

# report

## Ministry of Education Annual Report

# 2011

For the year ended 30 June 2011  
Presented to the House of Representatives pursuant to section 44(1) of the Public Finance Act 1989

New Zealand Government

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# report

**Ministry of Education**  
**Annual Report**  
**Te Tāhuhu o Te Mātauranga**

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## Foreword from the Secretary for Education

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*Ehara taku toa i te toa takitahi engari he toa takitini*

*My achievements are not mine alone, but are collective achievements*

It has been another demanding year in education. Public expectations of our education system and those who lead it have never been higher. That is how it should be as New Zealand faces complex and interrelated economic, social, cultural and global challenges.

The recent tragic events in Canterbury and on the West Coast have had a huge impact on children and their families in those areas and indeed across New Zealand. My sympathies are with all those affected by these tragedies, particularly those who have lost family members, whānau and friends.

Following the earthquakes in Canterbury, the Ministry of Education's priority has been to get students back into learning as quickly as possible. There is still a long way to go in the Canterbury region for a full recovery but I am confident that good progress is being made with support from all involved across the early childhood education, schooling and tertiary sectors. I want to acknowledge the enormous effort and dedication of people working in the education sector. You all worked for the good of students at a time when I know many of your lives had also been seriously affected.

We continue to operate in an environment of financial constraint. This has meant focusing resources where they will be most effective in lifting educational achievement for every child. The Ministry is making considerable savings and using resources more effectively and efficiently.

Our aim remains clear – a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st-century.

In recent years the education system has achieved some great results. Participation in education remains high, from early childhood to tertiary education, and retention in upper secondary school increased. Other highlights are that we have high levels of tertiary qualification attainment, improving public and private returns on the investment made in tertiary education and increased international education activity as part of the New Zealand education system. We need to build on these successes.

We know early childhood education makes a difference to children's long-term learning. We have made some progress through intensive work in communities to encourage families and whānau to see the benefits of early childhood education and to make access to services easier for them.

Raising student achievement across the schooling sector is a major focus for the Ministry. We have set the expectations of what children in our compulsory schooling sector should learn (through the national curriculum) and when they should learn it (through National Standards in literacy and numeracy). We are now building the supporting conditions that will enable those expectations to be met.

To be successful, schools need to undertake effective planning and reporting. I have always seen it as important for schools to articulate clear and demanding targets for students to raise achievement levels. Over the last year, the Ministry has been working with schools to complete charters at the beginning of the year so that the scene is set for improvement for all students. We will monitor progress against charters and support those schools which require additional help.

Significant support and resources have been provided to schools to support the implementation of National Standards and Ngā Whanaketanga Rumaki Māori. This has included a more purposeful approach to professional learning and development, the Student Achievement Function offering support and advice in classrooms and publications for schools and parents. Our information shows that schools are progressing well with the implementation of the National Standards and schools have begun using them to report to parents on their children's achievement.

There has also been significant investment in schools to give them access to ultra-fast broadband, mostly through fibre. Access to this technology will support enhanced teaching and learning. By taking advantage of technological developments, schools will become centres of innovation in their communities.

A continued focus for the Ministry is ensuring that children with special education needs receive the support they need to integrate successfully into the education system and that all schools are inclusive of all children. To support this goal we have established a range of services and programmes to help schools manage disruptive behaviour of some students and maintain their focus on learning.

In the secondary-tertiary area we have made positive progress with the Youth Guarantee programme. This programme will support 16- and 17-year-olds to continue their education who might otherwise have dropped out of the system. We want all students to leave school with a meaningful qualification so they can further engage in education, training or employment.

Performance-linked funding has been introduced into tertiary institutions and the Ministry has become the lead agency on tertiary policy to ensure that policy advice is integrated across the education sector to give a unified view.

This is my last Annual Report as Secretary for Education. Lesley Longstone will take up the position of Secretary for Education in November and I extend to her my very best wishes for her time in this challenging and demanding, yet hugely rewarding role.

Being a public servant has been a great privilege. My aim for our education system is to prepare young people to be capable, caring, responsible and contributing adults who are engaged citizens, aware of their obligations and rights. The education system, in serving every young person, will serve New Zealand. I am heartened by the progress we have made collectively. I leave confident that we have strong building blocks in place to continue improving the education system for every learner.

*Kia kaha, kia manawanui*

*Kia toa*

**Karen Sewell**

Secretary for Education

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Our focus  
**one**

## Summary

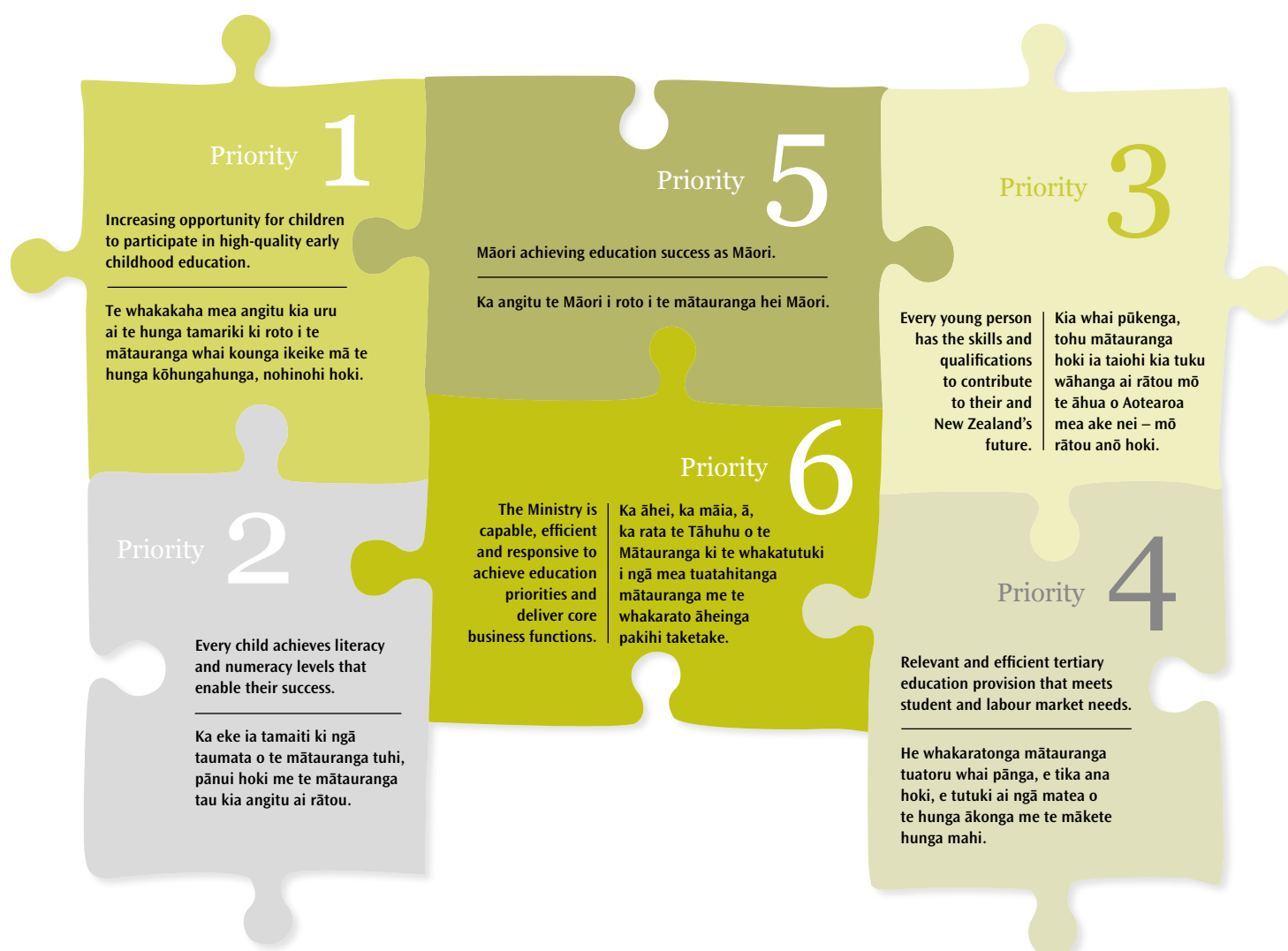
Education is one of the most significant activities we engage in throughout our lives. Ensuring that every child and young person is engaged, and achieving, in education from their early years onwards is one of the best investments government can make that contributes to health, social cohesion and economic prosperity.

New Zealand has a world-class, high-performing education system. International studies show that our highest-achieving students are among the best in the world.<sup>1</sup> The system performs well for the majority of students, particularly those in higher-decile schools, and tends to perform better for European/Pākehā students and Asian students.

Across the sectors, the education system continues to under-perform for some of our students. These students are proportionally more likely to be Māori or Pasifika, be from low socio-economic communities or have special education needs. Over recent years progress has been made to better engage and support these students in their learning and we are seeing improved outcomes. More students are leaving school with meaningful qualifications, including Māori students and Pasifika students.<sup>2</sup>

However, there is still room for improvement. The spread of achievement is not isolated to particular areas, communities or institutions, but is evident within most schools. Our most significant challenge is ensuring that all students have the opportunity for success in education.

In the Statement of Intent 2010-2015, under the broad goal of a “world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st-century”, we set the following priorities:



<sup>1</sup> Based on results from the international assessment study – Programme for International Student Assessment (PISA) 2009.

<sup>2</sup> Based on the current National Certificate of Educational Achievement (NCEA) Level 2, and University Entrance qualification attainment rates.

The Ministry has two main roles in the education sector:

- ▲ providing policy advice and managing the system settings to deliver on Government priorities
- ▲ providing high-quality services to children and young people, their families and whānau, communities, educators and education providers.

Within these roles, over the last year we have produced a large amount of high-quality work to make progress across our priorities.

We have undertaken significant programmes of work that have contributed to:

- ▲ lifting participation in early childhood education
- ▲ lifting literacy and numeracy achievement
- ▲ lifting achievement in senior secondary school
- ▲ improving value for money and performance in the tertiary education sector.

We have implemented key Government priorities, including:

- ▲ implementing National Standards in literacy and numeracy
- ▲ introducing the Youth Guarantee
- ▲ making changes to student support arrangements in tertiary education
- ▲ supporting the establishment of the new Crown agency for international education
- ▲ improving inclusiveness in education through implementing Success for All – Every School, Every Child.

In everything that we do, we are focusing our activity on supporting the identity, language and culture of all learners. Ka Hikitia – Managing for Success: The Māori Education Strategy 2008-2012 sets targets for improving the performance of the education system for and with Māori learners. The Pasifika Education Plan 2009-2012 focuses our activity and investments on improving results for Pasifika learners. The New Zealand Disability Strategy is the framework to remove barriers that prevent disabled people from participating fully in society, and provides the Ministry with direction.

We have continued to review our operating approaches and methods, make required budgetary savings, and make the organisation more agile and responsive. We have underway a significant programme of work that will improve our operating efficiency and the effectiveness of our support for the sector.

### **Responding to the Canterbury earthquakes**

The Canterbury earthquakes of September 2010 and February and June 2011 had an immediate and significant impact on education provision in the region. Nearly 150,000 students and upwards of 10,000 staff were engaged in education in over 750 providers in the area when the February earthquake struck. Our immediate and urgent priority was ensuring all children and young people were safe.

We provided immediate and practical on-the-ground support to children and young people, their families and whānau, educators, early childhood education services, schools and tertiary education organisations.

Immediately after the September and February earthquakes, all schools and early childhood services across Canterbury were closed.

