sector infrastructure

The payroll service for schools is one of the largest payroll services in Australasia, serving approximately 90,000 school staff¹³ each pay period and 14 of the 15 separate collective agreements. In 2012/13, the new payroll service, Novopay, went live after eight years of development.

There were significant issues with the Novopay user interface and some critical school functions were unable to be completed online. Some data was not transferred correctly from the former service, and Novopay performed some calculations incorrectly. These combined to cause considerable stress and additional work for principals, executive officers and school administrators, as well as an unacceptable negative impact on payments to teachers and school staff.

Since Novopay went live in August 2012, a concerted effort has been made to remediate and stabilise the service. A key part of this has been the establishment of a dedicated payroll business unit led by a new Deputy Secretary. However, there are still significant issues that need to be resolved.

A \$5 million Novopay remediation programme was established in February 2013 to identify immediate and medium-term priorities for improving the service. We spent \$2.9 million of this fund in 2012/13.

An independent technical review to assess the stability of Novopay was conducted by Deloitte in early 2013, the findings of which were released in March 2013. The review's recommendations focused on ensuring that we were equipped to resolve immediate issues and that we had a suitable software platform to deliver the payroll for the next eight to ten years. Included in the recommendations was the need to provide schools with greater support depending on their needs and to strengthen significantly the functionality of the system. The Deloitte report was an important input into the Novopay Remediation Programme.

13 This figure includes full-time teachers, school support staff, relief teachers, teacher aides and other staff.

Another significant milestone was the Report of the Ministerial Inquiry into Novopay. The report, released in June 2013, concluded that many factors over many years contributed to the issues with Novopay. Its key findings included that:

- ▶ the problems with Novopay affected public trust and confidence in the Ministry of Education and the wider public sector
- ▶ the school payroll system is overly complex due to an accumulation of historical changes
- ▶ there was a failure to involve the users of Novopay in schools and appreciate their requirements.

We accepted all 15 recommendations, which included completing, as a matter of priority, the activities required to stabilise the current payroll service for schools, strengthening our leadership and governance capabilities, and developing and improving relationships with the sector.

By the end of the 2012/13 financial year, the fortnightly pay cycle had been stabilised. The vast majority of school staff were being paid accurately and on time, and most pay periods were below the 0.5% 'steady state' complaints level identified in the Deloitte Technical Review as acceptable in a payroll of this size and complexity. By this time, a dedicated Backlog Clearance Unit had made significant progress clearing outstanding issues.

At the end of 2012/13, we began implementing a dedicated programme to address immediate and medium-term priorities for improving the Novopay service. This programme is aimed at:

- ▶ completing stabilisation (remediating defects, clearing backlogs, supporting schools and concluding revised commercial arrangements with Talent2, the external provider of the Novopay service)
- ▶ ensuring we have the capabilities to sustain a reliable school payroll system that pays all staff accurately and on time
- ▶ re-examining the service delivery model to ensure it is sustainable and affordable
- ▶ re-examining current practices around payroll to remove unnecessary complexity
- ▶ strengthening leadership and governance in our Leadership Team and audit functions
- ▶ developing and improving relationships with the school sector to improve trust and confidence.

Implemented key information and communication technology projects

We undertook significant information and communication technology projects in the Ministry's information technology environment in 2012/13. We refreshed our internal videoconferencing equipment and upgraded our remote access platform, which will further drive efficiency gains. We strengthened our information security and resilience so we can continue to operate as fully as possible when business is disrupted.

We delivered new applications in 2012/13, all designed to improve processes and drive efficiency and cost reduction gains, including:

- ▶ a new contracts management system (Ariba)
- ▶ a new internal budgeting and forecasting tool
- ▶ a new web-based case management system for the Attendance Service.

We progressed work on a number of internal and sector applications, and will continue developing these in 2013/14, including:

- ▶ the new Early Learning Information System for early childhood education
- ▶ the new Progress and Consistency Tool for the primary schooling sector
- ▶ the National Student Index upgrade enabling national student numbers to be extended to children in early childhood education
- ▶ a replacement Property Management System.

Lifted financial performance

We implemented the Finance Organisation Development Programme, to deliver a strong finance function with the capacity, skills, experience, competencies and systems to achieve best practice in financial management. In 2012/13, we introduced new tools and strengthened our finance function.

In 2012/13, we consolidated cross-Ministry finance functions and established two new centres – the Finance Centre of Expertise and the Shared Services Business Processing Centre. This approach aligns with the All-of-Government Optimise Finance initiative. We are one of 10 agencies participating in the Optimise Finance initiative.

Improved our procurement approaches

In 2012/13, we carried out the recommendations from the Procurement Capability Review of the Ministry, working with the Ministry of Business, Innovation and Employment, who has been supporting our development in this area. More than 150 staff completed procurement training.

We introduced a new contract management system in 2012/13, on time and on budget. Ariba allows us to manage our 5,000 contracts better. We will expect the use of Ariba to drive improved educational outcomes from our \$1,200 million annual spend.

Future focus

We will continue to improve our effectiveness and efficiency, streamlining and improving our processes, reducing costs and providing the very best service to all our customers and stakeholders.

With our role in the education system changing from one of leadership to stewardship, we will actively listen to, and positively engage, with the sector, to provide the support, evidence and activity required to improve educational performance for all children and young people.

MEASURES

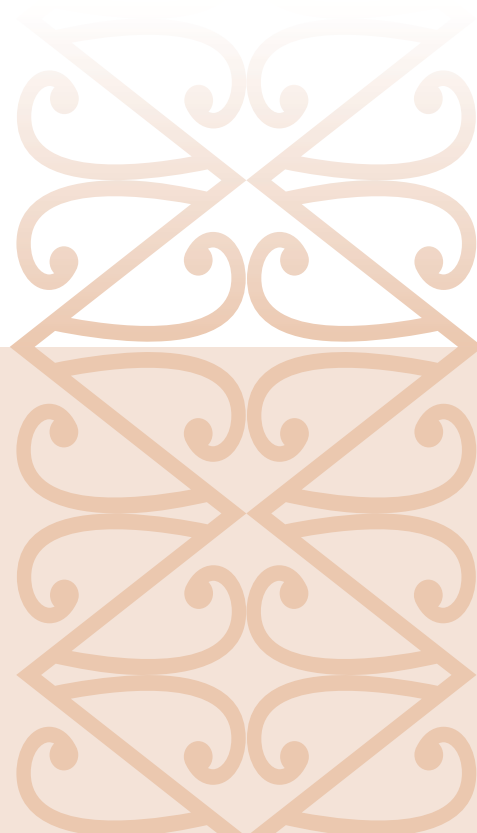
MEASURE	TREND TO DATE	METRIC	ACTUAL JUNE 2013	TARGET
The Ministry DEVELOPS strong asset management capability	↑	The Safe and Inspiring Learning Environments will be initially evidenced by an increase in the Asset Management Maturity index in the Capital Asset Management framework from 59% Upper Core (Oct 2011) to 83% Lower Advanced by 30 June 2015	67%	The Ministry has systems in place to enable the measurement of the asset performance attribute of the Capital Asset Management framework
MEASURE	TREND TO DATE	METRIC	ACTUAL 2012/13	TARGET 2012/13
FINANCIAL variance across the entire school property capital plan will be less than 20%	↑	Deliver school property capital plan with a variance of less than 20% across the entire school property capital plan	16%	Financial variance is less than 20%
MEASURE	TREND TO DATE	METRIC	ACTUAL 2012	TARGET
PROGRAMMED maintenance for school buildings ensures they remain in a safe condition for students	↑	Percentage of maintenance costs spent on priority 1 or 2 (health and safety/high operational risk)	Achieved. Protocols for using Condition Assessment data to inform 10-Year Property Plans are under development	Percentage of maintenance costs spent on priority 1 or 2 (health and safety/high operational risk) reduces over time
MEASURE	TREND TO DATE	METRIC	ACTUAL JUNE 2013	TARGET
DEPARTMENTAL and Crown expenditure variances are within appropriations		Financial variances	Cumulative variances (below budget) for 30 June were (\$000): Vote Education ▶ Departmental \$20,467 ▶ Non-departmental \$65,791 ▶ Capital expenditure PLA \$70,799 Vote Tertiary Education ▶ Departmental \$531 ▶ Non-departmental \$72,334	Departmental and Crown expenditure variances are favourable

MEASURE	TREND TO DATE	METRIC	ACTUAL 2012/13	TARGET 2012
TOTAL staffing establishment tracks lower than forecast (includes actual and vacancy full-time equivalent data)	↑	Full-time equivalents	2,569.8	2,590
MEASURE	TREND TO DATE	METRIC	ACTUAL 2012/13	TARGET 2012-15
CORE unplanned turnover does not exceed upper limit	↑	Percentage of turnover is lower than the public sector average	11.4%	Less than or equal to 16.0%
MEASURE	TREND TO DATE	METRIC	ACTUAL 2012/13	TARGET 2012
INCREASE the level of staff engagement in the Ministry	N/A	Employment survey grand mean	Not run in the 2012/13 year	3.68
MEASURE	TREND TO DATE	METRIC	ACTUAL 2012/13	TARGET 2012-15
The Ministry's POLICY advice is high quality	■	External assessment of a sample of Ministry policy by the New Zealand Institute of Economic Research	Vote Education 7.31 Vote Tertiary 7.33	A sample of Ministry policy papers externally assessed by the New Zealand Institute of Economic Research rates at least 7 out of 10
MEASURE	TREND TO DATE	METRIC	ACTUAL 2012/13	TARGET 2012
SERVICES provided to ministers are high quality	N/A	No more than 2% of support and ministerial services sent to the ministers' offices will be rejected	Vote Education 2.6% Vote Tertiary 5%	No more than 2% of support and ministerial services sent to the ministers' offices will be rejected

KEY ↑ Improved, target met ↑ Improved, target not met ↓ Worsened ■ No change

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 2013 and its operations for the year ended on that date.

Countersigned by:

Peter Hughes
Secretary for Education
30 September 2013

Tina Cornelius
Chief Financial Performance Officer
30 September 2013

Contents

Introduction to financial performance

Allocation of Vote Education	58
Vote Education – expenditure variances against appropriations	59
Allocation of Vote Tertiary Education	60
Vote Tertiary Education – expenditure variances against appropriations	60
Ministry expenditure analysis	61
Movement in property, plant and equipment and intangible assets	61
Independent Auditor's Report	62

Financial statements

Statement of Accounting Policies	65
Statement of Comprehensive Income	75
Statement of Changes in Taxpayers' Equity	76
Statement of Financial Position	77
Statement of Cash Flows	78
Financial commentary	80

Supplementary information

Statement of Commitments	83
Statement of Contingent Liabilities and Contingent Assets	84
Statement of Unappropriated Expenditure	85
Notes to the financial statements	86

Statements of service performance

Summary of departmental expenses	102
Vote Education – Statement of Expenditure and Appropriations	102
Vote Education – changes to departmental appropriations	103
Vote Tertiary Education – Statement of Expenditure and Appropriations	107
Vote Tertiary Education – changes to departmental appropriations	107
Vote Education – departmental output expense specifications	108
Vote Tertiary Education – departmental output expense specifications	136

Financial statements and schedules – non-departmental

Statement of Expenditure and Appropriations	143
Schedule of Expenses	148
Statement of Revenue and Receipts	149
Schedule of Assets	150
Schedule of Liabilities	151
Statement of Commitments	151
Statement of Contingent Liabilities	151
Statement of Contingent Assets	152
Statement of Trust Monies	152
Statement of Unappropriated Expenditure	153
Notes to the non-departmental financial statements	153
Vote Education – changes to non-departmental appropriations	159
Vote Tertiary Education – changes to non-departmental appropriations	163

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 2012/13, Parliament appropriated \$9,633 million for the purposes of Vote Education. This was allocated to the Ministry for:

- ▶ Ministry outputs purchased by the Minister and capital expenditure (\$2,448 million or 25.41%) as follows:
 - ▶ \$1,416 million (14.70%) for property outputs produced including depreciation and capital charge
 - ▶ \$481 million (4.99%) for other outputs produced including capital charge
 - ▶ \$551 million (5.72%) for capital expenditure
- ▶ payments made by the Ministry on behalf of the Crown (\$7,185 million or 74.59%) 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	30/06/2013 Budget	30/06/2013 Supplementary Estimates	30/06/2013 Actual	Variance
	\$'000	\$'000	\$'000	\$'000
Departmental				
Ministry outputs	1,804,108	1,897,333	1,876,866	20,467
Ministry capital	630,986	550,511	479,712	70,799
Non-departmental				
Crown outputs	405,212	422,989	408,197	14,792
Benefit expenses	56,835	46,969	35,964	11,005
Other expenses	6,686,743	6,689,730	6,651,786	37,944
Capital expenditure	21,370	25,199	23,149	2,050
Total	9,605,254	9,632,731	9,475,674	157,057

Vote Education – expenditure variances against appropriations

Ministry outputs variance is mainly owing to a combination of:

- ▶ fewer students than expected receiving support through the Ongoing Resourcing Scheme and the School High Health Needs Fund
- ▶ changes in the projected timing of new schools joining the School-Wide programme over the next three years as well as delays in implementing Positive Behaviour for Learning projects
- ▶ delays in finalising contracts and recruitment of staff for some programmes such as School Leaders Networks for Youth Guarantee and Learning and Change Networks – with some expenditure now likely to be incurred in 2013/14
- ▶ lower than expected costs for the Early Learning Information System
- ▶ higher than expected costs to resolve issues with the Novopay service.

Ministry capital expenditure variance is mainly owing to:

- ▶ delays in completion of schools' 10-year property plans resulting in lower than expected Five-Year Agreement spending
- ▶ delays across several other major programmes including defective buildings, Canterbury rebuild and earthquake strengthening, partly through an increased focus on other programmes
- ▶ a different mix of schools participating in the School Network Upgrade Project than earlier anticipated.

Crown outputs variance is mainly owing to:

- ▶ delays and lower than expected demand for various curriculum support and professional development and support programmes
- ▶ initial demand for secondary-tertiary interface places being lower than expected
- ▶ lower than expected contract price adjustments for school transport as well as lower than expected take-up for some transport programmes.

Benefits expenses variance is mainly owing to:

- ▶ fewer teacher study awards being approved during the year than expected and related costs generally being lower

- ▶ fewer applications for teacher trainee scholarships and voluntary bonding options than expected as the teacher supply situation has improved
- ▶ lower than expected uptake by students for some allowances and grants programmes.

Other expenses variance is mainly owing to:

- ▶ lower than expected utilisation of provisions for contingencies and lower than expected uptake of some demand-driven programmes across Primary Education, Secondary Education and Special Needs Support
- ▶ delays in completion of work in the School Network Upgrade Project.

Capital expenditure variance is mainly owing to:

- ▶ lower than expected demand for the School Support Project.

Allocation of Vote Tertiary Education

In 2012/13, Parliament appropriated \$2,810 million for the purposes of Vote Tertiary Education. This was allocated to the Ministry for:

- ▶ Ministry outputs purchased by the Minister (\$13 million or 0.46%)
- ▶ payments made by the Ministry on behalf of the Crown (\$2,797 million or 99.54%) 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.

Vote Tertiary Education financial summary

Vote Tertiary Education appropriations	30/06/2013 Budget	30/06/2013 Supplementary Estimates	30/06/2013 Actual	Variance
	\$000	\$000	\$000	\$000
Departmental				
Ministry outputs	12,945	13,208	12,677	531
Non-departmental				
Crown outputs	2,787,369	2,776,133	2,705,922	70,211
Benefit expenses	15,419	16,485	14,362	2,123
Other expenses	3,950	3,450	3,450	-
Capital expenditure	-	250	250	-
Total	2,819,683	2,809,526	2,736,661	72,865

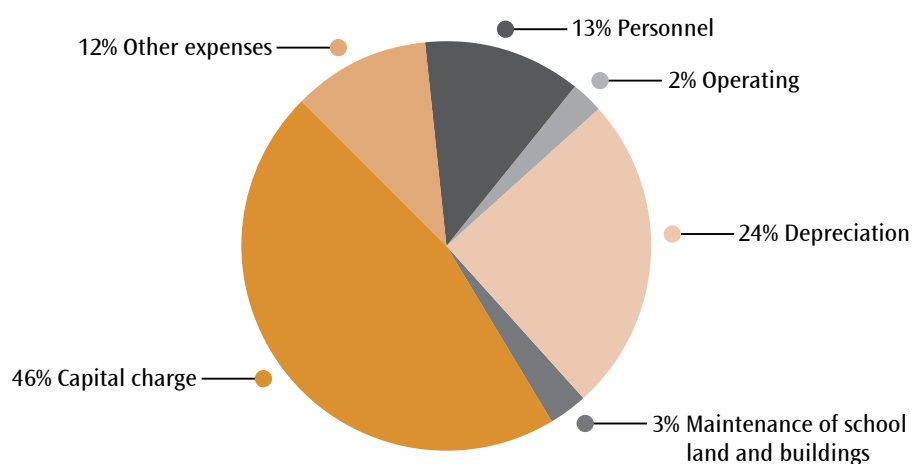
Vote Tertiary Education – expenditure variances against appropriations

Crown outputs variance is mainly owing to:

- ▶ lower than expected demand for the industry training and modern apprenticeship programmes
- ▶ lower than expected demand for level 3 and above courses and Skills for Canterbury programmes.

Benefits expenses variance is mainly owing to fewer students than expected reaching required standards for some programmes.

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	30/06/2012 Actual \$ million
Opening balance	10,603	10,229
Additions	480	476
Disposals	(23)	(65)
Depreciation	(462)	(460)
Revaluations	107	533
Reversal of impairment/(impairment)	92	(110)
Total property, plant and equipment and intangible assets	10,797	10,603

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 2013

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, 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 65 to 101, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2013, 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 capital 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 102 to 142 and the report about outcomes on pages 10 to 53; and
- ▶ the schedules of non-departmental activities of the Ministry on pages 143 to 164 that comprise the schedule of assets and schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2013, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, schedule of income and statement of trust monies, 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 65 to 101:
 - ▶ comply with generally accepted accounting practice in New Zealand; and
 - ▶ fairly reflect the Ministry's:
 - financial position as at 30 June 2013;
 - 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 2013; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2013, and
- ▶ the non-financial performance information of the Ministry on pages 10 to 53 and 102 to 142:
 - ▶ 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 2013, 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 143 to 164 fairly reflect, in accordance with the Treasury Instructions:
 - ▶ the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2013 managed by the Ministry on behalf of the Crown; and
 - ▶ the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Significant issues with Novopay

Without modifying our opinion, we note the Ministry's responsibility for managing the schools' payroll service, and the reference on pages 49 and 50 to the significant issues that arose when the new payroll service, Novopay, went live in August 2012. We consider it important to draw your attention to the effect of some of those issues. As set out on page 119, the Ministry has not achieved its service performance target for accurately calculating payments to teachers. Also, as noted on page 84, a claim has been lodged in the High Court alleging breach of statutory duty due to the Novopay system failures. The outcome of this claim is uncertain. Further, as set out on page 152, there are salary overpayments to teachers, for which the amount and timing of recovery is uncertain. We consider all of these disclosures to be adequate.