- ▲ Within 12 days of the September earthquake, 99% of early childhood education services and 98% of schools had reopened.
- ▲ Within three weeks of the February earthquake, 62% of early childhood education services were operating and schooling was available for 84% of all students.

We responded to the needs of the sector by:

- ▲ supporting affected early childhood education services to relocate
- ▲ providing funding to early childhood education services with damaged property to protect child places
- ▲ providing emergency grants to some early childhood education services
- ▲ responding to the psychological impact of the earthquakes on educators, children and their families and whānau, and providing wellbeing resources to over 180 schools and 250 early childhood education services

- ▲ assessing school property safety, arranging repairs where possible and securing unsafe buildings, and providing site-based water, sewerage and toilet solutions, including:
  - ▲ 35 portable water tanks
  - ▲ 17 sewage tanks
  - ▲ 159 portaloos
- ▲ providing 54 relocatable classrooms to replace lost classroom accommodation
- ▲ providing 98 school buses, with capacity for 7,100 students, to transport students to and from co-located and relocated schools in the Christchurch area.

As at 3 August 2011:

- ▲ 11,572 students had enrolled in a different school from the one they were at on 22 February 2011
- ▲ 6,665 students had returned to their original school
- ▲ 4,676 students were still at a different school.

In the wider Canterbury area, 215 schools were damaged by the September and February earthquakes, 128 of these were in greater Christchurch. There are approximately 35 schools where the damage levels are estimated to exceed \$0.5 million (major and medium) and about 180 schools where the damage levels are below \$0.5 million (minor). Overall damage is expected to exceed \$100 million.

In the tertiary and international education sector, there was an immediate impact on tertiary education institution property. Some students were sent to universities in Adelaide and Oxford so they could continue their studies. Other tertiary education institutions made use of e-learning systems to ensure continuity of education. Some language schools located in the central business district have not reopened.

We supported the parents and families of the 71 international students and their eight teachers who tragically lost their lives in the February 2011 earthquake. We provided vital support, guidance and advice and liaised with other governments.

Restoring high-quality, sustainable education in Christchurch after the earthquakes will continue to be a challenge for the Ministry in the future. Across the sectors, we are involved in planning for future demand and growth and attending to required rebuilds and repairs. Access to education is vital to Canterbury's recovery.

We have now moved into a forward-looking phase, supporting the re-establishment of sustainable education provision in the Canterbury region.

## Early childhood education

### Priority 1

Increasing opportunity for children to participate in high-quality early childhood education.

Te whakakaha mea angitu kia uru ai te hunga tamariki ki roto i te mātauranga whai kōunga ikeike mā te hunga kōhungahunga, nohinohi hoki.

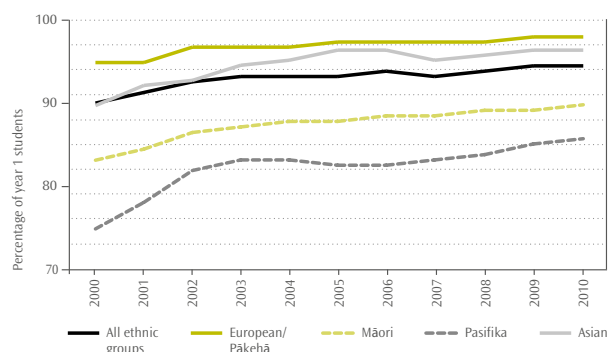
Evidence shows that quality early childhood education leads to improved outcomes for children in school and later life. Over recent years, participation in early childhood education has increased for all groups. However, those gains have not been equitably shared across all population groups and in all areas.

We are focused on increasing participation of Māori children, Pasifika children and children from low socio-economic communities in quality early childhood education before they start school.

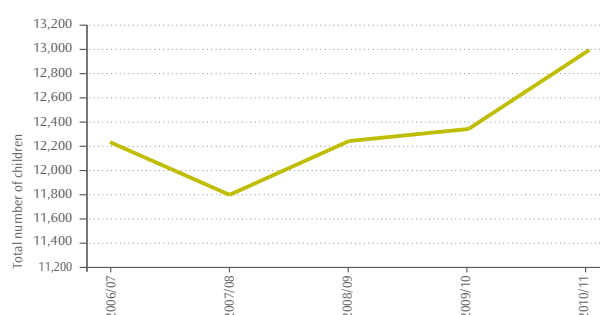
<b>Investment</b>	Approximately \$1,339 million of Vote Education (11.4%) was spent on early childhood education, allocated directly to providers			
<b>Activity</b>	<ul style="list-style-type: none"> <li>Supported targeted community-created and community-led participation initiatives</li> <li>Developing and supporting quality provision</li> <li>Providing early intervention services for children with special education needs</li> <li>Engaging parents, families and whānau</li> </ul>			
<b>Results</b>	Overall, participation rates have continued to increase slightly across population groups			
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Total participation rate	↑	94.8%	94.4%
	European/Pākehā	↑	98.3%	98.1%
	Māori	↑	90.1%	89.3%
	Pasifika	↑	86.0%	85.3%
	Asian	■	96.6%	96.7%
	We have increased the number of child places and children engaged in early childhood education			
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Child places created	-	533	N/A
	Children engaged	-	639	N/A
	We have increased the overall number of children, and the number of Māori children receiving early intervention services			
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Total number of children receiving early intervention services	↑	12,994	12,342
	Māori	↑	2,848	2,607
	Pasifika	↓	718	751

KEY ↑ Improved ↓ Worsened ■ No change

**Early childhood education prior participation of year 1 students, by ethnic group**



**Number of children receiving early intervention services**



## What we did

We have focused on areas with the largest numbers of non-participating children. This has meant working with communities to support them to develop local solutions.

In communities where there has been low participation, such as Kaikohe, Ranui/Massey and Tamaki, we have developed projects to work with communities to understand the needs of their families.

In Tamaki, we have helped establish supported playgroups, contracted a home-based service and funded the establishment of a new service. We also helped existing centres develop programmes better suited to their community. We complemented this by working with families to improve the understanding of the importance of quality early childhood experiences.

Through this work, we have been able to accelerate increases in early childhood education participation in these communities.

We contracted providers to deliver professional development for the sector workforce. In particular, this development is building the capability of teachers and leaders to respond to and teach in a way that supports each child's identity, language and culture.

The mid-term review of the Pasifika Education Plan 2009-2012 showed that, while there have been increases in participation in early childhood education of Pasifika children, significant disparities remain.

The number of Pasifika children receiving early intervention services reflects the number of accepted referrals we receive. The average age of Pasifika children when they first access early intervention services continues to be similar to that of non-Pasifika children.

Special education has a range of initiatives across the country to build awareness and understanding of the early intervention service. This includes working with churches, early childhood services and a range of community organisations and public agencies, including doctors, paediatricians and other health providers.

## Future focus

We will strengthen consistency of high-quality early childhood education provision across the sector, and in all communities, by investing in professional development and other support for quality teaching. This will be balanced with ensuring the government expenditure on the sector is sustainable. To do this we are developing a better information system to allow better-informed funding decisions on where and how expenditure on early childhood education can create the best return.

We will continue targeting areas of low participation and providing resources, support and funding to communities to devise and implement their own solutions.

The changes to the sector will require a policy regime that supports innovative practices and encourages the development of leadership from within the sector. We will develop a strategy for the early childhood education sector that will provide direction over the next five years.

## Early childhood education profile and activity

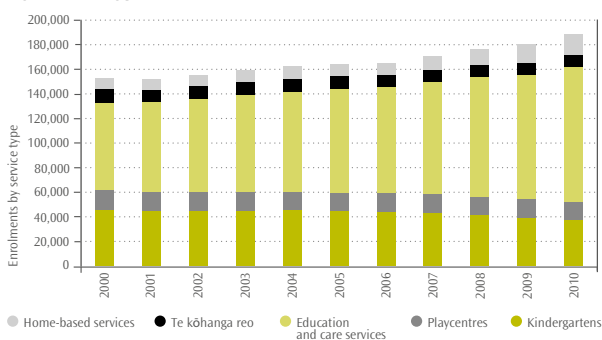
### Data snapshot

As at 1 July 2010, there were:

- ▲ 211,426 enrolments in licensed and licence-exempt services; of these, 41,105 (19%) enrolments were identified as Māori and 13,720 (6%) were identified as Pasifika
- ▲ 5,152 early childhood education services, 4,321 licensed and 831 licence-exempt or certified playgroups
- ▲ 19,901 teaching staff at teacher-led licensed services; of these, 1,651 (8%) identified as Māori teachers and 1,595 (8%) identified as Pasifika teachers. The number of full-time staff increased by 8% from 12,397 in 2009
- ▲ 5,041 children receiving early intervention services

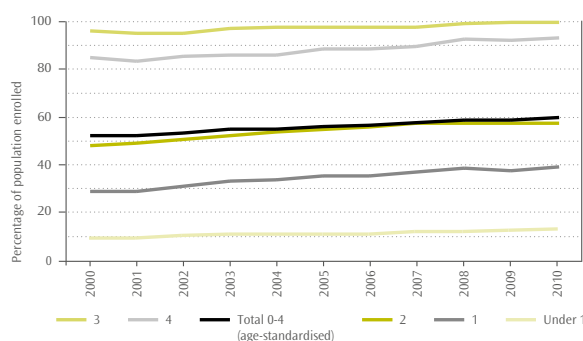
### Indicators

#### Enrolments in licensed early childhood education services, by service type



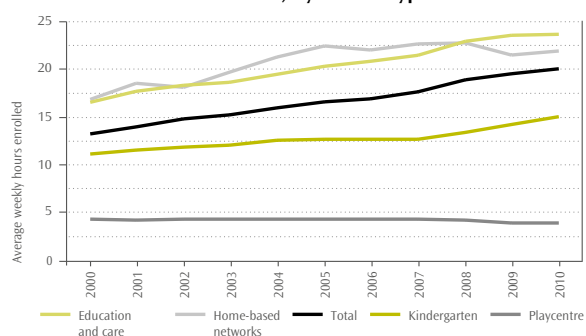
Overall enrolment rates in early childhood education have remained stable in recent years, although the data shows some movement in certain types of provision, and in some age groups.

#### Enrolments in licensed early childhood education services, by age



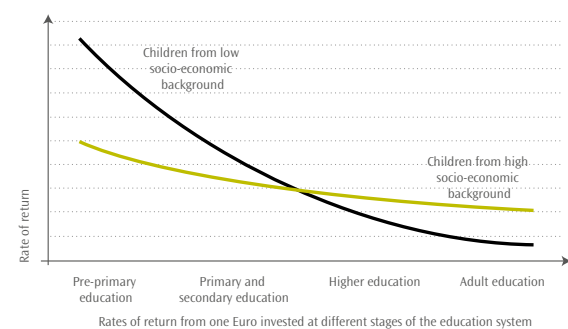
The age-standardised enrolment rate in early childhood education was 60.0% in 2010, up from 58.7% in 2009. Enrolment rates in all age groups increased, with the greatest growth coming in children aged one.

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



The number of hours that children participated in early childhood education increased slightly overall in 2010, and in most types of provision. In 2010, children participated an average of 20.1 hours in early childhood education, up from 19.5 hours in 2009.

#### Benefits of early childhood education



Children from lower socio-economic backgrounds benefit more from early childhood education and primary and secondary school education.