Our audit was completed on 30 September 2013. 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 of 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 capital expenditure; 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, and 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, and 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 post implementation control environment established by Talent2 in relation to the outsourced provision of Education Services payroll, an assurance engagement in relation to the integrity of the school annual accrual reports and the payroll data for the 2012 school year and an advisory engagement in support of the development of a policy framework on the provision of reading resources to the schools sector which are compatible with those independence requirements. 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

Financial statements

Statement of Accounting Policies for the year ended 30 June 2013

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 2013. The financial statements were authorised for issue by the Secretary for Education on 30 September 2013.

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.

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 (PAS). 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 expects to 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.

However, 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 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 that are being constructed under a service concession arrangement are recognised as work in progress during construction along with a corresponding financial liability representing the Ministry's obligation to pay a monthly unitary payment to the contractor in respect of the assets. Subsequently the service concession liability is accounted for at amortised cost.

Once these schools become operational, they are remeasured to fair value.

Subsequently schools which are the subject of service concession arrangements are accounted for in accordance with the policies adopted by the Ministry in respect of property, plant and equipment.

At the time the service concession assets become operational, the financial liability is also remeasured to be consistent with the corresponding asset. Payments made under service concession arrangements are allocated to reducing the liability, the finance charge and the service provided by the operator and other operational costs.

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 2013, 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 2013, 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 2013 and a salary inflation factor of 3% (3% in 2012) were used for retiring and long service leave.

- Replacement cost assumptions used in the revaluations of school buildings were based on Rawlinson's 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	2013 unit rate	2012 unit rate
Classroom fabric – single storey	\$878/m ²	\$868/m ²
Classroom fabric – per storey	\$352/m ²	\$348/m ²
Classroom – roof	\$244/m ²	\$241/m ²
Classroom – services	\$716/m ²	\$708/m ²
Classroom – fitout	\$607/m ²	\$601/m ²
Lifts – basic rate	\$110,393	\$108,964
Lifts – per storey	\$6,077	\$5,953
Boilers	\$58,741 each	\$57,509 each
Ancillary buildings	\$694/m ²	\$692/m ²
Relocatable buildings	\$2,312/m ²	\$2,285/m ²
Covered ways	\$375/m ²	\$373/m ²
Site improvements	Various rates applied	Various rates applied
Swimming pools	\$2,973/m ³	\$2,933/m ³

Construction rates have been applied to all components on the same basis as in 2012.

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)
- Buildings with significantly higher projected capital expenditure forecast for the next 10 years than carrying value
- Buildings defined as 'Portable Modular Classrooms'
- Buildings identified as being surplus to future requirements and where rationalisation is a likely outcome.

Earthquake resilience of buildings has also been taken into consideration when assessing the useful life.

- ▶ The Ministry has carried an impairment provision since 2010 to provide for damage resulting from weather-tightness issues.

The Ministry 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 have been 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 'Remediate buildings as part of strategic intervention' option is still the best measure of the value of the future costs to remediate weather-tightness issues, although for the purposes of the 2013 impairment provision the option has been adjusted as follows:

- ▶ Less the value of capital spend in the 2012/13 financial year – \$63.5 million
- ▶ Less the value of buildings demolished due to weather-tightness issues – \$8.6 million
- ▶ Less the reduction in value associated with assets with weather-tightness issues as a result of the 2013 Revaluation exercise – \$29.7 million
- ▶ Increased by the movement in the Capital Goods Price Index – \$11.8 million.

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

- ▶ 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.

Significant advancements have been made in the 2012/13 financial year in improving the quality of cost estimates, enabling a building-by-building review of the impairment provision.

The Ministry has taken a holistic view of the state of the Christchurch portfolio, and pulled together the best known building-by-building data on all issues, inclusive of earthquake remediation costs, weather-tightness issues, earthquake resilience issues, future capital maintenance expenditure projected by the Condition Assessment programme, and the closure and merger announcements.

This assessment has identified those buildings that are considered uneconomic to repair or likely to be replaced due to condition, age, and suitability for 21st-century education. These buildings have had their remaining useful life adjusted to an appropriate figure ranging from 3 months to 10 years in line with the anticipated Greater Christchurch Education Renewal Programme implementation programme.

The Christchurch earthquake impairment provision has been recalculated using the same building assessment data.

The Christchurch earthquake impairment value as at 30 June 2012 was \$70.8 million. As at 30 June 2013, this has been restated as \$68.8 million.

Statement of Comprehensive Income for the year ended 30 June 2013

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	30/6/2013	30/6/2013	30/6/2012
		Actual	Supplementary Estimates	Budget	Actual
Notes		\$000	\$000	\$000	\$000
Revenue					
From the Crown		1,875,297	1,897,935	1,810,997	1,785,642
From other sources	2	22,291	20,517	6,056	107,183
Total revenue		1,897,588	1,918,452	1,817,053	1,892,825
Expenditure					
Personnel	3	237,733	235,214	199,073	220,333
Operating	4	47,902	47,839	66,471	47,552
Depreciation and amortisation	5	461,529	466,325	466,325	460,183
Maintenance of school land and buildings		55,693	56,116	36,356	55,248
Capital charge	6	867,576	868,316	830,719	823,356
Other expenses	7	219,110	236,731	218,109	196,948
Total expenditure		1,889,543	1,910,541	1,817,053	1,803,620
Net surplus	9	8,045	7,911	-	89,205
Other comprehensive income					
Gain on land and buildings revaluation	10 & 16	107,228	-	-	533,110
Reversal/(Impairment) of buildings	10 & 16	92,023	-	-	(110,712)
Total comprehensive income		207,296	7,911	-	511,603

Statement of Changes in Taxpayers' Equity for the year ended 30 June 2013

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.

	Notes	General Funds \$000	Revaluation Reserve \$000	Total \$000	Supplementary Estimates \$000	Budget \$000
Taxpayers' equity at 1 July 2011		4,362,013	5,929,951	10,291,964	10,291,962	10,328,819
Net surplus/(deficit) for the year	9	89,205	-	89,205	(6,578)	-
Other comprehensive income:						
Deduct land revaluations		-	(13,182)	(13,182)	-	-
Add buildings revaluations		-	546,292	546,292	-	-
Deduct impairment of buildings		-	(110,712)	(110,712)	-	-
Total comprehensive income		89,205	422,398	511,603	(6,578)	-
Transactions with the Crown:						
Net surplus/(deficit) repayable to the Crown	9	-	-	-	-	-
Capital contributions		65,185	-	65,185	65,185	136,961
Capital withdrawals		(24,053)	-	(24,053)	(24,053)	(24,053)
Taxpayers' equity at 30 June 2012		4,492,350	6,352,349	10,844,699	10,326,516	10,441,727
Taxpayers' equity at 1 July 2012		4,492,350	6,352,349	10,844,699	10,844,699	10,326,516
Net surplus/(deficit) for the year	9	8,045	-	8,045	7,911	-
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		8,047	199,251	207,298	7,911	-
Transactions with the Crown:						
Net surplus repayable to the Crown	9	-	-	-	-	-
Capital contributions		105,401	-	105,401	105,401	142,427
Capital withdrawals		(49,451)	-	(49,451)	-	-
Taxpayers' equity at 30 June 2013		4,556,347	6,551,600	11,107,947	10,958,011	10,468,943

Statement of Financial Position as at 30 June 2013

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 \$000	30/6/2013 Actual \$000	30/6/2013 Supplementary Estimates \$000	30/6/2013 Budget \$000	30/6/2012 Actual \$000
	Notes					
Taxpayers' equity			11,107,947	10,958,011	10,468,943	10,844,699
General funds		4,556,347		4,605,662	4,538,994	4,492,350
Revaluation reserves	10	6,551,600		6,352,349	5,929,949	6,352,349
which is represented by:						
Current assets			474,489	438,941	160,173	364,807
Cash and bank	19	107,181		78,028	21,124	27,635
Accounts receivable	11	303,210		293,526	71,662	242,803
Prepayments	12	16,701		26,672	26,672	29,111
Non-current assets held for sale	13	47,397		40,715	40,715	65,258
Less						
Current liabilities			(113,355)	(93,769)	(93,769)	(110,261)
Goods and Services Tax		(14,801)		(8,700)	(8,700)	(15,904)
Accounts payable	14	(83,727)		(72,462)	(72,462)	(80,732)
Provision for employee entitlements	15	(14,827)		(12,607)	(12,607)	(13,625)
Working capital			361,134	345,172	66,404	254,546
Plus						
Non-current assets			10,797,079	10,662,599	10,407,799	10,602,633
School land	16	2,791,275		2,645,497	2,689,724	2,640,152
School buildings	16	7,896,678		7,910,960	7,659,407	7,893,842
Service concession arrangements	16	48,775		48,463	-	10,153
Ministry chattels	16	29,978		38,924	39,552	39,481
Intangible assets	17	30,373		18,755	19,116	19,005
Less						
Non-current liabilities			(50,266)	(49,760)	(5,260)	(12,480)
Provision for employee entitlements	15	(6,304)		(5,260)	(5,260)	(6,420)
Service concession arrangements	16	(43,962)		(44,500)	-	(6,060)
Net assets			11,107,947	10,958,011	10,468,943	10,844,699

Statement of Cash Flows for the year ended 30 June 2013

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 \$000	30/6/2013 Actual \$000	30/6/2013 Supplementary Estimates \$000	30/6/2013 Budget \$000	30/6/2012 Actual \$000
Operating activities					
Cash was received from:					
The Crown	1,824,528		1,847,935	1,802,173	1,716,583
Other	17,753		18,324	6,056	13,154
		1,842,281	1,866,259	1,808,229	1,729,737
Cash was expended on:					
Production of outputs					
Personnel	(236,647)		(235,520)	(197,476)	(219,542)
Operating and other	(304,316)		(347,123)	(322,533)	(256,506)
Capital charge	(867,576)		(868,316)	(830,719)	(823,356)
		(1,408,539)	(1,450,959)	(1,350,728)	(1,299,404)
Net cash flows from operating activities					
(Note 18)		433,742	415,300	457,501	430,333
Investing activities					
Cash was received from:					
Sales of assets	12,416		25,600	17,000	7,857
		12,416	25,600	17,000	7,857
Cash was expended on:					
Property, plant and equipment	(401,421)		(483,648)	(620,107)	(463,929)
Intangibles	(21,141)		(12,260)	(10,879)	(12,123)
		(422,562)	(495,908)	(630,986)	(476,052)
Net cash flow from investing activities		(410,146)	(470,308)	(613,986)	(468,195)
Financing activities					
Cash was received from:					
The Crown:					
Capital contribution	105,401		105,401	142,427	65,185
		105,401	105,401	142,427	65,185

	30/6/2013 Actual \$000	30/6/2013 Actual \$000	30/6/2013 Supplementary Estimates \$000	30/6/2013 Budget \$000	30/6/2012 Actual \$000
Cash was expended on:					
Repayment to the Crown:					
Capital withdrawal	(49,451)		-	-	(24,053)
		(49,451)	-	-	(24,053)
Net cash flows from financing activities		55,950	105,401	142,427	41,132
Total net increase in cash held		79,546	50,393	(14,058)	3,270
Bank and cash balances as at 1 July		27,635	27,635	35,182	24,365
Bank and cash balances as at 30 June		107,181	78,028	21,124	27,635

Financial commentary for 2012/13

The Ministry incurred \$1,889.5 million (GST exclusive) on delivering outputs in 2012/13. This was \$72.5 million more than had been originally budgeted. This was because of changes made after the 2012/13 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 mainly as a result of the revaluation of the property portfolio at 30 June 2012 (\$41.8 million increase)
 - ▶ provision for additional losses from disposal or demolition of school property assets (\$12.5 million increase)
 - ▶ provision for additional legal action related to weather-tightness issues with school property assets (\$4.3 million increase)
- ▶ implementation of other policy changes during the year, which mainly included:
 - ▶ support for the education sector in Christchurch, Waimakariri and Selwyn to recover from the effects of the 2010 and 2011 earthquakes (\$16.5 million increase)
 - ▶ provision for implementation of the Early Learning Information System (\$3.8 million increase)
 - ▶ provision for remediation activity related to implementation of the Novopay service (\$3.0 million increase)
 - ▶ additional funding for the School Network Upgrade Project (\$2.2 million increase)
 - ▶ increased pay rates agreed for teachers' aides (\$2.2 million increase)
- ▶ transfers of funding from the previous year and to subsequent years (\$0.2 million net increase) that mainly included changes in timing for:
 - ▶ ongoing implementation of the Novopay service (\$2.4 million increase)
 - ▶ continuation of work for school planning and reporting and long-term work programme (\$1 million increase)
 - ▶ delays in projects mainly related to the Positive Behaviour for Learning initiative (\$1.7 million decrease)
 - ▶ delays with development of achievement standards and associated resources to align curriculum in the Māori-medium sector with the New Zealand Curriculum (\$1.6 million decrease)
- ▶ movements to and from non-departmental appropriations including:
 - ▶ transfers of unallocated funding from non-departmental output expense Curriculum Support and non-departmental other expense Primary Education for ongoing implementation of the Novopay service (\$5.9 million increase)
 - ▶ expansion of the Intensive Wraparound Service following closure of McKenzie School and changes to the rolls of several other residential special schools, resulting in a transfer of funds from non-departmental other expense Special Needs Support (\$0.7 million increase)
 - ▶ a transfer to non-departmental other expense Early Childhood Education to extend several existing programmes to engage and target vulnerable Māori children under three years of age and their whānau in high-quality, culturally relevant early childhood education with deliberate linkages to other supporting social services (\$1.3 million decrease)
- ▶ other lower than budgeted expenditure which was due to a combination of:
 - ▶ lower than expected student numbers for the Ongoing Resourcing Scheme and School High Health Needs Fund (\$4.6 million)
 - ▶ changes in the projected timing of new schools joining the School-Wide programme over the next three years as well as delays in implementing Positive Behaviour for Learning projects (which will transfer some costs to subsequent financial years) (\$3.2 million)
 - ▶ longer timeframes than anticipated for delivering assessments for the Earthquake Resilience programme due to the shortage of consulting structural engineers and related consultants (\$0.8 million)

- ▶ delays with detailed engineering evaluations while the Ministry's building approach to lightweight timber frames was clarified (\$0.7 million)
- ▶ lower than expected costs for the Early Learning Information System including savings in design and analysis, less contingency funding being committed and fewer contractors being required (\$1.9 million)
- ▶ lower than expected regional support costs and other resources required for the ultra-fast broadband in schools programme (\$0.6 million)
- ▶ delays in contracts for network development and recruitment of staff for School Leaders Networks for Youth Guarantee (\$1.2 million)
- ▶ delays in setting up the regional structure for Learning and Change Networks (\$1.2 million)
- ▶ delays in the Qualifications Pathways Programme as only initial projects have been approved so far (\$0.8 million)
- ▶ the National Standards Consistency Framework not proceeding as planned (\$0.7 million)
- ▶ Youth Guarantee Vocational Pathways, due to delays in the procurement process (\$0.6 million)
- ▶ partly offset by increased costs for resolving issues with the Novopay service (\$1.9 million).

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 2012/13 was \$1,897.6 million, which was \$80.5 million more than forecast. This increase was mainly owing to a combination of:

- ▶ additional outputs purchased by the Government as noted above (\$64.3 million)
- ▶ grants from New Zealand Transport Agency for redevelopment of Waterview School (\$10.2 million)
- ▶ contributions from several builders and architects responsible for weather-tightness issues towards repairs (\$4.3 million).

The operating surplus this year was therefore \$8.0 million.

At \$11,107.9 million, taxpayers' funds as at 30 June 2013 is \$639.0 million more than projected on Budget night, mainly owing to a combination of:

- ▶ an upward revaluation of school property assets by \$107.2 million in 2012/13 – this comprises an increase of \$140 million for land and a decrease of \$32.8 million for buildings. This mainly reflects market movements particularly for land and revised construction costs for replacement buildings
- ▶ the impact of increased revaluation from 2011/12 (\$533.1 million)
- ▶ changes in the impairment provision for defective buildings due to weather-tightness issues (\$4.6 million) and provision for damage to school buildings arising from the Canterbury earthquakes (\$14.1 million)
- ▶ lower than expected capital investment, principally for the school property works programme totalling (\$37.0 million) in 2012/13 – most of this funding will be received in 2013/14 instead
- ▶ capital withdrawal (\$49.4 million) reflecting 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 2011/12 (\$103.8 million).

The property, plant and equipment balance at 30 June 2013 was \$10,766.7 million, with a further \$30.4 million for intangibles, which was a total of \$389.3 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 (\$533.1 million) and this year (\$107.2 million)
- ▶ movements in the impairment of school buildings at 30 June 2013 as discussed above (\$18.7 million)
- ▶ lower than expected expenditure on development of assets (mainly school property).

The cash balance for the Ministry at 30 June 2013 was \$86.1 million more than forecast.

Changes in capital expenditure on property, plant and equipment repayments to the Crown is equal to forecast.

The Ministry's working capital (current assets less current liabilities) at the end of 2012/13 was \$361.1 million, \$294.7 million more than originally forecast. This was mainly owing to a combination of:

- ▶ higher than expected payables, entitlements and provisions owed by the Ministry on 30 June 2013 (\$19.6 million)
- ▶ a higher level of cash in bank (\$86.1 million)
- ▶ a higher than expected level of receivables and prepayments (\$221.6 million), mainly owing to funding not drawn down from the Treasury and estimated insurance recoveries from the Canterbury earthquakes
- ▶ a higher than forecast amount of school sector property intended for disposal (\$6.7 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	30/06/2012
	Actual	Actual
	\$000	\$000
Capital works projects:		
▶ Not later than one year	278,615	185,562
▶ Later than one year and not later than two years	24,347	25,024
▶ Later than two years and not later than five years	24,468	24,616
▶ Later than five years	153	174
Accommodation leases:		
▶ Not later than one year	14,116	18,763
▶ Later than one year and not later than two years	14,036	13,450
▶ Later than two years and not later than five years	19,071	25,643
▶ Later than five years	69,637	29,199
Total commitments	444,443	322,431

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 2013, 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 (2012: \$nil).

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

Quantifiable contingent liabilities

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Civil claims	-	-
Contractual dispute	170	-
Total contingent liabilities	170	-

Unquantifiable contingent assets

- As a result of various catastrophic events in the 2010/11 financial year, the largest being the earthquake events in the Canterbury region, the Ministry recognised revenue from insurance recoveries of \$92.5 million in the 2011/12 financial year.