All graphs from [www.educationcounts.govt.nz](http://www.educationcounts.govt.nz) except Benefits of early childhood education, which is from [www.taskforce.ece.govt.nz](http://www.taskforce.ece.govt.nz)

## Targets

These targets, from the Ministry's Statement of Intent 2010-2015, have since been revised. Updated targets can be found in the Statement of Intent 2011/12-2016/17.

### More Māori children and Pasifika children participating in early childhood education

	Māori	Pasifika
<b>Target:</b>	95.0% by 2012/13	2,000 more two- to four-year-olds participating by 2012/13
<b>Result:</b>	90.1% in 2010/11	1,051 more two- to four-year-olds participating in 2010/11

## What we set out to achieve

- ▲ A greater percentage of Māori children and Pasifika children starting school having participated in early childhood education
- ▲ More children from low socio-economic communities starting school having participated in early childhood education

Below is an overview of the Ministry's activity in the early childhood education sector in 2010/11. Detailed information on each of these activities can be found on the Ministry's website – [www.minedu.govt.nz/annualreport2011](http://www.minedu.govt.nz/annualreport2011)

### Targeting for participation

- ▲ Focused our resources on increasing participation for Māori children, Pasifika children and children from low socio-economic communities
- ▲ Supported community-based participation initiatives in Kaikohe, Massey/Ranui and Tamaki
- ▲ Spent over \$12 million in 2010/11

### Providing early intervention services

- ▲ Increased the number of children receiving early intervention services
- ▲ Reduced waiting times from referral to first service
- ▲ Lowered the age that children first receive a service
- ▲ Built awareness in the sector of our services
- ▲ Informed parents about the services provided

### Responding to the Canterbury earthquakes

- ▲ Supported early childhood education services to reopen
- ▲ Provided information for parents, families, whānau and early childhood education services on supporting children during an emergency
- ▲ Monitored population shifts and provision

### Developing provision

- ▲ Established new services through the Targeted Assistance for Participation initiative
- ▲ Supported 24 playgroups to get certified
- ▲ Reduced compliance costs and regulatory burdens on services
- ▲ Contracted providers to deliver professional learning and development
- ▲ Contracted Te Kōhanga Reo National Trust to deliver professional learning and development to kaiako (teachers) in kōhanga reo

### Developing a medium-term strategy

- ▲ Provided secretariat support to the Early Childhood Education Taskforce
- ▲ Explored options for new funding and information systems
- ▲ Developed the business case for the Early Learning Information Project

### Engaging parents, families, whānau and communities

- ▲ Worked with parents, families and whānau through the Engaging Priority Families initiative, to engage their children in early childhood education
- ▲ Developed a new nationwide approach to working with whānau in at-risk communities

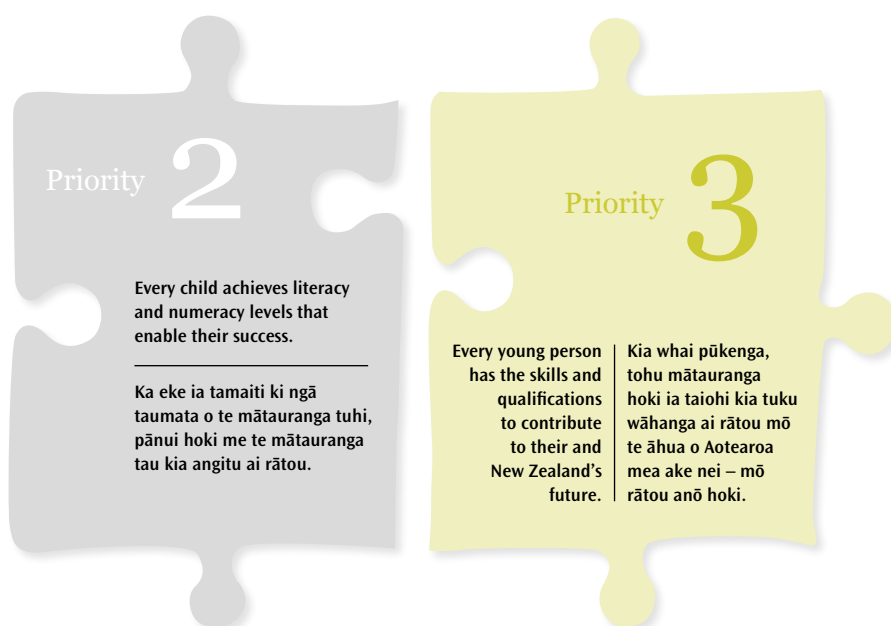


## Schooling

Too many children are not gaining foundation literacy and numeracy skills in their primary school years, and too many young people leave school without a useful qualification. A disproportionate number of these children and young people are Māori, Pasifika or children with special education needs.

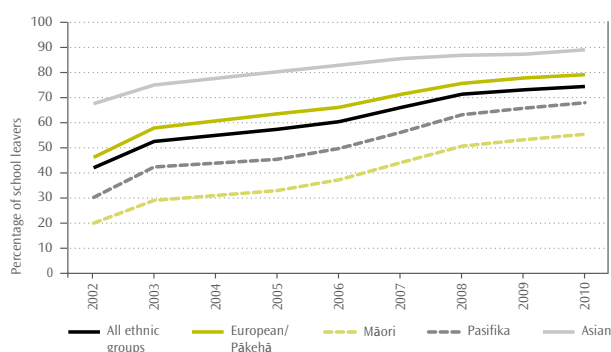
In the schooling sector, we have focused on supporting schools to accelerate achievement of all students so they gain:

- ▲ foundation literacy and numeracy skills in years 1 to 8
- ▲ at least NCEA Level 2 or an equivalent qualification.

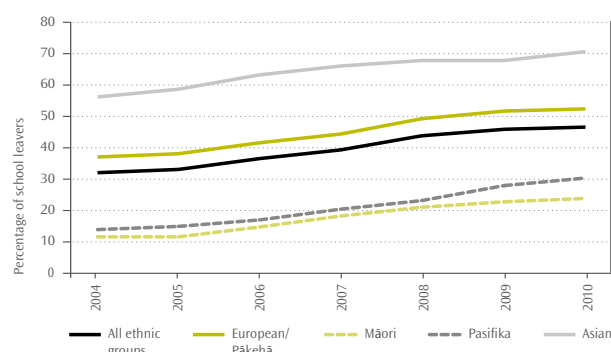


<b>Investment</b>	Approximately \$7,683 million of Vote Education (65.1%) was spent on the schooling sector: <ul style="list-style-type: none"> <li>▲ \$2,659 million on primary schooling and \$1,974 million on secondary schooling, covering mostly teachers' salaries, subsidies and grants</li> <li>▲ \$1,833 million on schooling property</li> <li>▲ \$310 million on special education support in the schooling sector</li> <li>▲ \$162 million on school transport</li> <li>▲ \$90 million on centrally provided professional development</li> </ul>			
<b>Activity</b>	▲ Put in place the conditions to accelerate achievement including: <ul style="list-style-type: none"> <li>▲ implementing the Student Achievement Function</li> <li>▲ redesigning professional learning and development</li> <li>▲ supporting schools to develop their charters and to set targets</li> <li>▲ supporting schools to better manage attendance and behaviour</li> </ul>			
<b>Results</b>	<b>The overall percentage of school leavers with NCEA Level 2 has continued to increase</b>			
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Total percentage of school leavers with NCEA Level 2	↑	74.4%	73.0%
	European/Pākehā	↑	79.1%	77.7%
	Māori	↑	55.4%	53.1%
	Pasifika	↑	68.0%	65.5%
	Asian	↑	89.0%	87.2%
	<b>The overall percentage of students leaving school with University Entrance has increased</b>			
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Total percentage of students leaving school with University Entrance	↑	46.6%	45.8%
	European/Pākehā	↑	52.4%	51.7%
	Māori	↑	23.9%	22.6%
	Pasifika	↑	30.4%	27.8%
	Asian	↑	70.6%	67.8%

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



Percentage of students who leave school with University Entrance



A new national monitoring study which will assess literacy and numeracy achievement in years 4 and 8 will begin reporting by 2013. This replaces the discontinued National Education Monitoring Project.

### What we did

This year we have put in place the conditions that will enable a system-wide lift in educational achievement, particularly to meet the needs of, and accelerate achievement for, Māori learners, Pasifika learners and learners with special education needs.

This has included:

- ▲ implementing National Standards within the New Zealand Curriculum and Ngā Whanaketanga Rumaki Māori within Te Marautanga o Aotearoa
- ▲ redesigning teacher professional development, focusing on literacy and numeracy teaching, and effective teaching that supports each learner's identity, language and culture
- ▲ appointing student achievement practitioners to support change in schools and kura
- ▲ strengthening the role of school charters in assisting schools to set clear expectations and supporting their understanding and use.

This suite of high-impact initiatives has the potential to achieve a system-wide lift in literacy and numeracy achievement, because they:

- ▲ set explicit expectations and standards at a school level
- ▲ emphasise high-quality teaching
- ▲ use professional development to strengthen teacher skills
- ▲ enable schools to be better placed to use assessment data to inform their teaching and target-setting.

It will be important to continue to develop and apply these over the next few years.

We have provided improved support and tools to schools to manage students with challenging behaviour. This is crucial for safe and positive schooling environments and an important contribution to lifting student achievement. The Positive Behaviour for Learning Action Plan provides targeted support to parents, teachers and schools including the:

- ▲ Incredible Years teachers and parents programmes, which provide teachers and parents with strategies for addressing challenging behaviour in children and young people
- ▲ School-Wide programme, which supports schools to create a culture where positive behaviour and learning thrive.

We increased the support we provide to schools to improve student attendance and engagement. This has included supporting more and better use of technology and tools to manage attendance, and to inform parents when their child is not at school. We implemented pilot programmes in South Auckland and Gisborne and the East Coast, trialling an integrated approach to managing attendance.

Attaining foundation skills early in the schooling experience is a critical step in gaining useful qualifications in secondary school. The introduction of the National Certificate of Educational Achievement (NCEA) has seen an increase in the number of students leaving school with a qualification. However, gains have not been shared equitably across population groups.

We are continuing a programme of work to ensure New Zealand has a robust, credible and fair qualification system and to align NCEA with the New Zealand Curriculum and Te Marautanga o Aotearoa. We have completed realignment of level 1 assessment standards, and developed supporting assessment resources and examples for teachers. This is an ongoing programme of work. We are continuing work on level 2 and level 3 assessment standards.

The mid-term review of the Pasifika Education Plan 2009-2012 found evidence of improved attainment of NCEA Level 2, ongoing good retention levels at secondary school and a high up-take of Youth Guarantee opportunities by Pasifika students. However, the review showed we are unlikely to meet targets to lower Pasifika suspension and expulsion rates and increase Pasifika board of trustees representation. For the remaining 18 months of the plan, one of our key aims will be to improve literacy and numeracy outcomes for Pasifika students.

Quality teaching is the biggest system influence on educational results. We strengthened the support we provide to the workforce to build their capability and develop their skills. We provided advice to the Minister, and to the Workforce Advisory Group, on what we need to do to ensure our teaching workforce has the skills and knowledge required to teach our students more effectively. This has included improving our forecasting methods, which gives us a better picture of current and future demand areas in the workforce.

Teaching and learning environments need to support modern teaching approaches, and the needs of each school and their community. The infrastructure support we provide to schools is vital to enable them to best use their property funding, to ensure they have modern, safe and functional learning environments and to enable them to access modern technologies.

We improved our management of the school property portfolio, the second-largest publicly-owned property portfolio in New Zealand. We developed the School Property Strategy to drive our activity, including key performance indicators which we use to measure the impact of our activity on the performance of the portfolio. This will improve the quality of the Government's investment in property while ensuring it is fit for purpose for modern learning.

By the end of 2010/11, 531 buildings at 238 schools had been identified as defective or potentially defective as a result of weather-tightness issues. We have spent approximately \$79 million to date addressing defective buildings. We have estimated our total liability to be approximately \$1,500 million.

In the wider Canterbury area, 215 schools were damaged by the September and February earthquakes, 128 of these were in greater Christchurch. There are approximately 35 schools where the damage levels are estimated to exceed \$0.5 million (major and medium) and about 180 schools where the damage levels are below \$0.5 million (minor). Overall damage is expected to exceed \$100 million.

The ultra-fast broadband in schools project is a significant Government priority, and, if implemented well, has the potential to revolutionise how students are taught and what they are taught. To date, we have upgraded 650 state schools, at a total cost of \$88 million, so they can access ultra-fast broadband and take advantage of it in their teaching and learning methods.

### **Future focus**

These initiatives signify a change in the way we work with schools. Lifting achievement across the system is a significant challenge and can only be driven by professional expertise and collaboration, and knowledge transfers across networks of educators.

The Ministry's role is to create the operating environment that complements the way schools manage their own capability and performance and encourages innovation in teaching and learning, which will give effect to the new curricula and the sharing of experience and practice across school boundaries.

## Schooling profile and activity

### Data snapshot

As at 1 July 2010, there were:

- ▲ 2,578 schools, with 764,398 students; of these, 170,077 (22%) identified as Māori and 74,469 (10%) identified as Pasifika
- ▲ 6,782 homeschooled students
- ▲ 149,045 students participating in Māori language education; 19% of all students
- ▲ 27,532 students participating in Māori-medium education and 1,935 in Pasifika-medium education
- ▲ 51,563 teaching staff in schools; of these, 5,047 (10%) were registered teachers who identified as Māori and 1,368 (3%) were registered teachers who identified as Pasifika
- ▲ 17,860 board of trustee members

### Targets

These targets, from the Ministry's Statement of Intent 2010-2015, have since been revised. Updated targets can be found in the Statement of Intent 2011/12-2016/17.

#### More school leavers with NCEA Level 2 or above

	Māori	Pasifika
<b>Target:</b>	55.0% by 2012/13	75.0% by 2012/13
<b>Result:</b>	47.8% in 2010/11	68.0% in 2010/11

### What we set out to achieve

Every child achieves literacy and numeracy levels that enable their success:

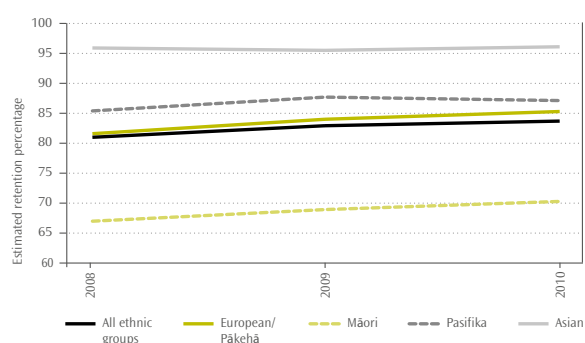
- ▲ increased literacy and numeracy achievement in years 1 to 8, as measured by the National Standards monitoring programme, and international literacy and numeracy achievement studies

Every young person has the skills and qualifications to contribute to their and New Zealand's future:

- ▲ increased percentage of school leavers with NCEA Level 2 or above
- ▲ increased percentage of students staying on at school to age 17 years
- ▲ reduced age-standardised suspension rates, per 1,000 students

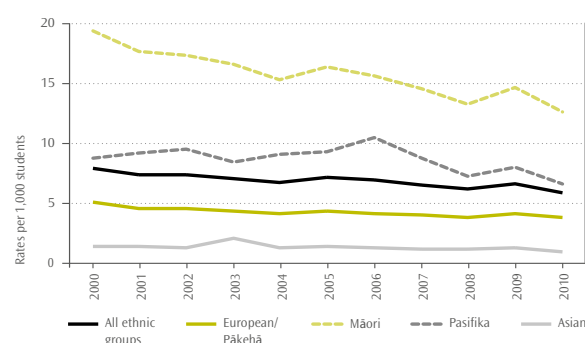
### Indicators

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



The percentage of students staying on at school to the age of 17 increased in 2010.

#### Age-standardised suspension rates, by ethnic group



Age-standardised suspension rates continued to fall across the board in 2010, as we focused more effort and resources on reducing suspension rates.

All graphs from [www.educationcounts.govt.nz](http://www.educationcounts.govt.nz)

Below is an overview of the Ministry's activity in the schooling sector in 2010/11. Detailed information on each of these activities can be found on the Ministry's website – [www.minedu.govt.nz/annualreport2011](http://www.minedu.govt.nz/annualreport2011)

### **Supporting schools to accelerate student achievement**

- ▲ Introduced the Student Achievement Function
- ▲ Redesigned professional learning and development for teachers and principals
- ▲ Supported boards to develop their charters and to set targets using the National Standards
- ▲ Ran regional symposia for schools to enable them to share successful practice and lessons from setting targets
- ▲ Provided information and resources to schools and boards of trustees
- ▲ Hosted webinars for boards of trustees to build their capability across a range of topics
- ▲ Provided information to parents and families, including in multiple languages
- ▲ Monitored and evaluated the implementation of National Standards

### **Positive Behaviour for Learning Action Plan**

- ▲ Delivered support to teachers, schools and parents to help them manage challenging behaviour in children and young people, including:
  - ▲ Incredible Years teachers and parents programmes
  - ▲ School-Wide programme
  - ▲ Intensive Behaviour Services
  - ▲ Behaviour Crisis Response

### **Engaging students**

- ▲ Provided information and communications technology systems to help schools manage attendance
- ▲ Provided information and resources to schools to improve their attendance management practice
- ▲ Piloted two integrated approaches to attendance, one in Gisborne/East Coast and the other in South Auckland
- ▲ Began development of an integrated attendance service to help schools better manage attendance

### **Regional profile – Northern Region**

- ▲ We have developed a case study of how Ministry services and functions are delivered in Auckland and the Far North; this can be found with the detailed information on our website

### **Secondary schooling qualifications**

- ▲ Realigned assessment standards with the New Zealand Curriculum
- ▲ Redesigned aspects of the NCEA literacy and numeracy standards

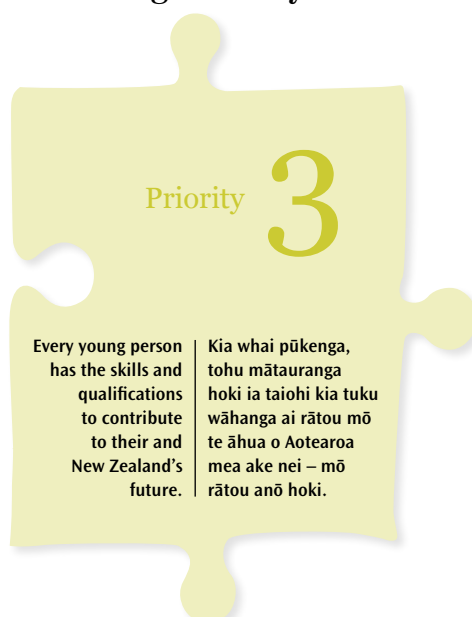
### **Schooling sector infrastructure**

- ▲ Strengthened workforce development, including:
  - ▲ improving the TeachNZ scholarships system and process
  - ▲ providing scholarships and study awards, including:
    - ▲ more scholarships for te reo Māori and Māori-medium teachers
    - ▲ scholarships for the special education workforce
  - ▲ developing Tātaiako: cultural competencies for teachers of Māori learners with the New Zealand Teachers Council
  - ▲ settling 11 collective agreements
- ▲ Provided school transport services
- ▲ Improved management of the school property portfolio, including implementing:
  - ▲ the School Property Strategy
  - ▲ Modern Learning Environment standards
- ▲ Supported schools to take advantage of ultra-fast broadband, including:
  - ▲ upgrading school networks to enable them to connect to the service
  - ▲ exploring the business case for a network of learning to provide cost-effective content and service to schools using ultra-fast broadband
- ▲ Supported e-learning approaches through professional development and providing hardware and resources

### **Responding to the Canterbury earthquakes**

- ▲ Ensured continuity of education by:
  - ▲ maintaining vital payroll services in Canterbury and the South Island in the aftermath of the earthquakes
  - ▲ assessing schools for property damage
  - ▲ supporting schools to manage property damage, and arrange temporary facilities and services
  - ▲ providing learning hubs so students could access learning resources and support while unable to attend their schools

## Schooling-tertiary interface



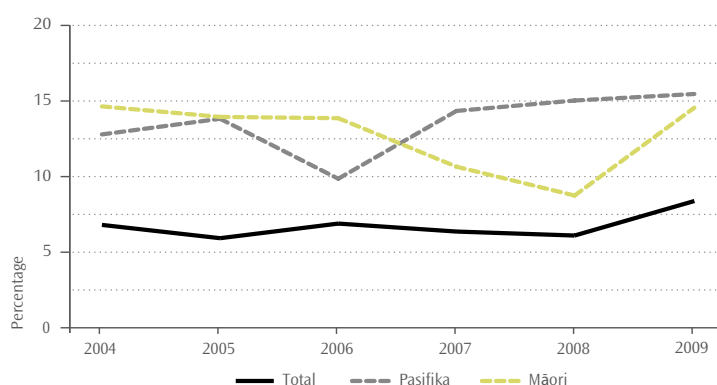
Too many young people currently do not transition successfully from school to the world of work or future education. For many students, the system does not support them to identify their ideal career, and then to clearly see the link between what they learn at school and that career. Students interested in working in trades or technology, or needing clearer pathways into work must be supported so they can gain the relevant qualification to achieve this.

We focused on improving the connections between secondary schools and the tertiary education sector, to provide young people with new choices and opportunities about where and how they can study. Eight trades academies were established, and 2,500 fees-free places offered in tertiary organisations for at-risk 16- and 17-year-olds to study at levels 1 to 3 of the New Zealand Qualifications Framework. We need multiple quality pathways to achieve NCEA Level 2 or an equivalent qualification.

Investment	Approximately \$65 million of Vote Education was spent on the secondary-tertiary interface, including: <ul style="list-style-type: none"><li>▲ \$29 million on Youth Guarantee</li><li>▲ \$3 million on trades and service academies</li><li>▲ \$33 million on Secondary Tertiary Alignment Resourcing</li></ul>			
Activity	<ul style="list-style-type: none"><li>▲ Implemented the Youth Guarantee, including:<ul style="list-style-type: none"><li>▲ providing fees-free places in tertiary education</li><li>▲ supporting the operation of trades and service academies</li><li>▲ developing five vocational pathways</li></ul></li></ul>			
Results	The percentage of young New Zealanders not in education, employment or training has increased			
	MEASURE	TREND	2009	2008
	Total percentage of 15- to 19-year-olds	↓	8.3%	6.1%
	Total percentage of 20- to 24-year-olds	↓	11.4%	7.0%

KEY ↑ Improved ↓ Worsened ■ No change

Young New Zealanders aged 15- to 19-years-old not in education, employment or training



Graph from Statistics New Zealand data.

## What we did

We implemented a range of interrelated and connected activities to support schools and tertiary organisations to deliver on the Youth Guarantee.