The Ministry has been compiling its claim for earthquake damage and ancillary costs associated with the Canterbury earthquakes. The claim is highly complex and involves sections of the insurance policy that deal with temporary or urgent repairs, business interruption, constructive loss, and permanent repairs or reinstatement.

The full value of the estimated claim has not yet been recognised as income because various risk factors exist and it falls short of meeting the virtual certainty requirement required by NZ IAS 37 Provisions, Contingent Liabilities and Assets. Relevant income will be recognised when the asset becomes virtually certain. The difference between the estimated claim and the amount recognised to date as revenue from insurance recoveries is due to uncertainties that have arisen where the position in the insurance arrangement is unclear.

- The Ministry is pursuing a legal claim against the manufacturers of certain building products that were historically used in the construction of some classrooms and schools. These products have performed poorly and, the Ministry believes, have contributed to weather-tightness issues in some schools. The value of the legal actions currently being pursued cannot be quantified.

Quantifiable contingent assets

The Ministry has no quantifiable contingent assets (2012: \$nil).

Statement of Unappropriated Expenditure

In terms of sections 26b and 26c of the Public Finance Act 1989, there was no unappropriated expenditure against departmental output expenses for 2012/13. Unappropriated expenditure in 2011/12 totalled \$3.542 million, as shown below.

	30/06/2013	30/06/2012
	Unappropriated expenditure	Unappropriated expenditure
	\$000	\$000
<hr/>		
Vote Education		
Departmental output expenses:		
School Property Portfolio Management (Section 26B approval)	-	3,542
	<hr/>	

Notes to the financial statements for the year ended 30 June 2013

Note 1	Budget composition	87
Note 2	Other revenue	87
Note 3	Personnel expenditure	88
Note 4	Operating expenditure.....	88
Note 5	Depreciation and amortisation	88
Note 6	Capital charge	89
Note 7	Other expenses	89
Note 8	Loss/(gain) on sale of property, plant and equipment	89
Note 9	Net surplus payable to the Crown	90
Note 10	Revaluation reserves	90
Note 11	Accounts receivable	90
Note 12	Prepayments	91
Note 13	Non-current assets held for sale	92
Note 14	Accounts payable	92
Note 15	Provision for employee entitlements	93
Note 16	Non-current assets	94
Note 17	Intangible assets	97
Note 18	Reconciliation of net surplus with cash flows from operating activities	98
Note 19	Financial instrument risks	98
Note 20	Categories of financial instruments	100
Note 21	Capital management	100
Note 22	Related party transactions and key management personnel	100

Note 1 – Budget composition

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Budget	Supplementary Estimates	Budget	Budget
	Forecasts	Increase/ (decrease)	Total	Total
	\$000	\$000	\$000	\$000
Revenue:				
From the Crown	1,810,997	86,938	1,897,935	1,806,295
Other	6,056	14,461	20,517	10,022
Total revenue	1,817,053	101,399	1,918,452	1,816,317
Expenditure:				
Personnel	199,073	36,141	235,214	201,297
Operating	66,471	(18,632)	47,839	45,814
Depreciation	466,325	-	466,325	464,626
Maintenance of school land and buildings	36,356	19,760	56,116	51,366
Capital charge	830,719	37,597	868,316	824,204
Other expenses	218,109	18,622	236,731	235,588
Total expenditure	1,817,053	93,488	1,910,541	1,822,895
Net operating surplus/(deficit)	-	7,911	7,911	(6,578)

Note 2 – Other revenue

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Payroll deduction fees	510	544
Sale of learning materials	115	118
Early childhood licences	396	419
Sundry rentals	372	183
School house rentals	3,697	3,588
State Sector Retirement Savings Scheme and KiwiSaver Compensation	-	3,970
Miscellaneous revenue	16,106	4,952
Special education	1,095	886
Insurance recoveries	-	92,523
Total other revenue	22,291	107,183

Miscellaneous revenue mainly consists of a grant from New Zealand Transport Agency for Waterview School (\$10.2 million) and settlements with builders and architects related to weather-tightness issues (\$4.4 million).

Note 3 – Personnel expenditure

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Salaries and wages	229,781	211,864
ACC	761	918
Superannuation subsidies	5,169	4,961
Training	2,989	3,374
Increase/(decrease) in provision for annual leave	(759)	290
Increase/(decrease) in provision for long service leave	285	(433)
Decrease in provision for retiring leave	(493)	(641)
Total personnel expenditure	237,733	220,333

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	30/06/2012
	Actual	Actual
	\$000	\$000
Travel	12,574	11,237
Communications	4,365	3,894
Operating lease rentals	15,702	15,356
Contracts	3,020	3,071
Equipment maintenance	1,001	3,670
Other operating costs	11,240	10,324
Total operating expenditure	47,902	47,552

Note 5 – Depreciation and amortisation

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Buildings	441,819	438,546
Plant and equipment	274	255
Computer hardware	3,689	5,206
Furniture and fittings	3,049	2,851
Motor vehicles	1,768	1,864
Total depreciation	450,599	448,722
Computer software	10,930	11,461
Total amortisation	10,930	11,461
Total depreciation and amortisation	461,529	460,183

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 2013 was 8.0% (at 30 June 2012 the rate was 8.0%).

Note 7 – Other expenses

	30/06/2013 Actual \$000	30/06/2012 Actual \$000
Fees to auditors		
▶ Audit fees for audit of the financial statements	424	410
▶ Other assurance services	663	-
▶ Advisory services	83	-
▶ Fees for other services	-	17
Debt impairment	73	51
Loss on sale of property, plant and equipment (Note 8)	636	5,674
Loss on demolition of earthquake-affected buildings	15,344	16,090
Contracts for services	74,662	73,701
Special education payments	96,733	89,744
Other	30,492	11,261
Total other expenses	219,110	196,948

Fees to auditors for Other assurance services relate to a post implementation review of the control environment implemented by Talent2 to operate the Novopay education payroll service and the review of school payroll reporting and pay data information for the purposes of 2012 school financial reporting. These assignments were 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 2012 year and to inform the Ministry's remediation plan.

Fees to auditors for Advisory services relate to the development of a policy framework on the provision of the reading resources to the schools sector.

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

	30/06/2013 Actual \$000	30/06/2012 Actual \$000
Chattels	(6)	(286)
Land and buildings	642	5,960
Total loss/(gain) on sale of property, plant and equipment	636	5,674

Note 9 – Net surplus payable to the Crown

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Surplus from the Statement of Comprehensive Income	8,045	89,205
Deficit/(surplus) carried to taxpayers' equity	(8,045)	(89,205)
Total for repayment to the Crown	-	-

The retention of the surplus has been approved by the Minister of Finance.

Note 10 – Revaluation reserves

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Revaluation reserves consist of:		
Land revaluation reserves	2,305,745	2,143,028
Building revaluation reserves	4,245,855	4,209,321
Total revaluation reserves	6,551,600	6,352,349

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	30/06/2012
	Actual	Actual
	\$000	\$000
Trade receivables	9,687	3,195
Crown debtor	195,220	146,129
Non-trade receivables	98,303	93,479
Total accounts receivable	303,210	242,803

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

Non-trade receivables include insurance recoveries for the Canterbury earthquake and other insurance claims.

As at 30 June 2013 and 2012, all trade receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2013			30/06/2012		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	8,364	-	8,364	1,447	-	1,447
Past due 1 - 30 days	625	-	625	1,144	-	1,144
Past due 31 - 60 days	405	-	405	345	-	345
Past due 61 - 90 days	93	-	93	41	-	41
Past due > 91 days	545	345	200	530	312	218
Total	10,032	345	9,687	3,507	312	3,195

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	30/06/2012 Actual \$000
Balance at 1 July	312	300
Additional provisions made during the year	39	54
Receivables written off during period	(6)	(42)
Balance at 30 June	345	312

Note 12 – Prepayments

	30/06/2013 Actual \$000	30/06/2012 Actual \$000
Prepayments	1,892	1,745
Property capital	14,809	27,366
Total prepayments	16,701	29,111

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	30/06/2012
	Actual	Actual
	\$000	\$000
Buildings	5,729	12,482
Land	41,668	52,776
Total non-current assets held for sale	47,397	65,258

Note 14 – Accounts payable

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Trade payables	8,145	12,609
Accrued expenses	74,133	66,435
Crown entities	1,449	1,688
Total accounts payable	83,727	80,732

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	30/06/2012
	Actual	Actual
	\$000	\$000
Current liabilities		
Annual leave	12,830	12,071
Provision for State Sector Retirement Savings Scheme	232	120
Government Superannuation Fund: Employer Subsidy	27	20
Long service leave	393	408
Retiring leave	1,345	1,006
Total current portion	14,827	13,625

The provision for annual leave represents the amount owing to employees as at 30 June 2013. The provision for Government Superannuation Fund: Employer Subsidy represents the amount owing to the fund on behalf of employees as at 30 June 2013.

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Non-current liabilities		
Long service leave	1,370	1,640
Retiring leave	4,934	4,780
Total non-current portion	6,304	6,420

The provision for long service and retiring leave is calculated on an actuarial basis as at 30 June 2013. 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 2013, where the main economic assumptions applied were discount rates prescribed by the Treasury calculated as at 30 June 2013 and a salary growth rate of 3.0% (3.0% in 2011/12).

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 \$147,000 higher/\$134,000 lower
- ▶ retiring leave liability would be an estimated \$450,000 higher/\$389,000 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 \$14,000 higher/\$15,000 lower.

Note 16 – Non-current assets

Valuation

The Ministry is responsible for, and has ownership of, the institutional land and buildings of 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.

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 (2013 value: \$4.4 million).

The Hobsonville Point Primary School opened in January 2013; the Hobsonville Point Secondary School is scheduled to open in February 2014.

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

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 and are recognised as a reduction against the service concession liability. Certain major capital expenditure incurred (eg, reroofing, replacement of heating units) during the term of the agreement is paid for by the Ministry at the time it is provided by the contractor, and the unitary charge is adjusted at this time for these amounts
- ▶ finance costs – finance costs are repriced every five years and the amount the Ministry pays to the contractor is adjusted. Finance charges are recognised as an expense using the effective interest rate
- ▶ 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. Service costs are recognised as an expense in the period incurred.

	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 2011	2,660,524	8,494,784	-	92,715	12,293	11,260,316
Additions	18,534	420,273	10,005	11,313	3,974	464,099
Revaluation increase/ (decrease)	(13,330)	110,691	148	-	-	97,509
Disposals	(25,576)	(33,301)	-	(25,547)	(3,463)	(87,887)
Balance at 30 June 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 (decrease)/ increase	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
Accumulated depreciation and impairment losses						
Balance at 1 July 2011	-	985,651	-	60,160	4,176	1,049,987
Depreciation expense	-	438,546	-	8,312	1,864	448,722
Eliminate on disposal	-	(703)	-	(20,504)	(2,204)	(23,411)
Eliminate on revaluation	-	(435,601)	-	-	-	(435,601)
Impairment provision	-	110,712	-	-	-	110,712
Balance at 30 June 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)
Impairment provision	-	(92,023)	-	-	-	(92,023)
Balance at 30 June 2013	-	1,004,529	50	54,566	5,394	1,064,539
Carrying amounts						
At 1 July 2011	2,660,524	7,509,133	-	32,555	8,117	10,210,329
At 30 June 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

The annual revaluation of school land, early childhood education land and houses was conducted by Quotable Value Limited, led by Kerry Stewart (FPINZ, FNZIV). The valuation had an effective date of 30 June 2013. School buildings and improvements are valued internally by experienced Ministry staff, and the internal valuation is reviewed by Quotable Value Limited, also led by Kerry Stewart.

	Land	Buildings	Service concession arrangements	Total
	\$000	\$000	\$000	\$000
Quotable Value Limited	2,791,275	132,010	4,418	2,927,703
Internal assessment by experienced Ministry staff	-	7,764,668	44,357	7,809,025
Total	2,791,275	7,896,678	48,775	10,736,728

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 \$47.4 million (\$65.3 million for the year ended 30 June 2012) 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 2012/13 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. Claims from non-catastrophic loss have cover to \$12.5 million. For catastrophic loss, the self-insurance cover is to \$25 million, except for \$50 million each and every loss Cresta zones 10 (Wellington) and 13 (Canterbury) except Canterbury Referral Zone and \$35 million each and every loss Cresta zone 13.
- ▶ 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 and in aggregate for the Canterbury Referral Zone
 - ▶ One reinstatement to \$460 million in the aggregate for the Rest of New Zealand (ie, no reinstatement for Canterbury Referral Zone)
 - ▶ Fire limit of \$60 million any one loss and in the aggregate
 - ▶ The deductible amount for non-catastrophic losses has cover to \$12.5 million, and the following yearly limits for catastrophic loss:
 - \$25 million each and every loss except
 - \$50 million each and every loss Cresta zones 10 (Wellington) and 13 (Canterbury) Canterbury Referral Zone except
 - \$35 million each and every loss Cresta zone 13
 - in the event of the aggregate deductible being eroded, the deductible will be \$25,000 each and every loss.

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

The total amount of property, plant and equipment in the course of construction is \$312.8 million (2011/12: \$220.3 million).

Note 17 – Intangible assets

Internally generated software

\$'000

Cost	
Balance at 1 July 2011	80,679
Additions	12,123
Disposals	(15,281)
Balance at 30 June 2012	77,521
Additions	21,141
Disposals	-
Other movements	1,567
Balance at 30 June 2013	100,229
Accumulated amortisation	
Balance at 1 July 2011	62,280
Amortisation expense	11,461
Disposals	(15,225)
Balance at 30 June 2012	58,516
Amortisation expense	10,930
Disposals	-
Other movements	410
Balance at 30 June 2013	69,856
Carrying amounts	
At 1 July 2011	18,399
At 30 June 2012	19,005
At 30 June 2013	30,373

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 \$39.2 million that are fully amortised but that are still in use (2011/12: \$35.5 million).

The total amount of software assets in the course of development is \$17.4 million (2011/12: \$8.0 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	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Reported net surplus	8,045	7,911	-	89,205
Add non-cash items:				
Depreciation and amortisation	461,529	466,325	466,325	460,183
Buildings demolished and identified for demolition	13,666	15,200	-	16,090
(Decrease)/increase in non-current employee entitlements	(116)	-	-	928
	475,079	481,525	466,325	477,201
Add/(less) movements in working capital items:				
(Increase)/decrease in accounts receivable	(53,629)	19,485	(8,824)	(139,035)
Increase in prepayments	(147)	(892)	-	(342)
Decrease in property insurance provision	-	-	-	(6,095)
Increase/(decrease) in accounts payable	2,556	(92,729)	-	3,862
(Decrease)/increase in current employee entitlements	1,202	-	-	(137)
	(50,018)	(74,136)	(8,824)	(141,747)
Add/(less) items classified as investing activities:				
Net loss on sale of property, plant and equipment	636	-	-	5,674
	636	-	-	5,674
Net cash flows from operating activities	433,742	415,300	457,501	430,333

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	30/06/2012
	Actual	Actual
	\$000	\$000
Cash and bank balances	107,181	27,635
Accounts receivable	303,210	242,803
Total maximum credit risk exposure	410,391	270,438

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 concentrations being insurers and 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	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000	\$000
2012					
Creditors and other payables	80,133	16,503	-	-	96,636
2013					
Creditors and other payables	82,876	15,652	-	-	98,528

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	30/06/2012
	Actual	Actual
	\$000	\$000
Loans and receivables		
Cash and cash equivalents	107,181	27,635
Debtors and other receivables (Note 11)	303,210	242,803
Total loans and receivables	410,391	270,438
Financial liabilities measured at amortised cost		
Creditors and other payables	98,528	96,636

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:

- ▶ Rawiri Broughton Limited, in which a senior manager is a director along with her husband. These services cost \$57,730 (2012: \$22,885) and were supplied on normal commercial terms. No balance was outstanding at year end (2012: \$15,640)
- ▶ Te Whare Wānanga o Awanuiārangi, in which a Deputy Secretary's brother-in-law is a Board member. These services cost \$35,264 (2012: \$10,350). There was a balance of \$764 (2012: \$nil) outstanding at year end.

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	30/06/2012
	Actual	Actual
	\$000	\$000
Salaries and other short-term employee benefits	2,730	2,336
Post-employment benefits – superannuation	58	78
Total key management personnel compensation	2,788	2,414

Key management personnel information relates to the ten positions of the senior management team – Secretary for Education and 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. The State Services Commission paid the Secretary for Education her entitlements due at the end of service, which included termination benefits.

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.

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 2012/13 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 2013

Departmental Expenses	30/06/2013 Expenditure \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Expenditure \$000
Appropriations for output expenses				
Policy Advice	11,005	11,283	15,056	-
Strategic Leadership in the Sector	26,645	26,647	19,734	32,246
Support and Resources for the Community	11,075	11,824	12,949	12,949
Support and Resources for Education Providers	95,687	96,291	76,350	78,698
School Property Portfolio Management	1,415,077	1,416,162	1,346,341	1,357,430
Support and Resources for Teachers	61,588	71,475	72,489	65,807
Interventions for Target Student Groups	255,789	263,651	261,189	243,567
Total appropriation for output and other expenses	1,876,866	1,897,333	1,804,108	1,790,697
Capital expenditure	479,712	550,511	630,986	476,222

Vote Education – changes to departmental appropriations in 2012/13

Expenditure on outputs delivered by the Ministry increased by \$93.225 million (GST exclusive) during 2012/13 (refer table on page 105). The major reasons for the increase were:

Cabinet and other decisions

Cabinet and other decisions resulted in a \$29.1 million increase to appropriations. The major initiatives agreed by the Government during 2012/13 were:

- ▶ support for the education sector in Christchurch, Waimakariri and Selwyn to recover from the effects of the 2010 and 2011 earthquakes (\$16.5 million increase)
- ▶ provision for implementation of the Early Learning Information System (\$3.8 million increase)
- ▶ provision for remediation activity related to implementation of the Novopay service (\$3 million increase)
- ▶ additional funding for the School Network Upgrade Project (\$2.3 million increase)
- ▶ increased pay rates agreed for teachers' aides (\$2.2 million increase)
- ▶ provision for an organisation change management programme over 2012/13 and 2013/14 (\$1 million increase)
- ▶ additional funding for implementation of Ka Hikitia – Accelerating Success, including production of awareness-raising campaign materials (\$0.5 million increase).

Expense transfers

Transfers from 2012/13 to subsequent financial years or from 2011/12 to 2012/13 totalled \$0.2 million. The major transfers reflected changes in timing in the following outputs:

- ▶ Ongoing implementation of the Novopay service carried over from the previous financial year (\$2.4 million increase)
- ▶ Continuation of work from the previous financial year for school planning and reporting and long-term work programme (\$1 million increase)
- ▶ A transfer of funding from the previous financial year for Youth Guarantee Learning Networks after slower than expected progress on youth-specific literacy and numeracy assessment (\$0.5 million increase)
- ▶ Transfers to 2013/14 following delays in projects related to the Positive Behaviour for Learning initiative (\$3.4 million decrease)
- ▶ Transfers from 2011/12 related to delays with the Education Sector Authentication project (\$0.8 million increase) and ongoing implementation of a new Attendance Service (\$0.7 million increase)
- ▶ Delays with development of achievement standards and associated resources to align curriculum in the Māori-medium sector with the New Zealand Curriculum (\$1.6 million decrease)
- ▶ Delays with development of Te Marautanga o Te Aho Matua until research into learner, kura practitioner and whānau teaching and learning needs is complete (\$0.4 million decrease).

Other output adjustments

Other funding adjustments during the year totalled \$63.9 million. This increase was mainly due to a combination of:

- ▶ reconsideration of where certain activities should be charged, resulting in fiscally neutral transfers to departmental output expense Strategic Leadership in the Sector for:
 - ▶ research funding from Policy Advice (\$3.8 million increase)
 - ▶ funding from Budget 2012 related to network management from School Property Portfolio Management (\$3.1 million increase)
- ▶ increased capital charge mainly as a result of the revaluation of the property portfolio at 30 June 2012 (\$41.8 million increase)

- ▶ provision for additional losses from disposal or demolition of school property assets (\$12.5 million increase)
- ▶ transfers of unallocated funding from non-departmental output expense Curriculum Support and non-departmental other expense Primary Education for ongoing implementation of the Novopay Service (\$5.9 million increase)
- ▶ provision for additional legal action related to weather-tightness issues with school property assets (\$4.3 million increase)
- ▶ expansion of the Intensive Wraparound Service following closure of McKenzie School and changes to the rolls of several other residential special schools, resulting in a transfer of funds from non-departmental other expense Special Needs Support (\$0.7 million increase)
- ▶ a transfer to non-departmental other expense Early Childhood Education to extend several existing programmes to engage and target vulnerable Māori children under the age of three and their whānau in high-quality, culturally relevant early childhood education with deliberate linkages to other supporting social services (\$1.3 million decrease).

Capital injection

All figures \$'000	Budget Night	Supplementary Estimates	Final Appropriation
School property	138,062	(41,808)	96,254
Other programmes	4,365	4,782	9,147
Total capital	142,427	(37,026)	105,401

Capital injections to be received by the Ministry during 2012/13 decreased by \$37.0 million, mainly owing to delays in various school property projects – notably for defective buildings, new schools and site purchases – partly offset by increased funding for continuing school network upgrades and the new Early Learning Information System.

Capital expenditure

This appropriation decreased by \$80.5 million to \$550.5 million for 2012/13. The decrease is mainly owing to:

- ▶ delays in various projects – notably for Christchurch remediation, repairs of defective buildings, construction of new schools (including kura and wharekura) and site purchases (\$100.4 million decrease)
- ▶ additional funding, mainly for the School Network Upgrade Project (\$19.9 million increase).

Departmental Output Expense Appropriations 2012/13	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
Budget 2012	261,189	15,056	1,346,341	19,734	76,350	72,489	12,949	1,804,108
Cabinet and Ministerial Decisions								
Support for Christchurch, Waimakariri and Selwyn Education Recovery	830	-	11,958	-	3,723	-	-	16,511
Early Learning Information System Procurement – Contingency Funding	-	-	-	-	3,791	-	-	3,791
Novopay Remediation Fund	-	-	-	-	3,000	-	-	3,000
Ultra-fast Broadband in Schools: School Network Upgrade Project	-	-	2,257	-	-	-	-	2,257
Contingency Drawdown for Pay Rate Increases for Teachers' Aides	2,203	-	-	-	-	-	-	2,203
Organisation Integrated Change Management Programme – Tranche 1 Business Case	510	27	85	63	197	88	30	1,000
Accelerating Education for Priority Learners – Implementing Ka Hikitia	-	-	-	-	-	400	100	500
Extending the Social Sector Trials Beyond February 2013	(117)	-	-	-	-	-	-	(117)
	3,426	27	14,300	63	10,711	488	130	29,145
Expense Transfers								
Schools' Payroll Project – Novopay	-	-	-	-	2,367	-	-	2,367
School Planning and Reporting	-	-	-	-	718	-	-	718
Long-term Work Programme	-	-	-	-	245	-	-	245
Education Sector Authentication and Authorisation	770	-	-	-	-	-	-	770
Attendance Services	750	-	-	-	-	-	-	750
Youth Guarantee Learning Networks	-	-	-	-	-	500	-	500
Positive Behaviour for Learning transfer	(3,858)	-	-	-	-	-	-	(3,858)
Positive Behaviour for Learning – projects	420	-	-	-	-	-	-	420
Teachers' Aide Resources	203	-	-	-	-	-	-	203
Qualifications Development of Advisors on Deaf Children	200	-	-	-	-	-	-	200
Change Programme for Residential Schools	100	-	-	-	-	-	-	100

Departmental Output Expense Appropriations 2012/13	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
Language and Learning Intervention transfer	(255)	-	-	-	-	-	-	(255)
National Certificate of Educational Achievement Māori-medium	-	-	-	-	-	(1,580)	-	(1,580)
Te Aho Matua Curriculum	-	-	-	-	-	(422)	-	(422)
	(1,670)	-	-	-	3,330	(1,502)	-	158
Fiscally Neutral Adjustments								
Changes to allocation of Ministry Output Pricing Review	-	(3,800)	-	3,800	-	-	-	-
Ministry Output Pricing Review – Network Management	-	-	(3,050)	3,050	-	-	-	-
	-	(3,800)	(3,050)	6,850	-	-	-	-
Technical and Other Changes								
Capital Charge Revisions	-	-	41,771	-	-	-	-	41,771
Property Write-off Costs	-	-	13,250	-	-	-	-	13,250
Capital Charge – reallocated to property losses	-	-	(3,000)	-	-	-	-	(3,000)
Redevelopment of Waterview School	-	-	2,290	-	-	-	-	2,290
Additional Legal Costs	-	-	4,260	-	-	-	-	4,260
Schools' Payroll Project	-	-	-	-	5,900	-	-	5,900
Intensive Wraparound Service	706	-	-	-	-	-	-	706
Early Childhood Education for Vulnerable Under-Three-Year-Old Māori Children	-	-	-	-	-	-	(1,255)	(1,255)
	706	-	58,571	-	5,900	-	(1,255)	63,922
Total Changes	2,462	(3,773)	69,821	6,913	19,941	(1,014)	(1,125)	93,225
Final 2012/13 Appropriations	263,651	11,283	1,416,162	26,647	96,291	71,475	11,824	1,897,333

Vote Tertiary Education – Statement of Expenditure and Appropriations for the year ended 30 June 2013

Departmental Expenses	30/06/2013 Expenditure \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Expenditure \$000
Appropriations for output expenses				
Policy Advice	5,188	5,345	5,345	-
Strategic Leadership in the Tertiary System	7,489	7,863	7,600	12,773
Establishment of the International Education Crown Agent	-	-	-	150
Total appropriation for output expenses	12,677	13,208	12,945	12,923

Vote Tertiary Education – changes to departmental appropriations in 2012/13

Expenditure on outputs delivered by the Ministry increased by \$0.3 million (GST exclusive) during 2012/13 (refer table below). The major reasons for the increase were:

Cabinet and other decisions

Provision being made for a settlement with Aotearoa Institute over a Waitangi Tribunal claim.

Departmental Output Expense Appropriations 2012/13	Policy Advice \$000	Strategic Leadership in the Tertiary System \$000	Total \$000
Budget 2012	5,345	7,600	12,945
Cabinet and ministerial decisions			
Waitangi Tribunal Crown Response: Aotearoa Institute Claim Concerning Te Wānanga o Aotearoa	-	263	263
Total changes	-	263	263
Final 2012/13 appropriations	5,345	7,863	13,208

Vote Education – departmental output expense specifications

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 government policy matters.

This output provides advice to the Minister of Education on how education policy and programmes can be adjusted to maximise the performance of the education system, with particular emphasis on Māori learners, Pasifika learners, learners with special education needs and learners from low socio-economic areas; the priorities for change to policy settings and programmes, how changes should be sequenced, and how they interact; how the Government can both shape and achieve its objectives in education, training, and skill acquisition by New Zealanders; and strategic budgeting across the education portfolio.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
Policy Advice		
Policy will be delivered according to the work programme (and any subsequent amendments) negotiated between the Minister of Education and the Secretary for Education, relating to priority areas for the education sector.	100%	Achieved.
The quality of the Ministry's policy advice to the Minister of Education will be externally assessed through the annual New Zealand Institute of Economic Research review.	All papers reviewed achieve a score > 7/10.	Achieved. Quality score independently assessed at 7.31/10.
The Minister of Education is satisfied with the quality of briefings, reports and policy advice provided.	All papers rated by the Minister obtain a rating of 'acceptable' or higher. ¹⁴	Information is not available. A new survey of the Minister will be available in September 2013.
The quality of the Ministry's policy advice will be internally assessed using the policy rubric of the Ka Hikitia Measurable Gains Framework. The assessment will use a representative sample of the Ministry's policy advice to education ministers and Cabinet committees and will be undertaken by a selection of staff from the Ministry.	An assessment of papers is completed by August 2012 to provide an initial baseline result for the Ministry. A metric for improvement will then be confirmed and be reported against annually, thereafter.	Development of benchmark has been deferred until 2013/14 to coincide with the introduction of new policy performance measures for 2013/14 recently mandated by Cabinet.
Policy advice will be provided within the agreed timeframes.	100%	Achieved.

¹⁴ Based on a five-point rating scale: 1 Very poor, 2 Poor, 3 Acceptable, 4 Good, and 5 Very good.

Cost of output expense: Policy Advice

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Revenue				
From the Crown	10,998	11,283	15,056	-
Other	7	-	-	-
Total revenue	11,005	11,283	15,056	-
Expenditure				
Personnel	6,339			-
Operating	846			-
Depreciation	341			-
Capital charge	132			-
Other expenses	3,347			-
Total expenditure	11,005	11,283	15,056	-
Surplus/(deficit)	-	-	-	-

This was a new appropriation in 2012/13 to consolidate Ministry policy advice activity under one output expense appropriation, partly offset by implementation from 2012/13 of efficiency savings agreed in Budget 2011.

The appropriation decreased during the year mainly owing to a transfer of research funding to departmental output expense Strategic Leadership in the Sector.

Strategic Leadership in the Sector

Portfolio Minister – Minister of Education

Scope of appropriation

This output expense delivers policies and services focused on the Ministry's leadership role in the education sector. This includes:

- ▶ coordinating with other sector and government agencies and peak bodies¹⁵ to achieve shared goals
- ▶ undertaking research and analysis
- ▶ monitoring education sector capability and viability
- ▶ providing ministerial support to assist the Minister of Education and associate ministers to meet their obligations to Parliament.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
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▶ address issues of alignment within the sector▶ coordinate shared sector information and communication technology services.	All education agencies' accountability documents and business plans show evidence of a cohesive shared strategic direction for education. Education agency annual reports show evidence of an implementation of programmes within the agreed shared direction for education. Relevant senior managers from education agencies report satisfaction with the Ministry's leadership and coordination of the sector in regular independent assessments.	Achieved. Sector Statements of Intent for 2013/14 included a shared outcomes framework and increased 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.
Research and Analysis		
All major research and analysis reports produced are on topics that align with the Ministry's priority areas for the education sector, including: <ul style="list-style-type: none">▶ early childhood education▶ literacy and numeracy▶ international comparative studies▶ Māori enjoying and achieving education success as Māori.	100%	Achieved.

¹⁵ An association of industries or groups established for the purposes of developing standards and processes, lobbying government or promoting the interests of the members, for example, the New Zealand Council of Trade Unions, New Zealand School Trustees Association, iwi groups.

Performance measure	Budget standard	Actual performance
All major research and analysis projects are internally and externally reviewed for quality and are determined to have met their objectives and be aligned with the Ministry's priorities.	100%	Achieved.
Research and analysis information is used to inform policy development.	All research and analysis information is provided to, and discussed with, relevant policy managers.	All team projects had Ministry 'clients' who have ownership of the study. Clients were involved in planning, progress and review processes.
Research programmes are provided within the agreed timeframes.	100%	Achieved.
Monitoring the Education Sector		
Critical forecasts of demographic trends, network capacity and expenditure are accurate.	Within an average of 3% and a maximum of 5% of actual values up to 12 months after being forecast.	Achieved.
Forecasts and monitoring data is used to inform policy development.	All monitoring reports are provided to, and discussed with, relevant policy managers.	All monitoring reports were provided to, and discussed with, relevant policy managers.
Monitoring and Supporting Crown Education Agencies		
Crown agencies' accountability documents are reviewed and assistance provided in their development as required.	100%	Achieved.
The Government's ownership and purchase interest in Crown agencies is explicitly measured and monitored through risk profiling and monitoring reports that are prepared every six months and submitted to the Minister of Education.	Reports provided six monthly.	Achieved.
The Ministry's support for Crown agencies results in improvements in the quality of their accountability documents and strategic planning.	Office of the Auditor-General feedback for each Crown agency indicates improvement on the previous year.	Achieved. Office of the Auditor-General feedback for the New Zealand Qualifications Authority indicates improvement from last year. The New Zealand Teachers Council and Careers New Zealand maintained current ratings.

Performance measure	Budget standard	Actual performance
Analysis of and comment on the performance of Crown entities under their accountability documents will be provided to the Minister of Education within 30 working days of receipt of reports.	100%	Achieved.
The membership of Crown entity boards is regularly reviewed and nominations are made for boards three months prior to terms expiring.	100%	Achieved.
Support for the Minister of Education		
Parliamentary questions.	1,500 - 2,000	973 (<i>demand driven</i>).
Select committee questions, inquiries and petitions.	300 - 500	352 (<i>demand driven</i>).
Statutory information.	250 - 300	240 (<i>demand driven</i>).
Briefing notes.	3,500 - 4,500	2,267 (<i>demand driven</i>).
Ministerial correspondence.	3,500 - 4,500	2,718 (<i>demand driven</i>).
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.	The rate of rejection of ministerial services from the office of the Minister will be less than 2% of all services provided.	2.6% rejection rate. Ongoing training and development, and work to improve quality assurance processes, should improve the Ministry's performance in 2013/14.
Responses and provision of information to the Minister of Education and Parliament, and its committees, will be responded to within agreed and/or statutory timeframes.	At least 95% will meet agreed timeframes.	Achieved.

Cost of output expense: Strategic Leadership in the Sector

	30/06/2013 Actual \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Actual \$000
Revenue				
From the Crown	26,556	26,637	19,724	31,852
Other	89	10	10	394
Total revenue	26,645	26,647	19,734	32,246
Expenditure				
Personnel	17,452			19,970
Operating	2,813			3,413
Depreciation	1,889			2,326
Capital charge	807			767
Other expenses	3,684			5,770
Total expenditure	26,645	26,647	19,734	32,246
Surplus/(deficit)	-	-	-	-

The decrease in the appropriation between 2011/12 and 2012/13 was mainly owing to:

- ▶ movement of policy advice activity to separate departmental output expense appropriations (Policy Advice) in Vote Education and Vote Tertiary Education from 2012/13
- ▶ implementation from 2012/13 of efficiency savings agreed in Budget 2011.

The increase in the appropriation during 2012/13 was mainly owing to reconsideration of where certain activities should be charged, including transfers of:

- ▶ research funding from departmental output expense Policy Advice
- ▶ funding from Budget 2012 related to network management from departmental output expense School Property Portfolio Management.

Support and Resources for the Community

Portfolio Minister – Minister of Education

Scope of appropriation

Delivering positive education outcomes is a complex matter requiring a range of inputs to work together towards a shared or common goal. The quality of an education outcome is influenced by the health and well-being of a learner; the quality of their home and family life; the motivation for, interest in and experience of learning; a sense of identity, language and culture and level of self-esteem; mastery of language, literacy and numeracy skills; high expectations and the level of support experienced; formal learning; and whole life experience.

This output expense delivers policies, programmes and services focused on supporting parents, families, whānau and iwi to participate in and with the education system.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
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 indicates a need for improvement, and in line with the following priority areas for education:	100%	Achieved. Community-based programmes are in place for all areas where participation indicates a need for improvement.
<ul style="list-style-type: none"> ▶ Early childhood education engagement ▶ Literacy and numeracy ▶ National Standards and Ngā Whanaketanga ▶ National Certificate of Educational Achievement ▶ Youth Guarantee ▶ Māori enjoying and achieving education success as Māori. 		
Participants in community engagement and information programmes report that they are more confident and better equipped to support their children, either directly or as a result of improved ability to engage with the sector at all levels as a result of the programme.	At least 95% of participants surveyed on completion of their programme showed a rating of 'positive' or higher.	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.
All contracted programme providers meet the required contract management standards and quality standards of the Ministry.	Evaluations of milestone reports provided by contracted providers show standards have been met.	Evaluation of milestone reports have yet to be undertaken.
Activities occur at the time agreed between the Ministry of Education and iwi organisations and/or community providers.	100%	Achieved.

Performance measure	Budget standard	Actual performance
Provision of Services to the Community		
<p>Community-based support programmes for parents, families and whānau operate in communities where student achievement and early childhood education participation data indicates a need for improvement. Programmes include:</p> <ul style="list-style-type: none"> ▶ parents and whānau programmes (Whānau Plans and Reading Together) ▶ Talanoa Ako (Pacific Education Talk) ▶ Achieving Through Pasifika Languages. 	100%	Achieved.
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.	At least 95% of participants surveyed on completion of their programme show a rating of 'positive' or higher.	Achieved. 44 workshops were held with 2,037 participants.
All community-based programmes align with the goals of Ka Hikitia – Managing for Success; the Pasifika Education Plan; and Success for All – Every School, Every Child (including the Positive Behaviour for Learning Action Plan) to improve outcomes for Māori learners, Pasifika learners and learners with special education needs.	Confirmed by Ministry evaluation of programme contracts.	Achieved. 100% alignment with relevant strategies.

Cost of output expense: Support and Resources for the Community

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Revenue				
From the Crown	11,065	11,814	12,939	12,789
Other	10	10	10	160
Total revenue	11,075	11,824	12,949	12,949
Expenditure				
Personnel	8,009			8,742
Operating	1,653			2,644
Depreciation	538			519
Capital charge	200			193
Other expenses	675			851
Total expenditure	11,075	11,824	12,949	12,949
Surplus/(deficit)	-	-	-	-

The decrease in the 2012/13 appropriation compared with 2011/12 was mainly owing to a combination of:

- ▶ implementation from 2012/13 of efficiency savings agreed in Budget 2011
- ▶ movement of policy advice activity to a separate departmental output expense appropriation (Policy Advice) from 2012/13.