The Youth Guarantee has been developed to increase student choice by creating a range of viable alternative learning options for young people. The Government wants to see every young person gaining at least NCEA Level 2, either in secondary school or in a tertiary institution. Evidence shows that this is the minimum qualification young people need to engage in further study, or to be productive members of the workforce.

The system is being positioned to be more learner-centred, and enable students to move more easily into the pathways and learning opportunities that best suit their needs. In particular, schools and tertiary education providers are accountable for tailoring support to Māori, Pasifika and young people with special education needs. This will also require greater connections between secondary schools and tertiary education organisations to ensure that students transition successfully.

We funded 2,000 fees-free places in tertiary education for at-risk 16- and 17-year-olds in 2010, to provide them with an alternative pathway if school is not meeting their needs. This number was increased to 2,500 from the start of 2011.

Students at risk of disengaging from education can benefit from programmes in schools that cater better to their needs. We provided support to schools to establish and run such programmes, including:

- ▲ eight trades academies and a tertiary high school, catering for approximately 900 students in total who have decided that they will enter a trade when they leave school, and for whom the rest of their time in schooling would more usefully be spent learning aspects of that trade
- ▲ 16 service academies, each catering for approximately 20 students and providing military-based programmes in schools for students in years 12 and 13 who are at risk of disengaging from education.

We worked with the Industry Training Federation to develop options for the structure and content of new vocational pathways which will clearly show students how the subjects they are studying and the standards they are achieving can lead to an occupation. We have begun developing five pathways in the following sectors:

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

## Future focus

The Government has set the target of all students achieving NCEA Level 2 or an equivalent qualification. We will progressively change settings in the education system so that resources can be more easily used to achieve this goal. Central to this is the development of common learning options, and the ability for schools and tertiary organisations to develop sustainable partnerships and programmes. This is important to provide freedom of choice for students, and ensure they are engaged in education and achieve a meaningful and useful qualification.

We will continue to support schools and tertiary education organisations to strengthen their relationships and connections, and to deliver quality secondary-tertiary programmes. This will enable students to transition seamlessly and successfully into the pathway that suits them best.

We will also look to ensure that the skills that students gain through the education system match those required by the economy. There is much work to be done to better understand the role skills education plays in the economy and to increase the contribution it makes to the economy.

## Schooling-tertiary interface profile and activity

### Data snapshot

In 2010, there were:

- ▲ eight trades academies and one tertiary high school, engaging approximately 900 students in total
- ▲ 16 service academies, each with approximately 20 students
- ▲ 2,000 fees-free places in tertiary education for young people at risk of disengaging from education in 2010, increasing to 2,500 fees-free places from January 2011

### What we set out to achieve

- ▲ More young people gaining a useful qualification – NCEA Level 2 or equivalent, either in secondary school or in a secondary-tertiary programme, or in tertiary education
- ▲ Greater connections between secondary schools and tertiary education providers to offer a range of quality programmes to suit the needs of all learners

Below is an overview of the Ministry's activity in the schooling-tertiary interface sector in 2010/11. Detailed information on each of these activities can be found on the Ministry's website – [www.minedu.govt.nz/annualreport2011](http://www.minedu.govt.nz/annualreport2011)

### Implementing the Youth Guarantee, so that all young people will achieve NCEA Level 2 or an equivalent qualification

#### Supporting secondary-tertiary programmes

- ▲ Supported eight trades academies and the secondary-tertiary programme at Manukau Institute of Technology to operate
- ▲ Supported the establishment of a further three trades academies
- ▲ Supported 16 service academies to operate

#### Development of vocational pathways

- ▲ Worked with the Industry Training Federation to develop vocational pathways in five areas:
  - ▲ Manufacturing and technology
  - ▲ Construction and infrastructure
  - ▲ Primary industries
  - ▲ Social and community services
  - ▲ Service industries

#### Increasing accountability of providers

- ▲ Developed advice for schools and tertiary education organisations to ensure they are accountable for funding they receive as part of the Youth Guarantee

#### Changed funding and regulatory models

- ▲ Provided 2,000 fees-free places in tertiary education for at-risk 16- and 17-year-olds in 2010, increasing to 2,500 places in 2011

#### Pastoral care of young people and careers advice

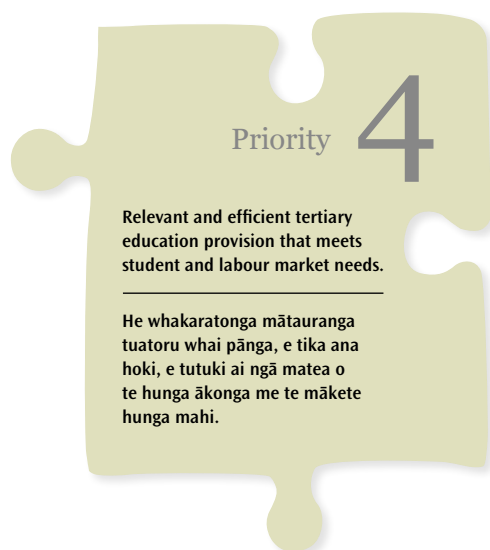
- ▲ Started work on a fundamental review of career education and guidance

#### Supporting young people in Canterbury following the earthquakes

- ▲ Supported other agencies and local education leaders to provide transitions for youth in the Canterbury region
- ▲ Worked towards a target of 100% of young people in the region learning or earning



## Tertiary education



The tertiary education sector has grown significantly over the past decade, although much of this growth has been concentrated at lower levels of study. Costs have also increased significantly, particularly in the area of student support (in the Student Loan Scheme and student allowances), where money is not necessarily being spent as productively as it could be to deliver the quality that Government is seeking.

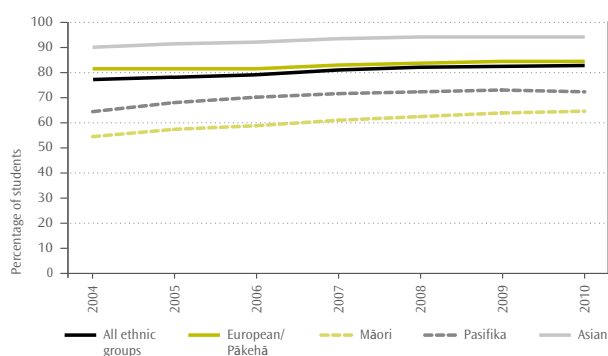
We have focused on improving value for money in the tertiary education system and ensuring that the sector makes a greater contribution to New Zealand's economy. This has included moving towards a stronger emphasis on using performance information to guide decision-making.

In 2010/11, the Government clarified the Ministry's position as its principal policy advisor on tertiary education (a role previously shared with the Tertiary Education Commission).

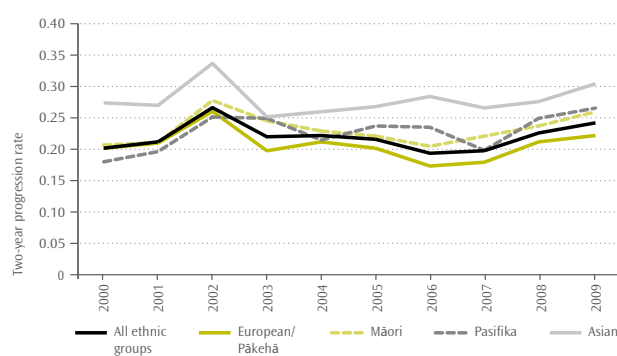
<b>Investment</b>	<p>Within Vote Education, approximately \$2,770 million (23.5%) was spent on direct funding to tertiary providers, including \$325 million on skills and training programmes</p> <p>A further \$2,184 million was spent on student support, funded from Vote Revenue and Vote Social Development</p>			
<b>Activity</b>	<ul style="list-style-type: none"> <li>▲ Designed system-level change to meet Government priorities</li> <li>▲ Changed the student support system</li> <li>▲ Improved information to drive decisions</li> </ul>			
<b>Results</b>	<b>The number of New Zealanders participating in qualifications at level 4 or above has increased</b>			
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Total number of domestic students participating at level 4 and above	↑	306,500	299,500
	<b>The number of people in lower levels of tertiary education who went on to study at higher levels has increased</b>			
	<b>MEASURE</b>	<b>TREND</b>	<b>BY 2010</b>	<b>BY 2009</b>
	Percentage of students who started a level 1 to 3 certificate and who went on to study at a higher level within two years	↑	24.2%	22.6%
	European/Pākehā	↑	22.2%	21.1%
	Māori	↑	25.9%	23.7%
	Pasifika	↑	26.7%	24.9%
	Asian	↑	30.4%	27.6%

KEY    ↑ Improved    ↓ Worsened    ■ No change

**Percentage of students aged 18 to 24 years in tertiary education who were studying at level 4 and above, by ethnic group**



**Percentage of students studying level 1 to 3 certificates going on to study at higher levels within two years**



## What we did

Much of our tertiary sector activity has focused on the Government's goals of more study in higher-level and higher-quality tertiary education provision, delivering better value for money on investment. The tertiary education system is currently experiencing increased demand. It is critical that these students are engaged in provision at higher levels of tertiary education and in skills areas required by the economy, if tertiary education is to contribute to economic growth and a higher quality of life for New Zealanders.

The way government funds tertiary education has changed, to give providers incentives to focus on higher-performing and higher-level study. Budget 2011 continued the direction set in the two previous Budgets by reallocating funding from low-performing provision to areas of higher performance and demand pressures. For example, funding was reallocated from the Industry Training Fund to meet increased demand at high-performing private training establishments. We have commenced a review of industry training, analysing aspects of tuition fees.

We have made changes to the Student Loan Scheme. Restrictions have been placed on new loans for older borrowers and those with overdue student loan debt, so that fewer students will develop large amounts of debt that they are unlikely to be able to pay off. In total, these two changes will reduce eligibility for student loans for around 8,000 borrowers once fully implemented. Budget 2011 decisions will further reduce the operating cost of student loans by \$276 million over the next four years.

The regulatory framework for tertiary education organisations set out in the Education Act 1989 has been amended to increase transparency and accountability in the system. Through the targeted review of qualifications, the proliferation of qualifications will be reduced. As a result, students will choose from a smaller number of qualifications with greater industry involvement and will have better information about the qualifications.

## Future focus

The Government has clearly signalled its expectation that tertiary education organisations will need to perform better, and provide better value for money. This will mean encouraging students to study at higher levels and in skills areas that will support a productive economy. Tertiary education organisations will be increasingly required to demonstrate the outcomes they are delivering for their students and the economy.

To do this, better information on individual organisation performance and on employment outcomes is needed by students to inform their decision-making, and by government to inform investment decisions. Over the next year, we will focus on developing better information on employment outcomes, and on improving information systems to provide better information.

Ensuring better value for money from the Student Loan Scheme will require further analysis of loan scheme cost drivers, in the context of the Government's current commitment to interest-free loans and in financially constrained circumstances. We will continue to explore options to manage the cost of the scheme.