The appropriation decreased during the year mainly owing to a transfer to non-departmental other expense Early Childhood Education to extend several existing programmes to engage and target vulnerable Māori children under the age of three and their whānau in high-quality, culturally relevant early childhood education with deliberate linkages to other supporting social services.

Expenditure at 30 June 2013 was less than budget mainly owing to unfilled vacancies related to managing community engagement programmes.

Support and Resources for Education Providers

Portfolio Minister – Minister of Education

Scope of appropriation

This output expense includes a range of outputs to ensure education providers have the resources and support required to deliver services to the education sector. This includes administering a range of legislative and regulatory controls; determining and delivering funding and other resources; providing services that support the governance, management and operation of education providers; and monitoring and intervening in providers that are at risk in relation to financial viability, student achievement or participation.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
Regulation of Providers		
Early childhood education licensing and re-licensing		
New early childhood education services licensed.	150 - 250	158 (<i>demand driven</i>).
Early childhood education services re-licensed.	800 - 900	766 (<i>demand driven</i>).
Playgroups certificated.	100 - 200	180 (<i>demand driven</i>).
Playgroups re-certificated.	100 - 200	166 (<i>demand driven</i>).
Education providers are satisfied with the quality of the Ministry licensing and re-licensing actions (measured through the customer survey questions below):	Survey of providers (based on State Services Commission Common Measurement Tool) results in scores of 3 (out of 5) and above: ¹⁶	
► Satisfaction with the overall quality of service delivery	At least 94% of providers.	91% An action plan has been developed to address the quality of service.
► It's an example of good value for tax dollars spent.	At least 65% of providers.	Achieved.
New early childhood education licences and certificates are granted within 30 working days.	100%	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.
The Ministry will continue re-licensing early childhood education services (from the 1998 licence to the 2008 licence) within planned timeframes.	At least 80% of all providers will be re-licensed by the end of 2012/13; 100% will be re-licensed by November 2014.	Achieved. 83% of services were re-licensed on the 2008 Framework by 30 June 2013.
New enrolment schemes (state schools).	0 - 15	36 (<i>demand driven</i>).
Supplementary integration agreements.	30 - 50	49 (<i>demand driven</i>).

¹⁶ Based on the following survey standards: 1 Very unsatisfied, 2 Unsatisfied, 3 Somewhat satisfied, 4 Satisfied, and 5 Very satisfied.

Performance measure	Budget standard	Actual performance
Integration of private schools.	0 - 10	1 (<i>demand driven</i>).
Approval of attendance dues.	80 - 100	77 (<i>demand driven</i>).
New attendance service designed and contracted.	Service providers will be contracted by Term 4, 2012.	Achieved.
School charters and annual updates are analysed within the timeframes required by legislation.	100%	Achieved.
Education providers are satisfied that the Ministry's actions are consistent with regulatory requirements.	85% positive feedback obtained in the questionnaire at the end of the regulatory process.	Project was refocused as resources were diverted to other priorities. This measure has been discontinued for the 2013/14 year.
Information, advice and support meet providers' expectations.	85% positive feedback obtained in the questionnaire at the end of the regulatory process.	Project was refocused as resources were diverted to other priorities. This measure has been discontinued for the 2013/14 year.
Contracts with providers are negotiated within agreed timeframes.	100%	Achieved.

Resourcing Education Providers

Resourcing

All resourcing payments will be accurate and timely in respect of:	100% accurate. 100% on time.	
▶ payment amounts		Number of payments: 18,145. Payment value: \$1,502 million.
▶ payment to the correct providers		All payments made to the correct providers.
▶ schedules advised to public education service providers, or agreements with those providers		100%
▶ timeframes notified to payees		100%
▶ fulfilling statutory requirements.		Statutory requirements met.
The Ministry will carry out resource allocation audits on schools for accuracy of claims.	12-17%	Achieved. 13.3%
The Ministry's forecasting of school rolls will be accurate (to minimise the financial risk to the Crown and support the sector with its planning).	The variance between actual rolls and previous year provisional rolls will be less than 5%.	Achieved. Overall variance was 0.75%.

School transport

Contracted daily routes.	1,400 - 1,500	Achieved. 1,445 daily routes.
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Performance measure	Budget standard	Actual performance
Contracted routes transporting students to technology training.	680 - 720	Achieved. 730 bus routes. The number of bus routes is over budget standard due to re-capitated primary schools taking up technology entitlements.
Directly resourced routes.	580 - 630	Achieved. 586 bus routes were resourced.
The Ministry will ensure that contracted transport providers deliver eligible students to school safely and on time (measured through school and provider feedback).	100% of eligible students are delivered to school safely and on time.	Of approximately 21 million trips, there were 367 reported instances where eligible students were not delivered to school safely and/or on time.
Contracted bus services are provided for authorised days that schools are open.	Ministry-contracted bus services operate for 99.5% of authorised school days.	Achieved. Ministry-contracted bus services operated for 100% of authorised school days.

Provision of Services

Payments to providers

All payments to eligible payees (permanent and temporary employees) will be accurately calculated.	100%	Payroll accuracy for 12-month period: <ul style="list-style-type: none"> ▶ 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.
Percentage of payroll payments made on or before advised pay dates.	100%	Achieved. Banking files were provided on the day expected to enable payment to be made.

Services delivered to providers

All bargaining for collective agreements will be undertaken in line with: <ul style="list-style-type: none"> ▶ the bargaining parameters agreed by the Secretary for Education ▶ the Government Expectations for Pay and Employment Conditions in the State Sector. 	100%	Achieved.
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Performance measure	Budget standard	Actual performance
The Ministry is in a position to commence bargaining in a timely manner, following initiation by the union, or formal presentation of union claims (whichever comes later).	The Ministry is ready to commence within two weeks of receiving claims in 85% of cases.	Achieved. 100%
The Risk Management Scheme's content deed will be updated and available on the Ministry's website by 30 July each year.	100%	Achieved.
An exception report will be provided where Risk Management Scheme contents claims are not processed within 28 working days of acceptance, and/or as set out under the terms of the deed.	100%	70% Claims that have taken longer than 28 days are large and complex and we are actively progressing them towards completion.
At-Risk Provider Interventions		
Where schools require interventions, action is taken under Part 7A of the Education Act 1989.	100%	Achieved. 46 interventions were put in place from 1 July 2012 to 30 June 2013.
Schools with interventions are returned to full self-governance in a timely manner.	At least 30% within 12 months of the intervention commencing, and 95% within 24 months.	Six schools (27%) with interventions were returned to full self-governance within 12 months of the intervention commencing. 18 schools (82%) with interventions were returned to full self-governance within 24 months of the intervention commencing.
Decisions on whether an intervention under Part 7A of the Education Act 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.	95%	44% 20 of the 46 new interventions were put in place within two months of the trigger date. 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. 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.

Cost of output expense: Support and Resources for Education Providers

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Revenue				
From the Crown	94,685	95,151	75,210	76,865
Other	1,002	1,140	1,140	1,833
Total revenue	95,687	96,291	76,350	78,698
Expenditure				
Personnel	42,577			35,848
Operating	8,277			8,444
Depreciation	5,774			4,886
Capital charge	2,257			2,030
Other expenses	36,802			27,490
Total expenditure	95,687	96,291	76,350	78,698
Surplus/(deficit)	-	-	-	-

The decrease in the initial appropriation for 2012/13 compared to 2011/12 was mainly owing to a combination of:

- ▶ ongoing work on replacement of the schools' payroll service
- ▶ implementation from 2012/13 of efficiency savings agreed in Budget 2011
- ▶ movement of policy advice activity to a separate departmental output expense appropriation (Policy Advice) from 2012/13
- ▶ Māori-medium education and other assessment tools required to support National Standards
- ▶ provision for a long-term work programme related to settlement of teacher collective agreements.

The appropriation was increased during the year owing to:

- ▶ increased resources for ongoing implementation of the Novopay service, partly funded by transfers from non-departmental output expense Curriculum Support and non-departmental other expense Primary Education
- ▶ funding to support remediation efforts on the new payroll service
- ▶ provision for implementation of the Early Learning Information System
- ▶ support for the education sector in Christchurch, Waimakariri and Selwyn to recover from the effects of the 2010 and 2011 earthquakes
- ▶ other transfers of unspent funding from the previous financial year
- ▶ provision for an organisation change management programme over 2012/13 and 2013/14.

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

- ▶ lower than expected costs for the Early Learning Information System including savings in design and analysis, less contingency funding being committed and fewer contractors being required
- ▶ lower than expected regional support costs and other resources required for ultra-fast broadband in schools
- ▶ partly offset by increased costs for resolving issues with implementation of the Novopay service.

School Property Portfolio Management

Portfolio Minister – Minister of Education

Scope of appropriation

This output expense involves the management and oversight of the property portfolio for the state school sector. This includes managing the existing property portfolio, ensuring that the property stock and assets are being regularly maintained and upgraded; purchasing land and constructing new property to meet the demands of school or demographic changes; identifying and disposing of surplus state school sector property; and the management of teacher and caretaker housing.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
Management of the School Sector Property Portfolio		
The Ministry develops strong asset management capability.	The Ministry has systems in place to enable the measurement of the asset performance attribute of the Capital Asset Management framework.	Achieved. An asset performance reporting system has been established that enables measurement and reporting of the asset performance attribute of the Capital Asset Management framework. This precedes development of the Portfolio Asset Management Plan.
The Ministry will deliver its school property Capital Plan (to budget).	Financial variance across the entire school property Capital Plan will be less than 20% for 2012/13.	Achieved. The financial variance for 2012/13 was 16% of the Capital Plan.
The Ministry will improve its ability to demonstrate good value for money in its property management.	All new school builds will be assessed for value for money using an established benchmark	Achieved.
The Ministry will deliver its school property Capital Plan (to schedule).	80% of agreed programmes will be delivered as planned.	Achieved. All major programmes are on track to be delivered on schedule.
Management of the Crown's Ownership Interest – Appropriateness of Expenditure		
The Ministry will move towards condition-based funding to determine allocation of school property baseline funding.	A condition-based funding model will be developed by 30 June 2013.	Achieved. The condition-based funding model has been developed and is now a component of the portfolio asset management plan which is scheduled for completion by December 2013.

Performance measure	Budget standard	Actual performance
<i>Management of condition – school property is safe, in good physical condition and fit for purpose</i>		
The Ministry has a prioritisation process in place to assess and manage school property health and safety concerns.	Documented evidence of a high-quality health and safety process.	<p>Achieved.</p> <p>Since 2010, schools entering the Five-Year Agreement cycle are required to prioritise capital expenditure on the basis of:</p> <ul style="list-style-type: none"> ▶ P1 Health and Safety ▶ P2 Essential Infrastructure ▶ P3 Modern Learning Environment ▶ P4 Other projects. <p>This is done via the 10-Year Property Plan process, which requires Ministry sign-off.</p> <p>Prioritisation of health and safety deficiencies remains the priority 1 capital funding category along with development of improved health and safety advice to schools.</p>
Programmed maintenance for school buildings ensures they remain in a safe condition for students.	Percentage of maintenance costs spent on priority 1 or 2 (health and safety/high operational risk) reduces over time.	<p>Achieved.</p> <p>Protocols for using condition assessment data to inform 10-Year Property Plans are under development.</p>
The condition of the state school property portfolio will be maintained or improved over time.	A sampling methodology to measure the school property portfolio is developed by 31 December 2012.	Achieved. ¹⁷
Defective school buildings (weather-tightness problems) are identified and repaired in a timely manner relative to the severity of their defect.	<p>All buildings formally identified as needing remedial action will begin the remediation process:</p> <ul style="list-style-type: none"> ▶ immediately, or otherwise accommodate learners, where there is a health and safety concern (priority 1 rated buildings) ▶ within one year, or otherwise accommodate learners (priority 2 rated buildings) ▶ within two years, or otherwise accommodate learners (priority 3 rated buildings) ▶ within five years, or otherwise accommodate learners (priority 4 rated buildings). 	<p>During 2012, the Ministry undertook a revision of the priority rating system.</p> <p>In order to also take account of the schools or networks requirement for the buildings, as well as the technical priority rating system, an asset management rating system has been developed.</p> <p>Targets will be developed once the Ministry has tested all buildings in the programme and identified the total number to be remediated.</p>

¹⁷ The Ministry has developed a National Condition Assessment programme (a WebFM proprietary software system) to assess forward maintenance liability of buildings, taking into account issues of importance. School-specific information is shared with the schools and will assist with prioritising their capital maintenance work programmes. The Ministry's National Condition Assessment programme is currently completing assessments for all schools. This will be completed by November 2013 and will give the Ministry a portfolio-wide view of the forward maintenance liability. Once the National programme has been completed, the ongoing management of condition assessment data will be undertaken by schools as part of normal business as usual activity.

Performance measure	Budget standard	Actual performance
Existing school property will meet the Ministry's Modern Learning Environment standard.	15% of schools meet the 'core' Modern Learning Environment standard by 30 June 2013.	Achieved. Work is underway to develop a more granular assessment tool that will identify the Ministry's Modern Learning Environment standard at an individual building level.
All new school builds will meet the 'advanced' Modern Learning Environment standard.	100%	Achieved.
The Ministry will upgrade schools to be ready to access ultra-fast broadband. Work in 2012/13 includes:	100%	Achieved.
<ul style="list-style-type: none"> ▶ School Network Upgrade Project stage 4 will upgrade at least 210 schools. ▶ A governance entity for The Network for Learning for Schools will be established to procure network services and the content and services to be delivered over the Network from April 2013. 		<p>School Network Upgrade Project – network upgrades on 327 schools were completed during 2012/13.</p> <p>A governance entity for The Network for Learning for Schools was established in July 2012.</p>
Management of changes in demand for school property		
Buildings in closed schools remain in a saleable condition.	At least 80% of closed school buildings meet saleable quality levels.	Achieved. At least 80% of closed school buildings remain in saleable condition.
The proportion of maintenance funding spent on maintaining surplus buildings (in open schools) continues to reduce.	Evidence that the funding spent on maintaining surplus buildings is reducing.	Achieved. Options to refine our rationalisation policy are under development.
Surplus property in open schools will be rationalised in a timely manner.	Surplus property is less than or equal to 15% of total stock.	Achieved. 13.9% based on 2012 rolls.

Cost of output expense: School Property Portfolio Management

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Revenue				
From the Crown	1,404,049	1,406,426	1,343,155	1,346,231
Other	19,073	17,647	3,186	4,081
Total revenue	1,423,122	1,424,073	1,346,341	1,350,312
Expenditure				
Personnel	19,523			16,227
Operating	3,538			2,925
Maintenance of school land and buildings	55,693			55,248
Depreciation	443,511			439,884
Capital charge	860,131			816,040
Other expenses	32,681			27,106
Total expenditure	1,415,077	1,416,162	1,346,341	1,357,430
Surplus/(deficit)	8,045	7,911	-	(7,118)

The decrease in the appropriation for 2012/13 compared with 2011/12 was mainly owing to a combination of:

- ▶ provision in 2011/12 only for demolition of buildings
- ▶ reduced provision for managing defective buildings mainly related to a nationwide property survey completed in 2011/12
- ▶ reduced provision for transfer of building titles to iwi as part of Treaty of Waitangi settlements
- ▶ implementation from 2012/13 of efficiency savings agreed in Budget 2011
- ▶ an increased capital charge on school property assets reflecting changes to the timing of capital injections
- ▶ increased network management related to school property capital management
- ▶ further implementation of the School Network Upgrade Project
- ▶ additional costs related to the public-private partnership for construction of two Hobsonville Point schools.

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

- ▶ an increased capital charge mainly as a result of the revaluation of the property portfolio at 30 June 2012
- ▶ provision for additional losses from disposal or demolition of school property
- ▶ support for the education sector in Christchurch, Waimakariri and Selwyn to recover from the effects of the 2010 and 2011 earthquakes
- ▶ provision for additional legal action related to weather-tightness issues
- ▶ additional funding for the School Network Upgrade Project
- ▶ a reallocation of funding from Budget 2012 related to network management to departmental output expense Strategic Leadership in the Sector.

The lower than expected expenditure for the year is mainly a result of:

- ▶ longer timeframes than anticipated for delivering assessments for the Earthquake Resilience programme due to the shortage of consulting structural engineers, as well as delays in engaging related consultants and with other projects
- ▶ delays with detailed engineering evaluations while the Ministry's building approach to lightweight timber frames was clarified
- ▶ fewer contractors required than expected
- ▶ partly offset by additional school property leases that were not anticipated.

Support and Resources for Teachers

Portfolio Minister – Minister of Education

Scope of appropriation

This output expense involves the provision of resources and support to teachers and principals to support professional leadership, learning and teaching, and responding to the identity, language and culture of all learners. This includes providing curricula and achievement standards; providing resources to educators to support teaching, learning and assessment; and providing professional development programmes, scholarships, awards and other resources to teachers and principals to support professional leadership and learning.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
Provision of Teaching and Learning Resources		
Resources for teachers		
All learning, teaching 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).	Printed: 135 - 200 Online: 18,000 - 20,000	Printed: 88 English-medium – 25 Māori-medium – 63 Online: 35,493 English-medium – 35,452 Māori-medium – 41 The rise in online publications is due to an increasing number of resources being provided online as a result of demand combined with lower costs.
All resources will be subject to appropriate quality development and user consultation processes (trialling, peer review and/or focus groups) to ensure they are aligned with the latest educational research and fit for purpose.	100%	Achieved.
Learning, teaching and assessment resources will be provided according to the individually agreed deadlines.	100%	Achieved.
Student Achievement Function		
The number of schools and kura that student achievement practitioners will have worked with since the implementation of the function.	700 - 800	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.

Performance measure	Budget standard	Actual performance
Student Achievement Function interventions are based on a best practice approach.	100% of a sample of interventions reviewed demonstrate evidence of a best practice approach.	Achieved.
Student Achievement Function interventions will be completed within the timeframes as set out in the project initiation documents.	100%	69% Project timeframes were impacted as Student Achievement Function resources were diverted to critical Ministers' priorities during Term 4, 2012 (Taskforces) and Term 1, 2013 (Schools Planning and Reporting English and Māori-medium).
Provision of Services to Support Professional Leadership and Learning		
Professional learning and development programmes will be provided in the following areas: <ul style="list-style-type: none"> ▶ New Zealand Curriculum and Te Marautanga o Aotearoa learning areas ▶ Secondary curriculum, learning and development ▶ Achievement for priority groups, including Māori learners and Pasifika learners ▶ Te reo Māori ▶ Leadership and assessment ▶ Gifted and talented learners ▶ e-learning. 	100%	Achieved. All programmes are aligned with the priorities outlined in the Ministry's Statement of Intent.
All professional learning and development programmes will be designed to meet the specific needs of the service or community – determined through a needs assessment.	100%	Achieved.
All professional learning and development programmes will be monitored and reviewed for effectiveness in terms of contributing to school and kura outcomes and student achievement.	100% of programmes are rated as at least 'effective'.	Achieved.
All professional learning and development programmes are closely monitored and found to have been effective (evidence of shifts in teacher practice, provider practice or student achievement).	Review reports demonstrate evidence of outcome achievement.	Achieved. All review reports demonstrated evidence of outcome achievement. An evaluation of the professional development programmes indicated they were effective in improving teacher practices in a variety of ways.