## Tertiary education profile and activity

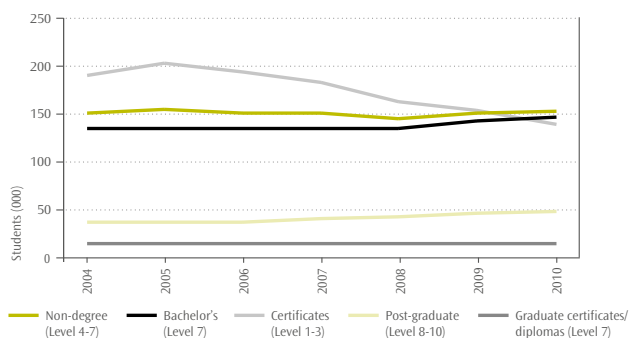
### Data snapshot

In 2010, there were:

- ▲ 466,000 students enrolled in formal study programmes with tertiary education providers. Of these enrolments:
  - ▲ 84,000 (18%) were Māori students
  - ▲ 33,000 (7%) were Pasifika students
  - ▲ 45,000 (10%) were international students
  - ▲ 20,000 (4%) were students with disabilities
- ▲ 198,823 industry trainees including 16,013 modern apprentices
- ▲ 70% of students in tertiary education studying at level 4 and above on the New Zealand Qualifications Framework
- ▲ 61% of New Zealanders aged 25 to 64 years holding a tertiary qualification and 23% with a bachelor's or higher qualification
- ▲ Eight universities, 20 polytechnics, three wānanga, 38 industry training organisations, 16 other tertiary education providers and more than 700 private training establishments

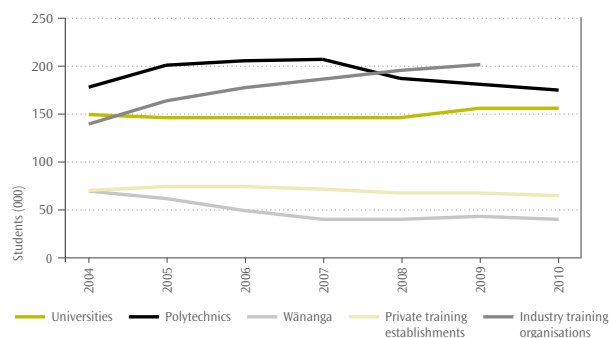
### Indicators

#### Number of students participating in tertiary education, by qualification



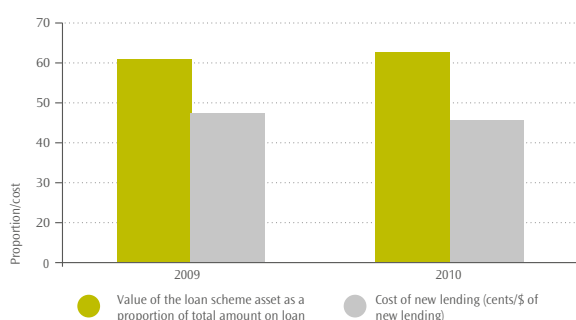
Overall, the number of students studying in qualifications at level 4 and above has increased, and the number studying in levels 1 to 3 has decreased. The biggest increase has been at bachelor's level.

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



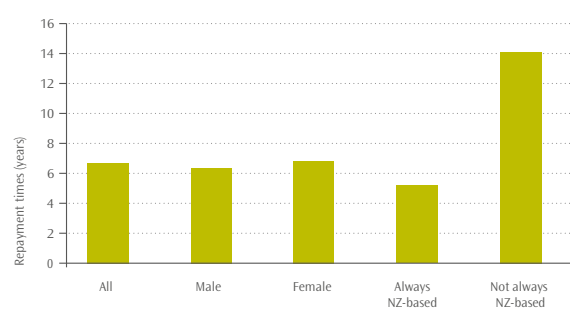
The number of students studying at universities increased in 2010, but dropped in the other forms of provision.

#### Return on the student loan asset



The value of the Student Loan Scheme is increasing, as new lending becomes less costly and as the overall ratio between the realisable and nominal value of the scheme improves.

#### Student loan repayment times for those who left study in 2006



Students who left study in 2006 and remained in New Zealand have a much shorter repayment time on their loan than those students who went overseas after study.

All graphs from [www.educationcounts.govt.nz](http://www.educationcounts.govt.nz)

## Targets

These targets, from the Ministry's Statement of Intent 2010-2015, have since been revised. Updated targets can be found in the Statement of Intent 2011/12-2016/17.

### More New Zealanders completing qualifications at level 4 or above

**Target:** 64,000 in 2013  
**Result:** 72,800 in 2010

### More people aged 18 to 24 participating at level 4 or above

**Target:** 30.0% in 2013  
**Result:** 31.7% in 2010

### More people in the lower levels of tertiary education going on to study at higher levels within two years

**Target:** 56.0% by 2013  
**Result:** 24.0% of the people who started a level 1 to 3 certificate in 2008 had progressed to a higher level of study by 2010  
22.0% of the people who started a level 4 certificate in 2008 had progressed to a higher level of study by 2010  
13.0% of the people who started a level 5 to 7 diploma in 2008 had progressed to a higher level of study in 2010

## What we set out to achieve

- ▲ Increased achievement of qualifications at higher levels of learning
- ▲ Greater investment by industry in developing qualifications
- ▲ More and better information available to students about the performance of individual providers

Below is an overview of the Ministry's activity in the tertiary education sector in 2010/11. Detailed information on each of these activities can be found on the Ministry's website – [www.minedu.govt.nz/annualreport2011](http://www.minedu.govt.nz/annualreport2011)

### Regulatory and funding settings

- ▲ Developed and supported changes to the quality assurance and fee regulation in the Education Amendment Bill No 4
- ▲ Developed the costing model for fees-free places as part of the Youth Guarantee
- ▲ Made changes to tuition subsidies, incentivising provision at higher levels
- ▲ Equalised funding rates for post-graduate study for all tertiary education institutions

### Student support

- ▲ Restricted access to new loans for borrowers in default, or older borrowers
- ▲ Increased repayment levels
- ▲ Sharpened information on performance of the loan scheme
- ▲ Implemented new governance arrangements for the Student Loan Scheme

### Vocational and foundation education

- ▲ Developed and implemented the Youth Guarantee
- ▲ Reviewed foundation education
- ▲ Developed the Education Amendment Bill No 2, which made the legislative changes required to enable greater partnerships between secondary schools and tertiary institutions
- ▲ Commenced a review of industry training

### Monitoring education agencies

- ▲ Facilitated changes to the roles and ways of working between the Ministry and the Tertiary Education Commission after the Ministry was appointed principal tertiary education policy advisor to the Government
- ▲ Monitored the Tertiary Education Commission, the New Zealand Qualifications Authority, the New Zealand Teachers Council and Careers New Zealand
- ▲ Supported the establishment of Education New Zealand, the new Crown entity responsible for international education from 1 September 2011

### Research and information

- ▲ Published research reports, papers and other publications on the tertiary education sector

## International education

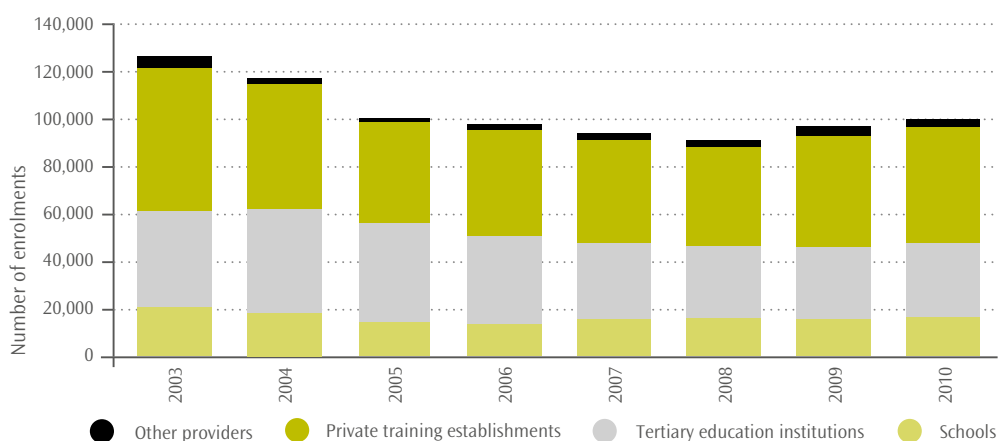
The international education sector is a significant contributor to New Zealand's economy. In an increasingly competitive international education environment, and in light of the worldwide economic situation, New Zealand's international education sector needs to be competitive and attractive. Responsibilities in the sector are currently spread over three government agencies.

To provide greater coherence and drive in the sector, significant changes are being made including the establishment of a new Crown agency to manage New Zealand's international education activities.

<b>Investment</b>	Approximately \$12 million of Vote Education was spent on international education, including \$6 million on international education programmes			
<b>Activity</b>	<ul style="list-style-type: none"> <li>Supported the establishment of the new Crown agency, Education New Zealand</li> <li>Developed the draft Leadership Statement for International Education</li> </ul>			
<b>Results</b>	<b>The number of international fee-paying student enrolments in New Zealand continued to grow in 2010</b>			
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Total number of international fee-paying students (all providers)	↑	99,880	96,978
	<b>In 2010, China remained the single largest source of international students for New Zealand education providers</b>			
	<b>CHINA</b>	<b>SOUTH KOREA</b>	<b>INDIA</b>	
	22%	16%	12%	

KEY    ↑ Improved    ↓ Worsened    ■ No change

International fee-paying student enrolments in New Zealand education, by provider type



### **What we did**

To support a more coordinated and coherent international education presence, the Government has set up a new Crown agency for international education, which will operate from 1 September 2011. Education New Zealand will bring together the functions currently spread across the Ministry, Education New Zealand Trust and New Zealand Trade and Enterprise. The establishment team for Education New Zealand has been based in the Ministry, managing the process for transferring staff and beginning operations. We advised on organisational form, developed and supported legislation and managed Board appointments. The Ministry retains the overall policy role.

We developed the draft Leadership Statement on International Education, which provides the direction and focus for New Zealand's international education activities for the next 15 years. It sets out the approach for increasing the contribution of international education to our economy, crucial to our economic growth.

In response to the Canterbury earthquakes, we provided on-the-ground support to international students, their families, education providers, police and other agencies.

### **Future focus**

International education is a significant focus for the Government, and an area of great potential for investment and growth. The new Crown agency for international education is an important step in coordinating our activities and representation in this area. Attracting more international students is a critical contributor to growing our economy, business and tourism sectors. Our focus will be on ensuring policy and regulatory settings support growth.

## International education profile and activity

### Data snapshot

In 2010:

- ▲ 16,486 international students were enrolled in primary and secondary schools, a 4% increase from 2009
- ▲ 83,394 international students were enrolled in formal study programmes with tertiary education providers or organisations, a 3% decrease from 2009
- ▲ international students made up 10% of total formal tertiary education students
- ▲ income for tertiary education institutions from international student fees was \$370 million
- ▲ the largest contingent of international students in New Zealand education institutions came from China (22%), followed by South Korea (16%) and India (12%).

### Target

This target, from the Ministry's Statement of Intent 2010-2015, has since been revised. An updated target can be found in the Statement of Intent 2011/12-2016/17.