Performance measure	Budget standard	Actual performance
All contracts for service and agreements between the Ministry and contracted professional learning and development providers will meet the required contract management standards of the Ministry.	100% of all evaluations of milestone reports provided by contracted providers show standards have been met.	<p>100% of school and kura contracts met Ministry contract standards.</p> <p>95% of early childhood education contracts met Ministry contract standards.</p> <p>The Ministry had concerns with the performance of two professional development providers during the later part of the programme.</p> <p>The performance of those providers was closely monitored over the course of the programme and both showed satisfactory progress towards meeting required contract standards.</p>
Study awards to support professional learning and development will be:	100%	Achieved.
<ul style="list-style-type: none"> ▶ awarded in line with government policies and published criteria ▶ calculated accurately ▶ paid to the correct payee and within the timeframes notified. 		

Cost of output expense: Support and Resources for Teachers

	30/06/2013 Actual \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Actual \$000
Revenue				
From the Crown	61,316	71,465	72,479	65,173
Other	272	10	10	634
Total revenue	61,588	71,475	72,489	65,807
Expenditure				
Personnel	21,786			21,375
Operating	5,608			3,888
Depreciation	1,258			4,893
Capital charge	771			1,047
Other expenses	32,165			34,604
Total expenditure	61,588	71,475	72,489	65,807
Surplus/(deficit)	-	-	-	-

The increase in the appropriation for 2012/13 compared with 2011/12 was mainly owing to a combination of:

- ▶ provision for alignment of achievement standards to Te Marautanga o Aotearoa
- ▶ support for cross-school networks to share knowledge and best practice for National Standards
- ▶ support for networks for sharing knowledge and best practice to support the rollout of the Youth Guarantee
- ▶ support for the rollout of a shared qualifications pathway at the secondary-tertiary interface
- ▶ implementation from 2012/13 of efficiency savings agreed in Budget 2011
- ▶ movement of policy advice activity to a separate departmental output expense appropriation (Policy Advice) from 2012/13.

This appropriation decreased, owing to a combination of:

- ▶ a transfer of funding to 2013/14 after delays with development of achievement standards and associated resources to align curriculum in the Māori-medium sector with the New Zealand Curriculum
- ▶ a transfer of funding to 2013/14 after development of Te Marautanga o Te Aho Matua was delayed until research into learner, kura practitioner and whānau teaching and learning needs is complete
- ▶ a transfer of funding from the previous financial year for Youth Guarantee Learning Networks after slower than expected progress on youth-specific literacy and numeracy assessment
- ▶ additional funding for implementation of Ka Hikitia – Accelerating Success, including production of awareness-raising campaign materials.

The lower than expected expenditure for 2012/13 is mainly a result of:

- ▶ delays in contracts for network development and recruitment of staff for School Leaders Networks for Youth Guarantee
- ▶ delays in setting up the regional structure for Learning and Change Networks
- ▶ delays in the Qualifications Pathways Programme as only initial projects have been approved so far
- ▶ the National Standards Consistency Framework not proceeding as planned
- ▶ Youth Guarantee Vocational Pathways due to delays in the procurement process
- ▶ delays in finalising contracts and recruiting staff for several other programmes.

Interventions for Target Student Groups

Portfolio Minister – Minister of Education

Scope of appropriation

This output delivers policies, resources and services focused on targeted student groups and individuals participating in education. This includes targeted interventions, specialist support services, funding and other resources particularly to assist Māori learners and Pasifika learners and learners with special education needs to participate in education in a meaningful way.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
Targeted Student Participation Interventions		
<i>Scholarships, awards and school grants</i>		
Boarding allowances and bursaries.	400 - 600	629
Home schooling allowances.	5,500 - 6,500	6,726
Māpihi Pounamu.	350 - 500	476 bursaries processed, 227 awarded.
Aspire scholarships.	250	259 scholarships awarded.
Interim Response Fund grant applications paid to schools for students in need.	1,500 - 2,500	3,530 There are more demands on the fund resulting in lesser amounts being approved for the increased number of applicants.
<i>English for Speakers of Other Languages (initiatives to support refugees and migrant background learners)</i>		
English for Speakers of Other Languages funding for provision of support.	33,000 students in 1,200 schools.	Funding was provided for 31,741 students in 1,318 schools.
Refugee Flexible Funding pool (for additional support to at-risk refugee background students).	600 students in 30-40 schools.	Funding was provided for 675 students in 34 schools.
Refugee pathways.	25-35 secondary schools.	Funding was provided for 21 secondary schools.
<i>Interventions for non-participation</i>		
Reduce truancy rates for frequent truants in years 9 and 10.	Reduced to: ▶ Total – 1.0% ▶ Māori – 2.5% ▶ Pasifika – 1.5%	▶ Total – 1.1% ▶ Māori – 2.4% ▶ Pasifika – 1.4%
Reduce average time excluded learners are out of school.	Average days excluded 47.4	Achieved. 45.5 days.

Performance measure	Budget standard	Actual performance
Scholarships and grants will be: <ul style="list-style-type: none"> ▶ awarded in line with government policies and published criteria ▶ calculated accurately ▶ paid to the correct payee ▶ paid within the timeframes notified. 	100%	Achieved.
Scholarship, award and grant recipients and their families are satisfied with the Ministry's management of the process.	At least 95% of recipients surveyed through the annual customer satisfaction survey report a rating of 'satisfied' or higher.	No formal survey was conducted but anecdotal evidence from parents, families and whānau indicates general satisfaction and gratitude of recipients.
Schools provide appropriate support programmes and monitor the progress and achievement of English for Speakers of Other Languages students.	100% of schools audited annually meet the Ministry's quality assurance standards.	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.
Intervention for excluded learners starts within three days of notification by the school.	100%	Achieved.
Special Needs Interventions		
Number of communication services learners.	6,500 - 8,000	6,358 (<i>demand driven</i>).
Number of behavioural services learners.	4,000 - 6,000	3,534 (<i>demand driven</i>).
Number of early intervention services learners.	11,000 - 13,000	12,958 (<i>demand driven</i>).
Number of Gateway assessments and support for learners in Child, Youth and Family care.	400 - 600	433 (<i>estimate</i>).
Number of complex needs services comprising: <ul style="list-style-type: none"> ▶ Ongoing Resourcing Scheme (ORS) students 	7,650 - 8,050	8,019 (<i>demand driven</i>).
<ul style="list-style-type: none"> ▶ School High Health Needs Fund students 	550	687 (<i>demand driven</i>).
<ul style="list-style-type: none"> ▶ Other services. 	2,200 - 2,500	3,268 (<i>demand driven</i>).
Positive Behaviour for Learning Action Plan		
Parents completing Incredible Years Parent programme.	3,400	3,848 (<i>demand driven</i>).
Teachers completing Incredible Years Teacher programme	2,400	2,594 (<i>demand driven</i>).

Performance measure	Budget standard	Actual performance
Schools participating in School-Wide framework (new starts).	120	119 (<i>demand driven</i>).
<i>Special education core service delivery</i>		
Parents and educators are satisfied with the Ministry's overall quality of service delivery.	75%	Partly achieved. ¹⁸ Parents – 78% were satisfied with the overall quality of service delivery. Educators – 63% were satisfied with the overall quality of service delivery.
Schools will demonstrate inclusive practice.	Demonstrate progress towards the 2014 target: 80% of schools will demonstrate highly inclusive practice and 20% will demonstrate good practice as measured through Education Review Office (ERO) assessments.	The scales used for these metrics were redefined during the year by ERO. <ul style="list-style-type: none"> ▶ 77% of schools demonstrating mostly inclusive practices ▶ 16% demonstrating some inclusive practices ▶ 7% demonstrating few inclusive practices.
The Ministry's practice frameworks for delivery of core services are based on a best evidence approach.	100% of cases reviewed demonstrate evidence of a best practice approach.	Achieved.
Specialist service providers delivering core services have professional supervision to promote high standards of professional work practice that is culturally appropriate and evidence based.	100% of staff.	Achieved.
Specialist service providers are reviewed against the required service standards.	Reviews show at least 90% of service standards are being met.	Achieved. 93%
Contracted providers of Positive Behaviour for Learning: Incredible Years Parent programmes meet the required quality standards outlined in the contract.	100%	Achieved.
Parents, educators and schools are satisfied with the programmes, initiatives and training delivered as part of the Positive Behaviour for Learning Action Plan.	75%	Achieved.

¹⁸ This is measured through the annual Special Education Client Satisfaction Survey, which uses a five-point scale.

Performance measure	Budget standard	Actual performance
Percentage of eligible children seen within 90 days of referral for communication, behavioural, early intervention and Ongoing Resourcing Scheme services.	At least 95% for each service.	<ul style="list-style-type: none"> ▶ Communication service – 65% ▶ Behaviour service – 82% ▶ Early intervention service – 65% ▶ Complex Needs (including Ongoing Resourcing Scheme) – 79% <p>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.</p>
Cultural responsiveness		
Parents, families and whānau of Māori and Pasifika children receiving special education services are satisfied with the overall quality of service delivery.	Māori and Pasifika families, parents and whānau are at least as satisfied with the overall quality of service delivery as NZ European/Pākehā.	<p>82% of parents of Māori children were satisfied with the overall quality of service delivery compared with a 78% satisfaction rating of parents overall.</p> <p>83% of parents of Pasifika children were satisfied with the overall quality of service delivery compared with a 78% satisfaction rating of parents overall.</p>
Parents and educators are satisfied that Ministry staff considered cultural needs in the way they worked with the child and their family.	75%	<p>83% of parents felt cultural needs were well considered in the way special education staff worked with their child and family.</p> <p>71% of educators felt cultural needs were well considered in the way special education staff worked with the child.</p>

Cost of output expense: Interventions for Target Student Groups

	30/06/2013 Actual \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Actual \$000
Revenue				
From the Crown	253,960	261,951	259,489	239,979
Other	1,829	1,700	1,700	3,588
Total revenue	255,789	263,651	261,189	243,567
Expenditure				
Personnel	113,765			109,423
Operating	23,987			24,808
Depreciation	7,720			7,140
Capital charge	3,097			3,079
Other expenses	107,220			99,117
Total expenditure	255,789	263,651	261,189	243,567
Surplus/(deficit)	-	-	-	-

The increase in the appropriation for 2012/13 compared with 2011/12 was mainly owing to a combination of:

- ▶ changes in the Positive Behaviour for Learning programme, including provision of additional funding in 2011/12 to speed up its implementation
- ▶ support for Youth Mental Health initiatives
- ▶ the ongoing cost of 2010 settlements for the field staff and service managers' collective agreements
- ▶ implementation from 2012/13 of efficiency savings agreed in Budget 2011
- ▶ movement of policy advice activity to a separate departmental output expense appropriation (Policy Advice) from 2012/13.

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

- ▶ increased pay rates agreed for teachers' aides
- ▶ support for the education sector in Christchurch, Waimakariri and Selwyn to recover from the effects of the 2010 and 2011 earthquakes
- ▶ expansion of the Intensive Wraparound Service following closure of McKenzie School and changes to the rolls of several other residential special schools, resulting in a transfer of funds from non-departmental other expense Special Needs Support
- ▶ provision for an organisation change management programme over 2012/13 and 2013/14
- ▶ transfers to 2013/14 mainly for delays in projects related to the Positive Behaviour for Learning initiative and net of several transfers from the previous financial year.

The lower than expected expenditure for the year is mainly a result of:

- ▶ lower student numbers for the Ongoing Resourcing Scheme and the School High Health Needs Fund
- ▶ slower progress than expected with training, resource development and contracting for Positive Behaviour for Learning
- ▶ new schools commencing the School-Wide programme more slowly than expected, which will delay some expenditure until subsequent financial years.

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 Government policy matters.

This includes: the provision of strategic advice to the Minister for Tertiary Education, Skills and Employment on the policy changes required to meet the Government's priorities; identifying policy issues and problems; developing and evaluating policy options; consulting with stakeholders in the education sector; providing advice on legislative and regulatory issues; preparing policy briefings and papers; and promulgating new policy.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
Policy will be delivered according to the work programme (and any subsequent amendments) negotiated between the Minister for Tertiary Education, Skills and Employment and the Secretary for Education, relating to priority areas for the tertiary and international education sectors.	100%	Achieved.
The quality of the Ministry's policy advice to the Minister for Tertiary Education, Skills and Employment will be externally assessed through the annual New Zealand Institute of Economic Research review.	All papers reviewed achieve a score > 7/10.	Achieved. The median score was 8/10, while the mean was 7.33.
The Minister for Tertiary Education, Skills and Employment is satisfied with the quality of briefings, reports and policy advice provided.	All papers rated by the Minister obtain a rating of 'acceptable' or higher. ¹⁹	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.
The quality of the Ministry's policy advice will be internally assessed using the policy rubric of the Ka Hikitia Measurable Gains Framework. The assessment will use a representative sample of the Ministry's policy advice to education ministers and Cabinet committees and will be undertaken by a selection of staff from the Ministry.	An assessment of papers is completed by August 2012 to provide an initial baseline result for the Ministry. A metric for improvement will then be confirmed and will be reported against annually.	Development of benchmark has been deferred until 2013/14 to coincide with the introduction of new policy performance measures for 2013/14 recently mandated by Cabinet.
Policy advice will be provided within the agreed timeframes.	100%	Achieved.

¹⁹ Based on a five-point rating scale: 1 Very poor, 2 Poor, 3 Acceptable, 4 Good, and 5 Very good.

Cost of output expense: Policy Advice

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Revenue				
From the Crown	5,183	5,345	5,345	-
Other	5	-	-	-
Total revenue	5,188	5,345	5,345	-
Expenditure				
Personnel	4,127			-
Operating	575			-
Depreciation	243			-
Capital charge	91			-
Other expenses	152			-
Total expenditure	5,188	5,345	5,345	-
Surplus/(deficit)	-	-	-	-

This was a new appropriation in 2012/13 to consolidate Ministry policy advice activity under one output expense appropriation. Funding was transferred from output expense Strategic Leadership in the Tertiary System.

Under-expenditure for the year is mainly owing to delays in filling vacancies.

Strategic Leadership in the Tertiary System

Portfolio Minister – Minister for Tertiary Education, Skills and Employment

Scope of appropriation

This output expense delivers policies and services focused on the Ministry's strategic role in the tertiary education system and international education. This includes:

- ▶ coordinating with tertiary education agencies and forums of tertiary education organisations to inform policy advice, to ensure that policy is implemented as intended and to achieve shared tertiary education goals
- ▶ being the lead agency for student loans, coordinating a cross-agency work programme to improve the overall performance of the Student Loan Scheme, and policy lead for student allowances
- ▶ undertaking research and analysis related to tertiary and international education
- ▶ monitoring the performance and capacity of the tertiary system
- ▶ improving the regulatory and quality assurance frameworks for international education providers supporting the pastoral care of international students in New Zealand
- ▶ supporting the development of the international education industry in partnership with Education New Zealand
- ▶ providing ministerial support to assist the Minister for Tertiary Education, Skills and Employment and Minister of Education to meet their obligations to Parliament and international obligations in support of New Zealand's bilateral and multilateral education relationships.

Output performance measures and standards

Performance measure	Budget standard	Actual performance
Cross-Tertiary Agency Coordination		
The Ministry is effective in leading tertiary education agencies to: <ul style="list-style-type: none">▶ determine, and deliver on, a shared strategic direction for the tertiary education sector▶ address issues of alignment within the sector.	All tertiary education agencies' accountability documents and business plans show evidence of a shared strategic direction for education. Education agency annual reports show evidence of implementation of programmes within the agreed shared direction for education. Relevant senior managers from tertiary education agencies report satisfaction with the Ministry's leadership and coordination of the sector in regular independent assessments.	Achieved. Sector Statements of Intent for 2013/14 include a shared outcomes framework and increased 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.

Performance measure	Budget standard	Actual performance
Tertiary and International Research and Analysis		
<p>All research and analysis reports produced are on topics that align with the Ministry's priority areas for the tertiary and international education sector, including:</p> <ul style="list-style-type: none"> ▶ sector performance ▶ outcomes of study ▶ learner achievement. 	16 published reports produced each year.	In the year to 30 June 2013, the Ministry had published 11 analytical reports covering sector performance, outcomes of study and learner achievement, with 10 awaiting release.
All major research and analysis projects are internally and externally reviewed for quality and are determined to have met their objectives and be aligned with the Ministry's priorities.	100%	Achieved.
Research and analysis information is used to inform policy development.	All research and analysis information is provided to, and discussed with, relevant policy managers.	Achieved.
Research programmes are provided within the agreed timeframes.	100%	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.
Monitoring the Tertiary System		
Monitoring the tertiary education system		
<p>Monitoring and analysis outputs produced will be aligned to the Ministry's priority areas, including:</p> <ul style="list-style-type: none"> ▶ value for money in tertiary education ▶ reports on progress towards achieving the goals of the Tertiary Education Strategy ▶ the Student Loan Scheme Annual Report ▶ reports on progress against the Government's goals for international education. 	Four published reports produced each year.	<p>Two monitoring reports – Profile & Trends and the Student Loan Scheme Annual Report – were released in November 2012 and December 2012 respectively.</p> <p>The report on the progress of the system against the priorities of the Tertiary Education Strategy was completed and is awaiting publication to coincide with the release of the draft of the next strategy.</p> <p>The report on value for money in tertiary education was not produced owing to work pressure.</p>

Performance measure	Budget standard	Actual performance
Critical forecasts of enrolment trends and expenditure are accurate.	Within an average of 3% and a maximum of 5% of actual values up to 12 months after being forecast.	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 and monitoring data is used to inform policy development.	All monitoring reports and major forecasting reports are provided to, and discussed with, relevant policy managers.	Achieved.
Monitoring reports are published annually on agreed dates.	100%	Achieved.
The Government's ownership interest in Crown entities (Tertiary Education Commission (TEC) and Education New Zealand (ENZ)) is explicitly measured and monitored through risk profiling and performance monitoring reports that are prepared every six months and submitted to the Minister for Tertiary Education, Skills and Employment.	100%	Achieved.
The Ministry's work supporting Crown entities shows improvements in their accountability documents and strategic planning.	Office of the Auditor-General audit feedback for each Crown entity indicates improvement.	Achieved. Audit NZ feedback for the Tertiary Education Commission and Education New Zealand indicates improvement from last year.
Analysis of, and comment on, the performance of the TEC and ENZ is provided to the Minister within timeframes.	100%	Achieved.
The membership of Crown entity boards is regularly reviewed and nominations are made for Board prior to terms expiring.	100%	Achieved.
<i>Provision of tertiary and other information</i>		
Public monitoring and analysis reports and key statistics will be made available to the public on the Ministry's website www.educationcounts.govt.nz	100%	Achieved.