#### More fee-paying international students enrolled in New Zealand tertiary education institutions

**Target:** 44,000 in 2013

**Result:** 31,418 in 2010

### What we set out to achieve

- ▲ The New Zealand tertiary system is well respected internationally for its provision of quality tertiary education as measured through increases in the number of international students choosing to study in New Zealand

Below is an overview of the Ministry's activity in the international education sector in 2010/11. Detailed information on each of these activities can be found on the Ministry's website – [www.minedu.govt.nz/annualreport2011](http://www.minedu.govt.nz/annualreport2011)

### Leadership Statement on International Education

- ▲ Developed the first version of this statement setting the Government's goals, vision and objectives for the sector over the next 15 years

### Code of Practice for the Pastoral Care of International Students

- ▲ Reviewed the Code of Practice following extensive consultation with education providers and sector bodies

### Responding to the Canterbury earthquakes

- ▲ Gave on-the-ground support to families, providers, police and other agencies, particularly in the case of the 71 international students who lost their lives

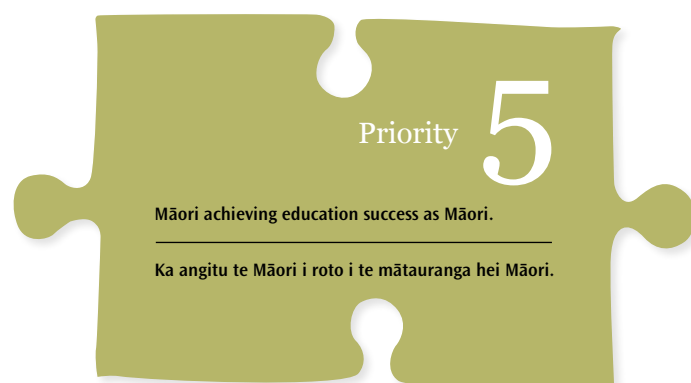
### Establishment of the new Crown agency

- ▲ Supported the establishment of Education New Zealand, the new Crown agency for international education
- ▲ Supported the establishment team which has developed processes for transferring staff, managing establishment legislation, ensuring business continuity and managing implementation infrastructure

### Education representation

- ▲ Raised the profile of our education system overseas
- ▲ Provided representation through our network of education counsellors, including:
  - ▲ a programme of ministerial and sector activities in conjunction with World Expo in Shanghai in 2010
  - ▲ launching a \$1 million education cooperation fund with India

## Māori achieving education success as Māori



While gains have been made across a number of education indicators, the system continues to under-perform for Māori learners. The system as a whole insufficiently values the contribution an emphasis on incorporating Māori identity, language and culture in learning can have on lifting Māori student engagement and achievement. To get the overall shifts we need, the system must perform better for, and with, Māori students. It must also do better at engaging parents, families and whānau in learning.

In addition to the activity in the early childhood education, schooling, schooling-tertiary interface and tertiary sectors in 2010/11, we undertook specific activity to support Māori achieving education success as Māori.

<b>Activity</b>	<ul style="list-style-type: none"> <li>Completed the mid-term review of Ka Hikitia – Managing for Success</li> <li>Ka Hikitia – Managing for Success targets, from the Ministry’s Statement of Intent 2010-2015, have since been revised. Updated targets can be found in the Statement of Intent 2011/12-2016/17.</li> <li>Building and sustaining excellent relationships with iwi</li> </ul>			
<b>Results</b>	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	Māori children participating in early childhood education	■	89.4%	89.3%
	Māori children accessing early intervention services	↑	21.1%	20.3%
	Māori students not achieving basic literacy and numeracy skills by age 10	-	18.0%	N/A
	Māori students who are frequent truants by year 9/10	-	N/A	2.8%
	Māori students suspended from school each year	■	1.5%	1.5%
	Students participating in Māori language education	↓	19.5%	19.9%
	Māori students leaving secondary school without a qualification	↑	34.2%	38.3%
	Māori students leaving school with NCEA Level 2 or better	↑	47.8%	44.3%
	Māori students leaving school with a university entrance standard	↑	20.0%	18.4%
	Māori students attaining a bachelor’s-level degree by age 25	↓	12.2%	13.7%
	<b>MEASURE</b>	<b>TREND</b>	<b>2010</b>	<b>2009</b>
	The number of iwi the Ministry has formal relationships with increased	↑	52	45

KEY    ↑ Improved    ↓ Worsened    ■ No change



**What we did**

We completed the mid-term review of Ka Hikitia – Managing for Success: The Māori Education Strategy 2008-2012, assessing progress in implementing the strategy and meeting the targets. The review found that while progress is being made, it is slower than necessary to meet expectations. We developed a coordinated plan with education agencies that sets specific activities and targets for the next two years. The plan also requires flagship policies and programmes to increase their impact on Māori learners.

We completed the framework for building and sustaining excellent relationships with iwi. Iwi are the repositories of identity, language and culture, and have a role supporting the education system to be more effective, as well as providing education services themselves. Tools and resources have been created to help implement the framework, Whakapūmautia, Papakōwhaitia, Tau Ana – Grasp, Embrace, Realise.

This framework will guide the relationships that we now have with 52 iwi, including the seven new relationships that began in 2010/11. Iwi are already working across a range of aspects of the education sector, including:

- ▲ supporting intensive community participation initiatives by taking an active role in designing solutions that meet the needs of their whānau and children
- ▲ exploring the role they can play in providing culturally relevant professional learning and development for teachers and principals in the schooling sector.

**Future focus**

Many Māori students perform very well in our system, but a disproportionate number do not get the quality education that is their right as citizens of New Zealand. To achieve the overall shifts in education system performance that we seek, the system needs to perform better, and ensure that every Māori student has the opportunity to succeed.

We are building on programmes that show quality, effective teaching and learning that recognise the impact identity, language and culture have on Māori student engagement and achievement.

## Māori education profile and activity

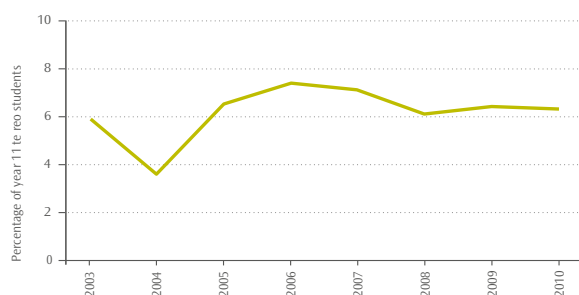
### Data snapshot

In 2010, there were:

- ▲ 41,105 enrolments in early childhood education that were identified as Māori, 19% of all enrolments
- ▲ 170,077 students in compulsory schooling that were identified as Māori, 22% of all students
- ▲ 149,045 students participating in Māori language education, 19% of all students
- ▲ 16,325 students participating in Māori-medium education for more than 50% of their time, 15,917 (98%) of whom identified as Māori
- ▲ 84,000 (18%) enrolments in tertiary education that identified as Māori students
- ▲ 52 iwi that the Ministry had formal relationships with

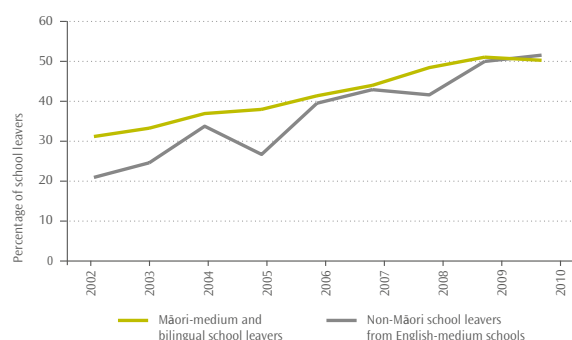
### Indicators

#### Percentage of year 11 te reo students studying te reo Rangatira



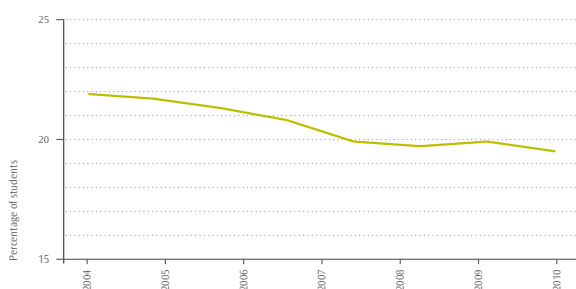
The percentage of year 11 te reo students studying te reo Rangatira remained relatively stable in 2010 – 6.3% of te reo students studied te reo Rangatira in 2010, down from 6.4% in 2009. This is well short of the target of 9.1% in 2010, and the total target of 10% by 2012.

#### Percentage of school leavers from Māori immersion and bilingual schools qualified to attend university



The percentage of school leavers from Māori immersion and bilingual schools qualified to attend university increased in 2010 and now sits slightly higher than Māori students from English-medium settings. The number of students in immersion and bilingual schools is much smaller than in English-medium settings and therefore small movements in numbers can have a disproportionate impact on percentages.

#### Percentage of school students engaged in Māori language education



The percentage of all students engaged in Māori language education fell in 2010 after rising slightly in 2009.

All graphs from [www.educationcounts.govt.nz](http://www.educationcounts.govt.nz)

## Targets

These targets, from the Ministry's Statement of Intent 2010-2015, have since been revised. Updated targets can be found in the Statement of Intent 2011/12-2016/17.

### More Māori children participating in early childhood education

**Target:** 95.0 % by 2012/13

**Result:** 90.1% in 2010/11

### Increase the mean reading scores in the PIRLS international literacy study for Māori year 5 students

**Target:** 515 by 2012/13

**Result:** 482 in 2005/06, next PIRLS 2015 study – results released in 2017

### More Māori school leavers with NCEA Level 2 or above

**Target:** 55.0% by 2012/13

**Result:** 47.8% in 2010/11

### More Māori school leavers entering tertiary education at level 4 or above

**Target:** 32.0% by 2012/13

**Result:** N/A

## What we set out to achieve

- ▲ Higher proportion of Māori children participating in quality early childhood education
- ▲ Higher proportion of literacy and numeracy achievement for Māori students
- ▲ Higher proportion of Māori students leaving school with NCEA Level 2 or higher qualifications
- ▲ Higher proportion of Māori entering tertiary studies at level 4 or above

Below is an overview of the Ministry's activity in the Māori education sector in 2010/11. Detailed information on each of these activities can be found on the Ministry's website – [www.minedu.govt.nz/annualreport2011](http://www.minedu.govt.nz/annualreport2011)

### Ka Hikitia – Managing for Success

- ▲ Completed the mid-term review of Ka Hikitia – Managing for Success
- ▲ Led the development of an education agency plan with specific targets for flagship programmes and policies
- ▲ Increased accountability for action within the Ministry for Māori learners
- ▲ Developed measures and tools to support implementation of the Measurable Gains Framework

### Excellent relationships with iwi

- ▲ Developed seven new iwi relationships
- ▲ Developed implementation tools and resources for Whakapūmautia, Papakōwhaitia, Tau Ana – Grasp, Embrace, Realise – the framework for excellent relationships with iwi

### Treaty of Waitangi

- ▲ Developed a Treaty of Waitangi policy statement to guide decision-making in the Ministry

### Te reo Māori in education

- ▲ Continued to develop Tau Mai e – the Māori language in education strategy
- ▲ Contributed to the Government's review of the Māori language education sector

## Special education

Each year, the Ministry provides a range of special education services to approximately 30,000 children and young people, and their parents, families and whānau. To meet the needs of children and young people, we need to deliver these services effectively and efficiently, and in a culturally responsive way.

We are focused on improving the quality of the services that we deliver, and reducing compliance requirements our customers face when accessing our services. We are making schools more accountable for being inclusive of all students. Students with special education needs must have the option of learning in their local school if they wish.

<b>Investment</b>	Within Vote Education, approximately \$310 million was spent to support special education learners and their needs. This included the Ministry providing services directly to learners with special education needs, and their parents, families and whānau, as well as funding special education service providers to deliver services to families
<b>Activity</b>	<ul style="list-style-type: none"> <li>▲ Provided high-quality services</li> <li>▲ Removed barriers for learning</li> </ul>

### What we did

We began implementing the Government's action plan for an inclusive education system, Success for All – Every Child, Every School. The plan aims to help all schools to be demonstrating inclusive practice by 2014 so all students, including those with special education needs, can learn in their local or chosen school.