Performance measure	Budget standard	Actual performance
<i>Support for international education</i>		
International students studying in New Zealand are safe and provided with appropriate advice and support.	Regular evaluations and Education Review Office reports confirm that 100% of providers meet the quality standards set out in the Code of Practice for the Pastoral Care of International Students.	<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>
International students studying in New Zealand are satisfied with their experience of living and studying in New Zealand.	Regular international student surveys report positive overall satisfaction rating.	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.
Bilateral partners are satisfied with the quality of the Ministry's role in the relationship partnership.	Positive feedback received from Ministry of Foreign Affairs and Trade posts and partner governments.	<p>Of bilateral partners for which a response has been received, the quality of the Ministry's role in the relationship has been rated as:</p> <p>Excellent – six partner countries Good – six partner countries Fair – one partner country Poor – none.</p>
International obligations and commitments are delivered on time as specified in bilateral and multilateral agreements with other countries.	100%	Achieved.
<i>Support for the Minister for Tertiary Education, Skills and Employment</i>		
Parliamentary questions.	40 - 80	112 (<i>demand driven</i>).
Select committee questions, inquiries and petitions.	10 - 30	244 (<i>demand driven</i>).
Statutory information.	20 - 30	26 (<i>demand driven</i>).
Briefing notes.	900 - 1,100	816 (<i>demand driven</i>).

Performance measure	Budget standard	Actual performance
Ministerial correspondence.	400 - 500	385 (<i>demand driven</i>).
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.	The rate of rejection of ministerial services from the Minister's office will be less than 2% of all services provided.	Rejection rate was 5%. Ongoing training and development, and work to improve quality assurance processes should improve the Ministry's performance in 2013/14.
Ministerial support for the Minister for Tertiary Education, Skills and Employment and Parliament, and its committees, will be responded to within agreed and/or statutory timeframes.	At least 95% will meet 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.

Cost of output expense: Strategic Leadership in the Tertiary System

	30/06/2013 Actual \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Actual \$000
Revenue				
From the Crown	7,485	7,863	7,600	12,603
Other	4			170
Total revenue	7,489	7,863	7,600	12,773
Expenditure				
Personnel	4,155			8,648
Operating	605			1,430
Depreciation	255			535
Capital charge	90			200
Other expenses	2,384			1,960
Total expenditure	7,489	7,863	7,600	12,773
Surplus/(deficit)	-	-	-	-

The decrease in funding for 2012/13 compared with 2011/12 was mainly owing to a combination of:

- ▶ movement of policy advice activity to a separate departmental output expense appropriation (Policy Advice) from 2012/13
- ▶ full-year effect of transferring functions related to international education to the new Crown entity Education New Zealand (under non-departmental output expense International Education Programmes) from 1 September 2011
- ▶ participation in a programme for international assessment of adult competencies.

The increase in appropriation during the year was owing to provision for a settlement with Aotearoa Institute over a Waitangi Tribunal claim.

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

Financial statements and schedules – non-departmental for the year ended 30 June 2013

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 \$9,843.1 million of non-departmental payments, \$15.5 million of non-departmental revenue and receipts, \$142.2 million of assets and \$694.1 million of liabilities on behalf of the Crown for the year ended 30 June 2013. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output performance sections of this report (page 102).

Statement of Expenditure and Appropriations for the year ended 30 June 2013

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 Actual \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Actual \$000
Non-departmental output expenses				
Curriculum Support	56,592	60,824	65,566	57,913
Education Research Initiatives	3,008	3,008	3,008	3,008
Professional Development and Support	83,887	88,168	88,599	85,052
Provision of Information and Advisory Services	24,804	25,031	23,751	21,981
Qualifications Support Structures	6,076	6,076	6,049	6,049
Quality Assurance	4,370	4,370	4,370	4,370
School Transport	174,118	176,506	178,609	171,727
Secondary School Assessments	26,480	26,480	26,480	26,480
Secondary-Tertiary Interface	20,150	23,046	-	-
Service Academies	3,102	3,404	3,314	1,960
Supporting Parenting	5,610	6,076	5,466	4,962
Total non-departmental output expenses	408,197	422,989	405,212	383,502
Benefits and other unrequited expenses				
Boarding Allowances and Bursaries	6,129	7,669	8,069	6,139
Home Schooling Allowances	4,464	5,577	5,577	5,139
Māpihi Pounamu	3,434	3,650	3,250	3,368
National Study Awards	16,432	22,392	26,886	17,488
Scholarships for Students to Attend Private Schools	3,961	4,126	4,126	3,304

	30/06/2013 Actual	30/06/2013 Supplementary Estimates	30/06/2013 Budget	30/06/2012 Actual
	\$000	\$000	\$000	\$000
Teacher Trainee Scholarships	1,494	3,505	8,877	2,347
United World Scholarships	50	50	50	50
Total benefits and other unrequited expenses	35,964	46,969	56,835	37,835
Non-departmental other expenses				
Early Childhood Education	1,410,309	1,415,292	1,378,867	1,325,170
Integrated Schools Property	55,481	58,251	57,175	57,279
Interest Subsidy for Schools	142	156	357	168
New Zealand Teachers Council	178	178	178	178
Primary Education	2,774,189	2,785,758	2,814,406	2,696,287
Remission of Fees	1,288	1,288	1,288	1,288
School Transport Bus Controllers	689	689	705	754
Schooling Improvement	6,108	7,884	8,984	7,399
Secondary Education	2,049,588	2,056,493	2,066,336	2,005,689
Special Needs Support	331,763	339,765	338,221	323,226
Support for Early Childhood Education Providers	20,019	21,893	18,143	24,733
UNESCO ²⁰	2,032	2,083	2,083	1,954
Total non-departmental other expenses	6,651,786	6,689,730	6,686,743	6,444,125
Non-departmental capital expenditure				
Property Disposal Incentives Scheme	1,500	1,500	2,511	1,623
School Support Project	-	1,880	1,880	567
Schools Furniture and Equipment	16,149	16,319	16,979	19,358
The Network for Learning Limited	5,500	5,500	-	-
Total non-departmental capital expenditure	23,149	25,199	21,370	21,548
Total non-departmental expenditure and appropriations – Vote Education	7,119,096	7,184,887	7,170,160	6,887,010

(All figures are GST exclusive where applicable)

²⁰ United Nations Educational, Scientific and Cultural Organization.

Reasons for significant variances from the Supplementary Estimates included:

Output expenses

- ▶ *Curriculum Support* – (\$4.232 million below budget) mainly due to delays in the Numeracy Pool programme, incorporating some programmes into existing professional development contracts, lower than expected costs for Student Engagement Initiatives and lower than expected demand for additional support from some Canterbury schools
- ▶ *Professional Development and Support* – (\$4.281 million below budget) mainly due to delays in Iwi and Special Education capability projects, lower than expected demand for school trustees training and Māori Language programmes, and lower than expected final payments for school information and communication technology contracts
- ▶ *Secondary-Tertiary Interface* – (\$2.896 million below budget) due to under-utilised places after initial demand for the programme was slightly lower than anticipated
- ▶ *Service Academies* – (\$0.302 million below budget) due to fewer students than expected in Defence Force programme
- ▶ *Supporting Parenting* – (\$0.466 million below budget) owing to a combination of small delays and lower than expected demand across several programmes.

Benefits and other unrequited expenses

- ▶ *Boarding Allowances and Bursaries* – (\$1.540 million below budget) due to lower than expected demand by secondary students
- ▶ *Home Schooling Allowances* – (\$1.113 million below budget) due to lower than expected demand
- ▶ *Māpihi Pounamu* – (\$0.216 million below budget) due to lower than expected demand
- ▶ *National Study Awards* – (\$5.960 million below budget) mainly due to fewer awards being approved than expected and generally costs being less than expected, a change in timing for bilingual study awards, and no awards made for high-performing teachers
- ▶ *Teacher Trainee Scholarships* – (\$2.011 million below budget) due to fewer applications than expected for the Voluntary Bonding scheme as the under-supply situation in the teaching workforce has reversed.

Other expenses

- ▶ *Integrated School Property* – (\$2.770 million below budget) due to delays in completion of cabling in the School Network Upgrade Project and lower than expected demand from integrated schools for Furniture and Equipment grants
- ▶ *Primary Education* – (\$11.569 million below budget) mainly due to under-utilisation of provisions such as network contingency and demand-driven programmes such as Relief Initiatives and Relieving Central Fund
- ▶ *Schooling Improvement* – (\$1.776 million below budget) due to a combination of reduced costs for the Effective Schools Safety Net programme after implementation of a higher threshold, delaying new Community-Based Language contracts in anticipation of the programme transferring to another agency and delays in concluding Iwi Education projects as new agreements required more specific criteria and focus on Better Public Services targets
- ▶ *Secondary Education* – (\$6.905 million below budget) mainly due to there being no set-up grants required for new schools and under-utilisation of provisions such as network contingency
- ▶ *Special Needs Support* – (\$8.002 million below budget) mainly due to a combination of fewer teacher full-time equivalents than expected and lower than expected demand for English for Speakers of Other Languages
- ▶ *Support for Early Childhood Education Providers* – (\$1.874 million below budget) mainly due to fewer proposals being received than expected for the Partial Funding stream and negotiations taking longer to conclude.

Capital Expenditure

- *School Support Project* – (\$1.880 million below budget) due to lower than expected demand.

Further details on services provided below can be found in the 'Report in Relation to Selected Non-Departmental Appropriations of the Ministry of Education' [B.14 (Education)] tabled under section 32a of the Public Finance Act 1989:

- Output expense appropriations Curriculum Support, Professional Development and Support, Provision of Information and Advisory Services, School Transport, Supporting Parenting
- Other expense appropriations Early Childhood Education, Integrated School Property, Schooling Improvement, and Support for Early Childhood Education Providers
- Capital expenditure appropriation Schools Furniture and Equipment.

Other expense appropriations Primary Education, Secondary Education and Special Needs Support and output expense appropriation Secondary-Tertiary Interface are reported in the *New Zealand Schools: Ngā Kura o Aotearoa* report.

For a brief explanation of key movements in non-departmental appropriations during 2012/13 refer to Changes to non-departmental appropriations (page 159).

Vote Tertiary Education

	30/06/2013 Actual	30/06/2013 Supplementary Estimates	30/06/2013 Budget	30/06/2012 Actual
	\$000	\$000	\$000	\$000
Non-departmental output expenses				
Adult and Community Education	56,197	58,792	58,217	62,392
Centres of Research Excellence	31,690	31,690	31,690	33,716
International Education Programmes	25,622	25,622	21,622	10,993
Managing the Government's Investment in the Tertiary Education Sector	33,882	33,882	33,312	35,908
Ownership Monitoring of Tertiary Education Institutions	2,567	2,567	2,567	2,567
Performance-Based Research Fund	256,250	256,250	256,250	250,000
Tertiary Education and Training Advice	3,837	3,837	3,837	3,837
Tertiary Education Grants and Other Funding	29,740	30,127	34,370	34,408
Tertiary Education: Student Achievement Component	2,023,978	2,041,260	2,021,907	2,004,622
Training for Designated Groups	242,159	292,106	323,597	237,792
Total non-departmental output expenses	2,705,922	2,776,133	2,787,369	2,676,235
Benefits and other unrequited expenses				
Apprenticeships Re-boot	1,600	1,600	-	-
International Student Scholarship Scheme	800	800	800	1,600
Study Abroad Awards	985	1,290	1,290	1,042
Tertiary Scholarships and Awards	10,977	12,795	13,329	12,306
Total benefits and other unrequited expenses	14,362	16,485	15,419	14,948

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Non-departmental other expenses				
Auckland University Starpath Project	2,450	2,450	2,450	-
Support for International Students	-	-	-	127
Tertiary Education Institutions Merger Support	1,000	1,000	1,500	-
Total non-departmental other expenses	3,450	3,450	3,950	127
Non-departmental capital expenditure				
Literacy and Numeracy Assessment Tool	250	250	-	-
Total non-departmental capital expenditure	250	250	-	-
Total non-departmental expenditure and appropriations – Vote Tertiary Education	2,723,984	2,796,318	2,806,738	2,691,310

Reasons for significant variances from the Supplementary Estimates included:

Output expenses

- ▶ *Adult and Community Education* – (\$2.595 million below budget) due to recoveries from the sector as a result of lower than expected demand
- ▶ *Tertiary Education: Student Achievement Component* – (\$17.282 million below budget) mainly due to lower than expected student numbers for level 3 and above courses and in Skills for Canterbury programmes
- ▶ *Training for Designated Groups* – (\$49.947 million below budget) mainly due to lower than expected demand for the industry training fund and modern apprenticeships programmes.

Benefits and other unrequited expenses

- ▶ *Study Abroad Awards* – (\$0.305 million below budget) due to allocating fewer awards than expected
- ▶ *Tertiary Scholarships and Awards* – (\$1.818 million below budget) mainly due to fewer students than expected achieving the required standards for receiving the Top Achiever Doctoral and Enterprise scholarships and Trainee Intern grants.

For a brief explanation of key movements in non-departmental appropriations during 2012/13, refer to Changes to non-departmental appropriations (page 163).

Schedule of Expenses for the year ended 30 June 2013

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 143 to 147).

Vote Education

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Non-departmental output expenses	408,197	422,989	405,212	383,502
Benefits and other unrequited expenses	35,964	46,969	56,835	37,835
Non-departmental other expenses	6,651,786	6,689,730	6,686,743	6,444,125
Non-departmental capital expenditure	23,149	25,199	21,370	21,548
Total non-departmental expenses	7,119,096	7,184,887	7,170,160	6,887,010

The capital expenditure recorded in the Schedule of Expenses above (\$23.1 million) comprises the Property Disposal Incentives Scheme, Schools Furniture and Equipment, and School Support Project appropriations.

Vote Tertiary Education

	30/06/2013	30/06/2013	30/06/2013	30/06/2012
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Non-departmental output expenses	2,705,922	2,776,133	2,787,369	2,676,235
Benefits and other unrequited expenses	14,362	16,485	15,419	14,948
Non-departmental other expenses	3,450	3,450	3,950	127
Non-departmental capital expenditure	250	250	-	-
Total non-departmental expenses	2,723,984	2,796,318	2,806,738	2,691,310

Statement of Revenue and Receipts for the year ended 30 June 2013

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 \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Actual \$000
Operational revenue				
Crown entity recoveries	-	-	-	266
Export education levies	3,190	3,521	3,521	3,494
Miscellaneous receipts	1,294	350	350	211
Overseas students' fees	2,190	3,757	3,757	3,509
Payroll receipts	-	25	25	-
Roll audit and staffing recoveries	-	110	110	-
State Sector Retirement Savings Scheme recoveries	651	-	-	68,567
Total operational revenue	7,325	7,763	7,763	76,047
Total revenue and receipts	7,325	7,763	7,763	76,047

(All figures are GST exclusive where applicable)

Vote Tertiary Education

	30/06/2013 Actual	30/06/2013 Supplementary Estimates	30/06/2013 Budget	30/06/2012 Actual
	\$000	\$000	\$000	\$000
Operational revenue				
Crown entity recoveries	7,862	905	-	11,130
Total operational revenue	7,862	905	-	11,130
Interest				
Tertiary investments interest	-	122	122	-
Total interest	-	122	122	-
Total current non-tax revenue	7,862	1,027	122	11,130
Capital revenue				
Repayment of investments	276	-	-	-
Total capital revenue	276	-	-	-
Total revenue and receipts	8,138	1,027	122	11,130

(All figures are GST exclusive where applicable)

Schedule of Assets for the year ended 30 June 2013

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

	30/06/2013 Actual	30/06/2013 Supplementary Estimates	30/06/2013 Budget	30/06/2012 Actual
	\$000	\$000	\$000	\$000
Cash and bank balances	113,746	84,642	76,084	83,484
Accounts receivable	12,834	73,376	37,122	70,225
Prepayments	4,658	3,557	2,971	5,235
Physical assets ²¹	11,000	11,000	11,000	11,000
Total non-departmental assets	142,238	172,575	127,177	169,944

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.

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

Schedule of Liabilities for the year ended 30 June 2013

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

	30/06/2013 Actual \$000	30/06/2013 Supplementary Estimates \$000	30/06/2013 Budget \$000	30/06/2012 Actual \$000
Accounts payable	101,424	80,026	105,686	78,600
Accruals and provisions	327,970	286,635	193,122	294,656
Provision for teacher entitlements	264,714	264,714	266,440	210,192
Total non-departmental liabilities	694,108	631,375	565,248	583,448

Statement of Commitments for the year ended 30 June 2013

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	30/06/2012 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 2013

The Statement of Contingent Liabilities discloses situations that exist at 30 June 2013, 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	30/06/2012 Actual \$000
Legal proceedings:		
Personal grievance claims	2,900	2,900
Total contingent liabilities	2,900	2,900

Personal grievance claims

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 2013

The Statement of Contingent Assets discloses situations that exist at 30 June 2013, 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	30/06/2012
	Actual	Actual
	\$000	\$000
Suspensory loans – private and integrated schools	37,555	44,990
Total contingent assets	37,555	44,990

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.

The Ministry has an unquantified contingent asset related to recoveries of teacher salary overpayments. At 30 June 2013 there are a number of potential overpayments that are still being reviewed to confirm the actual amount overpaid. The payroll contractor recovers overpayments on the Ministry's behalf and passes this back to the Ministry. The potential amount of additional debt to be recovered and the timing of any repayments are not yet known.

Due to issues arising with the Novopay service during the 2012 school year a decision was made to extend the normal four pay period banking staffing balancing period for a further 12 months. This means that banking staffing entitlements balances for the 2012 and 2013 school years will be required to be settled by March 2014. As a consequence of this, amounts remain unsettled at 30 June 2013 for the 2012 staffing year. A contingent asset of approximately \$14.9 million, reflecting amounts owed by schools, and a contingent liability of approximately \$10.6 million, reflecting amounts owed to schools, exist at 30 June 2013.

Statement of Trust Monies for the year ended 30 June 2013

Account	As at 1/07/2012	Contribution	Distribution	Revenue	Expenses	As at 30/06/2013
	\$000	\$000	\$000	\$000	\$000	\$000
Export Education Levy	3,875	-	-	4,723	(6,284)	2,314
UNESCO ASPAC Conference	2	-	-	-	-	2
Total trust monies	3,877	-	-	4,723	(6,284)	2,316

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 2013

In terms of section 26 of the Public Finance Act 1989, there was no unappropriated expenditure for the year ended 30 June 2013 (unappropriated expenditure for the year ended 30 June 2012 totalled \$14.535 million – details are shown in the table below).

	30/06/2013 Expenditure	30/06/2013 Appropriation	30/06/2013 Unappropriated expenditure	30/06/2012 Unappropriated expenditure
	\$000	\$000	\$000	\$000
Non-departmental other expenses:				
Early Childhood Education	-	-	-	12,752
Special Needs Support	-	-	-	1,783
Total unappropriated expenditure	-	-	-	14,535

Notes to the non-departmental financial statements

Note 1 – Statement of accounting policies for the year ended 30 June 2013

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 2013 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	30/06/2012
	Actual	Actual
	\$000	\$000
Accrued revenue	6,063	35,692
Less provision for doubtful debts	(1,735)	(1,440)
Other receivables	3,995	33,296
Total debtors and other receivables	8,323	67,548
Represented by:		
Current	5,923	64,188
Non-current	2,400	3,360

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

As at 30 June 2013 and 2012, all debtors and other receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2013			30/06/2012		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	551	-	551	21,133	-	21,133
Past due 1 - 90 days	67	-	67	1,551	-	1,551
Past due 90 - 180 days	860	-	860	471	-	471
Past due 180 - 360 days	1,179	367	812	706	72	634
Past due > 360 days	3,406	1,368	2,038	11,831	1,368	10,463
Total	6,063	1,735	4,328	35,692	1,440	34,252

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	30/06/2012
	Actual	Actual
	\$000	\$000
Balance at 1 July	1,440	1,598
Increase/(release) of provisions during the year	295	(158)
Balance at 30 June	1,735	1,440

Note 3 – Creditors and other payables

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Creditors	101,424	78,600
Accrued expenses	327,970	294,656
Total creditors and other payables	429,394	373,256

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 \$108,008 (2012: \$109,351). No balance was outstanding at year end (2012: \$nil)
- ▶ Educational Leadership Project Ltd, in which a senior manager's sister-in-law is a director of the company. These services cost \$1,288,319 (2012: \$1,194,594) and were supplied on normal commercial terms. No balance was outstanding at year end (2012: \$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 Cerno International 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 effective date of the calculation in the actuarial report was 30 June 2006. The data in the model has been updated by the Ministry for 30 June 2013.

The actuary who developed the model was Peter Cosseboom, FIA FNZSA, Fellow of the New Zealand Society of Actuaries.

The actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability for the Scheme.

The key assumptions used by the actuary in determining the outstanding claims liability were:

- ▶ The incurred-but-not-reported reserve was calculated as the claim rate times the average delay times the average claims cost.
- ▶ The average claims cost was calculated on an ongoing basis; at 30 June 2013 this was \$5,188. The average claim rate was 0.700 claims per day and the average delay was 30 days.
- ▶ The outstanding claims reserve at 30 June 2013 was calculated by the Ministry by individual case estimates (ie, the cost of each claim is individually assessed).

For the incurred-but-not-reported reserve, slightly conservative assumptions were used relating to the components of the incurred-but-not-reported (ie, claim rate, average cost, and average delay). In total this gave a margin over the central estimate of approximately three to five per cent. Given the relative size of the incurred-but-not-reported reserve, this was considered adequate for the purpose of a risk margin.

There were no qualifications contained in the actuarial report.

The methodology used in determining the liability was taking the outstanding claims liability for existing claims as the total claims estimate. An incurred-but-not-reported reserve was calculated based on the experience of the portfolio.

There were no discounting or inflation rates applicable to claim payments assumed due to the short-term nature of the claims run-off.

The claims expenses were included in the claims estimate. No additional allowance was deemed necessary.

As individual claim estimates were used, the pattern of claims run-offs was not needed.

There were no other significant assumptions for the methodology used.

	30/06/2013	30/06/2012
	Actual	Actual
	\$000	\$000
Opening claims liability	2,696	1,932
Plus premiums received	2,481	2,090
(Less) re-insurance premiums paid	(1,497)	(1,536)
(Less) claims paid	(1,279)	(1,483)
Plus/(less) claims liability adjustment from valuation	(969)	1,693
Insurance profit/(loss)	(1,264)	764
Closing claims liability	1,432	2,696

Vote Education – changes to non-departmental appropriations

Non-departmental appropriations for 2012/13 increased by \$14.7 million (GST exclusive) (refer table on pages 161). The major reasons for the increase were:

Cabinet and other decisions

Specific government decisions resulted in a \$14.5 million increase to appropriations. The major changes included:

- ▶ provision for settlement of the 2013-2015 Secondary Teachers' Collective Agreement (\$6.9 million)
- ▶ provision for a Novopay school support package across non-departmental other expenses Primary Education, Secondary Education and Special Needs Support (\$6 million)
- ▶ provision for working capital for a new Crown company – The Network for Learning Limited (\$5.5 million)
- ▶ support for the education sector of Christchurch, Waimakariri and Selwyn to recover from the effects of the 2010 and 2011 earthquakes (\$4 million)
- ▶ additional costs of amalgamating the Supplementary Learning Support teachers and the Resource Teacher: Learning and Behaviour service, including potential redundancy and redeployment costs and mainly under non-departmental other expense Special Needs Support (\$3.5 million)
- ▶ initiatives to accelerate education for priority learners including improving outcomes for diverse learners in the first year at school and foundation literacy and numeracy (\$1.2 million)
- ▶ savings from a line-by-line review of appropriations, mainly from non-departmental output expense School Transport and benefits and other unrequited expenses Teacher Trainee Scholarships and National Study Awards (\$12.7 million).

Revised forecasts and other changes in demand

Revised forecasts and demand changes resulted in a \$1.9 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, based on revised assumptions updated for 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 (\$28 million)
 - ▶ changes to equity funding, including a one-off change to accounting, and more services requiring a review of their entitlement (\$7.2 million)
 - ▶ lower than expected average rates paid per funded hour (\$3.4 million)
- ▶ decreased costs of schooling across Primary Education, Secondary Education and Special Needs Support appropriations, mainly owing to:
 - ▶ lower than expected national school roll projections (\$29.4 million)
 - ▶ reduced Accident Compensation Corporation rates from 1 July 2012 and savings achieved from the previous year (\$10 million)
 - ▶ lower than expected subsidies for KiwiSaver (\$2.8 million)
 - ▶ higher than expected average teacher salary rates (\$6.7 million increase)
- ▶ increased costs of school transport services, mainly owing to:
 - ▶ volume and price changes for transport services, other than index-based or inflation changes (\$1 million)
 - ▶ index-based adjustments to contract prices (\$0.6 million)
 - ▶ changes in rolls (\$0.4 million).

Fiscally neutral adjustments

Major fiscally neutral adjustments between non-departmental appropriations for the year related to:

- ▶ creation of a new appropriation (non-departmental output expense Secondary-Tertiary Interface) from the beginning of 2013 to implement a single cash-based resourcing model for secondary-tertiary programmes that will better enable funding to follow learners, mainly funded by a reduction in non-departmental other expense Secondary Education (\$17.8 million) – see also Other Adjustments below
- ▶ a transfer from benefits and other unrequited expenses National Study Awards to non-departmental other expense Support for Early Childhood Education Providers to support the work of the Early Learning Taskforce in progressing the Better Public Services early childhood education participation target (\$2.5 million)
- ▶ a transfer between benefits and other unrequited expenses Boarding Allowances and Bursaries and Māpihi Pounamu to meet higher than expected demand for the latter scholarships (\$0.4 million)
- ▶ transfers from non-departmental other expense Schooling Improvement (\$1.1 million) and non-departmental output expense Professional Development and Support (\$0.2 million) to Provision of Information and Advisory Services for the cost of services related to the previous financial year
- ▶ transfers to Primary Education (\$1 million) and Special Needs Support (\$0.8 million) from Secondary Education (\$1.8 million) owing to revised cost allocations, changes to funding for short-term relievers, changes to Resource Teachers: Learning and Behaviour funding and other minor adjustments
- ▶ a transfer from benefits and other unrequited expenses Teacher Trainee Scholarships to non-departmental other expense Secondary Education for increased relieving costs related to mentors for the Teach First New Zealand Scholarship Programme (\$0.5 million)
- ▶ a transfer to non-departmental other expense Special Needs Support from non-departmental output expense Professional Development and Support to assist in the transformation of the Resource Teacher: Learning and Behaviour service and its amalgamation with the Supplementary Learning Support service (\$0.4 million).

Expense and capital transfers

Transfers between financial years (from 2011/12 to 2012/13 and from 2012/13 to 2013/14 and subsequent years) resulted in a net decrease of \$1.7 million. Significant transfers included:

- ▶ a transfer from the previous financial year for non-departmental other expense Support for Early Childhood Education Providers related to delays in disbursing the Minister's Discretionary Fund (\$1.2 million)
- ▶ a transfer to 2013/14 for delays in projects related to the Positive Behaviour for Learning initiative under non-departmental other expense Special Needs Support (\$1.9 million)
- ▶ a transfer to subsequent years for the Property Disposal Incentive Scheme owing to changes in the expected timing of property sales (\$1 million).

Other adjustments

Other adjustments resulted in a minor decrease. These changes mainly included:

- ▶ transfers from non-departmental output expense Curriculum Support and non-departmental other expense Primary Education to departmental output expense Support and Resources for Education Providers for the ongoing implementation of the Novopay service (\$5.9 million)
- ▶ the expansion of the Intensive Wraparound Service after transferring funds to departmental output expense Interventions for Target Student Groups following closure of McKenzie School and changes to the rolls of several other residential special schools (\$0.7 million)
- ▶ a transfer to new non-departmental output expense Secondary-Tertiary Interface from Vote Tertiary Education, non-departmental output expense Tertiary Education Grants and Other Funding (\$5.2 million) to implement a new resourcing model for these programmes from 1 January 2013
- ▶ a transfer from departmental output expense Support and Resources for the Community to extend several existing programmes under non-departmental other expense Early Childhood Education to engage and target vulnerable Māori children under three years of age and their whānau in high-quality, culturally relevant early childhood education with deliberate linkages to other supporting social services (\$1.3 million).

Vote Education

Non-Departmental Appropriations 2012/13	Budget 2012	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	65,566	296	-	(638)	-	(4,400)	60,824
Education Research Initiatives	3,008	-	-	-	-	-	3,008
Professional Development and Support	88,599	149	-	-	(580)	-	88,168
Provision of Information and Advisory Services	23,751	-	-	-	1,280	-	25,031
Qualifications Support Structures	6,049	-	-	-	-	27	6,076
Quality Assurance	4,370	-	-	-	-	-	4,370
School Transport	178,609	(4,147)	2,044	-	-	-	176,506
Secondary School Assessments	26,480	-	-	-	-	-	26,480
Secondary-Tertiary Interface	-	-	-	-	17,821	5,225	23,046
Service Academies	3,314	-	-	-	-	90	3,404
Supporting Parenting	5,466	610	-	-	-	-	6,076
Total non-departmental output expenses	405,212	(3,092)	2,044	(638)	18,521	942	422,989
Benefits and other unrequited expenses							
Boarding Allowances and Bursaries	8,069	-	-	-	(400)	-	7,669
Home Schooling Allowances	5,577	-	-	-	-	-	5,577
Māpihi Pounamu	3,250	-	-	-	400	-	3,650
National Study Awards	26,886	(1,977)	-	-	(2,517)	-	22,392
Scholarships for Students to Attend Private Schools	4,126	-	-	-	-	-	4,126
Teacher Trainee Scholarships	8,877	(4,913)	-	-	(459)	-	3,505
United World Scholarships	50	-	-	-	-	-	50
Total benefits and other unrequited expenses	56,835	(6,890)	-	-	(2,976)	-	46,969
Non-departmental other expenses							
Early Childhood Education	1,378,867	4	35,166	-	-	1,255	1,415,292
Integrated Schools Property	57,175	1,076	-	-	-	-	58,251
Interest Subsidy for Schools	357	(201)	-	-	-	-	156
New Zealand Teachers Council	178	-	-	-	-	-	178
Primary Education	2,814,406	6,201	(34,352)	-	1,003	(1,500)	2,785,758
Remission of Fees	1,288	-	-	-	-	-	1,288
School Transport Bus Controllers	705	-	(16)	-	-	-	689

Non-Departmental Appropriations 2012/13	Budget 2012	Cabinet & Ministerial Decisions	Demand Changes	Transfers Between Years	Fiscally Neutral Adjustments	Other Changes	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Schooling Improvement	8,984	-	-	-	(1,100)	-	7,884
Secondary Education	2,066,336	8,861	44	430	(19,178)	-	2,056,493
Special Needs Support	338,221	3,882	(951)	(1,894)	1,213	(706)	339,765
Support for Early Childhood Education Providers	18,143	-	-	1,233	2,517	-	21,893
UNESCO	2,083	-	-	-	-	-	2,083
Total non-departmental other expenses	6,686,743	19,823	(109)	(231)	(15,545)	(951)	6,689,730
Non-departmental capital expenditure							
Property Disposal Incentives Scheme	2,511	-	-	(1,011)	-	-	1,500
School Support Project	1,880	-	-	-	-	-	1,880
Schools Furniture and Equipment	16,979	(834)	-	174	-	-	16,319
The Network for Learning Limited	-	5,500	-	-	-	-	5,500
Total non-departmental capital expenditure	21,370	4,666	-	(837)	-	-	25,199
	7,170,160	14,507	1,935	(1,706)	-	(9)	7,184,887

Vote Tertiary Education – changes to non-departmental appropriations

Non-departmental appropriations for 2012/13 decreased by \$10.4 million (GST exclusive) (refer table on page 164). The major reasons for the decrease were:

Cabinet and other decisions

Specific government decisions resulted in a \$15.2 million decrease to appropriations. The major changes included:

- ▶ reprioritising industry training funding under non-departmental output expense Training for Designated Groups toward increased student support costs, changing the delivery tolerance bands for provision of tertiary education from 99% to 105%, and delivery of an additional 1,000 equivalent full-time students at highly performing private training establishments, above funded levels (\$16.7 million)
- ▶ applying further unallocated industry training funding from non-departmental output expense Training for Designated Groups to other tertiary education programmes (mainly under non-departmental output expense Tertiary Education: Student Achievement Component), including provision for increased equity loading for 2013, additional student achievement component allocations at Lincoln University for 2012 to 2014 and additional medical places for 2013 (\$9.1 million net change)
- ▶ additional Pasifika trades training initiative places and priority trades equivalent full-time students at institutes of technology and polytechnics and private training establishments (\$7.4 million in non-departmental output expense Tertiary Education: Student Achievement Component)
- ▶ a 're-boot' initiative to raise the profile of, and participation in the new apprenticeship system by providing incentives to employers and grants for the cost of equipment and tools for the first 10,000 apprentices to enrol (\$3.2 million under non-departmental output expense Training for Designated Groups and benefits and other unrequited expenses Apprenticeships Re-boot)
- ▶ support for He Toki ki te Rika 2.0, a Māori trades training initiative in Canterbury (\$0.5 million under non-departmental output expense Tertiary Education Grants and Other Funding)
- ▶ establishing a new capital expenditure appropriation for developing a youth option in the Literacy and Numeracy for Adults Assessment Tool (\$0.2 million)
- ▶ ending provision for Science and Mathematics Scholarships and School Achiever Awards under benefits and other unrequited expenses Tertiary Scholarships and Awards (\$0.8 million).

Expense and capital transfers

Transfers between financial years (from 2011/12 to 2012/13 and from 2012/13 to 2013/14 and subsequent years) resulted in a net increase of \$9.5 million. Significant transfers included:

- ▶ carrying forward surplus funding from 2011/12 in non-departmental output expense Tertiary Education: Student Achievement Component (\$6.1 million)
- ▶ a transfer of unspent funds from 2011/12 for non-departmental output expense International Education Programmes (\$4 million)
- ▶ a transfer of funding to 2013/14 under non-departmental other expense Tertiary Education Institutions Merger Support as the merger between Tairāwhiti Polytechnic and the Eastern Institute of Technology will take until the end of 2013 to fully implement (\$0.5 million).

Other adjustments

Other adjustments resulted in a decrease of \$4.7 million. These changes mainly included:

- ▶ transfer from non-departmental output expense Tertiary Education Grants and Other Funding to Secondary-Tertiary Interface – a new non-departmental output expense appropriation in Vote Education – to implement a single cash-based resourcing model for secondary-tertiary programmes that will better enable funding to follow learners (\$5.2 million)
- ▶ a transfer from Vote Employment for the Skills Highway Programme to non-departmental output expense Managing the Government's Investment in the Tertiary Education Sector to consolidate information services for employers on literacy and numeracy programmes and to provide for more industry engagement with the Tertiary Education Commission on investment decisions in this area (\$0.6 million)
- ▶ a transfer between non-departmental output expenses Tertiary Education: Student Achievement Component and Adult and Community Education to allow more flexibility in Search and Rescue training arrangements (\$0.6 million).

Vote Tertiary Education

Non-Departmental Appropriations 2012/13	Budget 2012	Cabinet & Ministerial Decisions	Fiscally Neutral Adjustments	Transfers Between Years	Other Changes	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Non-departmental output expenses						
Adult and Community Education	58,217	-	(75)	650	-	58,792
Centres of Research Excellence	31,690	-	-	-	-	31,690
International Education Programmes	21,622	-	4,000	-	-	25,622
Managing the Government's Investment in the Tertiary Education Sector	33,312	-	-	-	570	33,882
Ownership Monitoring of Tertiary Education Institutions	2,567	-	-	-	-	2,567
Performance-Based Research Fund	256,250	-	-	-	-	256,250
Tertiary Education and Training Advice	3,837	-	-	-	-	3,837
Tertiary Education Grants and Other Funding	34,370	982	-	-	(5,225)	30,127
Tertiary Education: Student Achievement Component	2,021,907	13,903	6,100	(650)	-	2,041,260
Training for Designated Groups	323,597	(31,401)	-	-	(90)	292,106
Total non-departmental output expenses	2,787,369	(16,516)	10,025	-	(4,745)	2,776,133
Benefits and other unrequited expenses						
Apprenticeships Re-boot	-	1,600	-	-	-	1,600
International Student Scholarship Scheme	800	-	-	-	-	800
Study Abroad Awards	1,290	-	-	-	-	1,290
Tertiary Scholarships and Awards	13,329	(534)	-	-	-	12,795
Total benefits and other unrequited expenses	15,419	1,066	-	-	-	16,485
Non-departmental other expenses						
Auckland University Starpath Project	2,450	-	-	-	-	2,450
Tertiary Education Institutions Merger Support	1,500	-	(500)	-	-	1,000
Total non-departmental other expenses	3,950	-	(500)	-	-	3,450
Non-departmental capital expenses						
Literacy and Numeracy Assessment Tool	-	250	-	-	-	250
Total non-departmental capital expenses	-	250	-	-	-	250
	2,806,738	(15,200)	9,525	-	(4,745)	2,796,318