We are improving the quality of the services we are providing to children and young people. In 2010/11, we provided:

- ▲ early intervention services to 12,994 children
- ▲ severe behavioural services to 3,776 children identified as having severe and challenging behaviour
- ▲ communications services (including speech language therapy) to 6,250 children and young people
- ▲ support to 4,950 complex needs students through the Ongoing Resourcing Scheme (ORS) and funding to 53 specialist service providers to support a further 3,008 students
- ▲ teacher aides for 644 students with high health needs.

We responded to 174 traumatic incidents in early childhood education services and schools, not including our response to the Canterbury earthquakes. In Canterbury, we provided support through our education welfare programme to all early childhood services and schools in the Canterbury region.

The Ongoing Resourcing Scheme has been simplified for children, young people and their parents and families. The reviewable aspect of this scheme has been removed, which means students now do not need to reapply for funding each year.

We extended coverage and access to speech language therapy for children in the first three years of school, providing this service to 1,000 children, and extended the Ongoing Resourcing Scheme by 700 places.

We have an ongoing focus on ensuring that our services are culturally responsive. We provide professional development support and cultural supervision to specialist staff working with Māori children and Pasifika children.

We developed our service promise, clearly setting out what children, young people and their families can and should expect from us. The 2011 Client Satisfaction survey found that 76% of parents and 64% of educators were happy with our service; 86% of parents felt we considered their cultural needs when working with them.

### Future focus

In our interactions with children and young people, their parents and families, and the sector, we are focused on improving the quality of our services. Delivering high-quality services to children and young people with special education needs allows them their right to quality education where they want to access it.

We will continue to improve the quality of the services we provide, ensuring they are delivered in culturally responsive and supportive ways. Doing this in an agile and responsive way, while operating in a fiscally restrained environment, provides us with opportunities to find efficiencies and innovations in how we deliver our services.

## Special education profile and activity

### Data snapshot

In 2010/11, there were:

- ▲ approximately 7,145 children and young people with high or very high special education needs receiving an individualised special education service
- ▲ 1,340 full-time equivalent staff working in the Ministry to support children with special education needs
- ▲ 16 special education districts through which services are delivered
- ▲ 29 special schools, six schools contracted to deliver the physical disability service and seven specialist service providers in early intervention
- ▲ 780 Resource Teachers: Learning and Behaviour (RTLBs)

### Targets

These targets, from the Ministry's Statement of Intent 2010-2015, have since been revised. Updated targets can be found in the Statement of Intent 2011/12-2016/17.

#### More Māori children and Pasifika children accessing early intervention services

**Target:** 10.0% increase by 2012/13

**Result:** 9.2% increase for Māori children in 2010/11  
4.4% decrease for Pasifika children in 2010/11

#### Percentage of children waiting more than 90 days to access special education services

**Target:** Less than 5.0%

**Result:** 13.0% in 2010/11

### What we set out to achieve

- ▲ More Māori and Pasifika children and young people accessing early intervention services
- ▲ Children accessing special education services more quickly
- ▲ Schools being inclusive of students with special education needs

Below is an overview of the Ministry's activity in the special education sector in 2010/11. Detailed information on each of these activities can be found on the Ministry's website – [www.minedu.govt.nz/annualreport2011](http://www.minedu.govt.nz/annualreport2011)

### Providing high-quality services

- ▲ Approximately 30,000 children and young people received special education services
- ▲ Delivered the Incredible Years teachers and parents programmes to over 3,265 teachers and parents
- ▲ Extended the access to speech and language therapy for children in the first three years of school
- ▲ Simplified and extended the Ongoing Resourcing Scheme to 700 more students
- ▲ Improved responsiveness of services to Māori and Pasifika cultures
- ▲ Recruited more Māori and Pasifika specialist staff

### Building and sustaining productive partnerships

- ▲ Set up stewardship groups for the Positive Behaviour for Learning Action Plan
- ▲ Contracted non-government organisations to deliver the Incredible Years programmes

### Intervening early

- ▲ Developed the Language and Learning intervention, extending communications services to another 1,000 children aged 5 to 8 not eligible for Ongoing Resourcing Scheme funding

### Responding to the Canterbury earthquakes

- ▲ Supported children and young people with special education needs, and their families, to deal with the impacts of the earthquakes on their learning
- ▲ Provided education welfare programmes and support to over 180 schools and over 250 early childhood education services

### Building the evidence base

- ▲ Completed an international literature review to inform Individual Education Plan Guidelines
- ▲ Contracted providers to trial programmes for Māori children to ensure they are achieving education success as Māori
- ▲ Implemented systems to enable us to better monitor and manage waiting lists

### Removing barriers for learning

- ▲ Implemented Success for All – Every School, Every Child
- ▲ Worked across government agencies to identify ways funding can be made more flexible
- ▲ Implemented the Positive Behaviour for Learning Action Plan
- ▲ Redesigned the Resource Teachers: Learning and Behaviour service

## Building a more capable and efficient organisation



The public has increasing expectations of the type, range and quality of services that government departments provide. The Government requires us to meet these demands, while operating in a constrained fiscal climate and reducing the size of the organisation. This presents the Ministry with a unique opportunity to identify innovative ways to meet the needs of our customers.

### Our staff

On 30 June 2011:

- ▲ we had 3,263 employees (2,467 full-time equivalents)
- ▲ we were located in 42 offices around New Zealand
- ▲ we employed 2,628 women and 635 men
- ▲ the average age of our staff was 46.1 years
- ▲ staff members were employed for an average of 7.1 years
- ▲ staff turnover was 13.4%, down from 13.6% in 2010

### Our structure

The Ministry of Education is led by the Secretary for Education, Karen Sewell, and six Deputy Secretaries.

Early Childhood and Regional Education	Schooling	Tertiary, International and System Performance	Group Māori	Special Education	People and Business Capability
Deputy Secretaries					
Rawiri Brell	Anne Jackson	Rob McIntosh	Apryll Parata	Nicholas Pole <sup>3</sup>	Kristine Kilkelly
The Early Childhood and Regional group is the Ministry's regional presence. It provides support and services to families, schools and early childhood education services.	The Schooling group supports schools through the provision of resources and support for effective teaching and learning. This includes provision of information and communications technology, curriculum and teacher professional learning and development.	The Tertiary, International and System Performance group leads the Ministry's role in tertiary education and international education. It also supports the system through the provision of research, data and development of strategic priorities.	Group Māori takes a leadership role in the development of Māori education strategies. It also provides leadership to others in the Ministry as a voice and support for the aspirations of Māori.	The Special Education group works to provide timely and effective services to children and young people with special education needs and their families and whānau.	The People and Business Capability group provides corporate support for the operations of the Ministry. This includes provision of human resources, communications, finance, legal services, e-admin and information and communications technology services.

<sup>3</sup> This Deputy Secretary has been focused on supporting education recovery in Canterbury since February 2011. His substantive role as Deputy Secretary, Special Education, has been filled by Jill Bond.

## What we did

As an organisation we need to be more agile and responsive to our customer's needs. In 2010/11, we have focused on delivering our services to the education sector more innovatively, effectively and efficiently.

We are advancing an overarching change programme to improve our effectiveness as an organisation.

The programme is focusing on three key areas:

- ▲ changing the way we work, to take a strong leadership role in driving better education outcomes and intervening earlier and more definitively where performance is poor
- ▲ realising efficiencies in service delivery
- ▲ managing our work within existing resource levels.

We are changing how we work with schools to help them accelerate student achievement. Key changes are:

- ▲ establishing the Student Achievement Function, where we will work closely with school leaders to jointly understand the learning needs of students and lift achievement
- ▲ redesigning how and why we provide professional learning and development resources for teachers and school leaders
- ▲ reviewing our internal Curriculum, Teaching and Learning function to ensure it can deliver high-quality teaching resources across English- and Māori-medium sectors.

We are developing an organisational model that shifts our emphasis from administering the education system, to a greater focus on performance. This model will provide us with the shape and structure to be a smaller and more agile organisation, responsive to the needs of our customers and more effective in our impact on system performance.

We have reduced our vacancy levels across the organisation, and established a new process to tightly manage staff numbers and reprioritise resources. We have continued to find savings, and to undertake a series of business improvement reviews to find more efficient ways of delivering services and streamlining our resourcing. This has included across our research and analytical function, policy function, financial management, facilities management, and corporate and administrative services.

In 2010/11, the Ministry was reviewed as part of the Government's Performance Improvement Framework process. The review commented on a range of aspects of the Ministry's performance and acknowledged many positive areas as well as identifying areas for improvement. Our organisational change programme is addressing these areas.

## Our people

The Ministry employs approximately 3,200 people (2,467 full-time equivalents). Supporting them to be highly motivated and operating at maximum efficiency and effectiveness is critical to our success. To that end, we have focused on a number of key people initiatives to support our staff to continue to deliver excellence in all that they do.

We provide support to enable our leaders and managers to strengthen their capability through a range of professional development opportunities. In 2010/11, a number of our leaders and managers participated in skills development, mentoring, and performance review and development programmes.

Managers received specific training opportunities to support them to roll out key initiatives and processes to their teams and staff. We actively look to develop managers and leaders, to enable them to progress to higher levels of management within the organisation.

Based on feedback from our staff and managers, we have redesigned our performance management system. The new, simpler system will drive greater accountability for improving results for students at an individual staff member level.

We are committed to an ongoing programme of work to improve employee engagement. In 2010/11, we ran an employee engagement survey and action planning process. After the success of a follow-up pulse-check of employee engagement, we will conduct quarterly pulse-checks to monitor engagement.

The Ministry recognises that providing equal employment opportunities is good business practice and that we need to reflect the population we serve and benefit from having diversity of thinking. In 2010/11, we undertook a career progression round to ensure that all our staff are appropriately recompensed for the value they add to the Ministry. We have developed a Māori cultural competency for staff that will enable us to enhance our capability in this area and service to the communities we serve. We will roll this out next year into our performance management, recruitment and personal development processes.

### **Supporting our key strategies**

The Ministry remains committed to improving the performance of the education sector for those groups for whom recent progress has not been shared equally. During 2010/11, we reviewed progress of both Ka Hikitia – Managing for Success: The Māori Education Strategy 2008-2012 and the Pasifika Education Plan 2009-2012.

We have also begun implementing Success for All – Every Child, Every School, the Government's plan for an inclusive education system that delivers for all students, including students with special education needs. Success for All further supports our contribution to the New Zealand Disability Strategy.

More information on the mid-term review of Ka Hikitia – Managing for Success can be found in the Māori Achieving Education Success as Māori section of this report.

More information on the Pasifika Education Plan can be found in the early childhood education and schooling sections of this report.

More information on the implementation of Success for All – Every Child, Every School can be found in the special education section of this report.

### **Future focus**

The Government expects the Ministry to continue to identify better and more innovative ways to deliver services, while streamlining the organisation and finding savings to our baseline funding. This presents us with an opportunity to focus more clearly on our agility and responsiveness to our customers – starting from their point of view, and what they need from us, and building our approach from that point.





# Our performance two

## Our performance

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### Statement of responsibility

#### *In terms of section 45c of the Public Finance Act 1989*

The Ministry of Education's financial statements have been the responsibility of the Secretary for Education and have been prepared in accordance with generally accepted accounting practice as appropriate for financial and non-financial reporting in the public sector.

Appropriate systems of internal control have been employed to ensure that all transactions are executed in accordance with management's authorisation, that all transactions are correctly processed and accounted for in the financial records, and that the assets of the Ministry are properly safeguarded. Internal control systems are documented, evaluated and tested by the Ministry's internal auditors on a continuing basis to provide ongoing assurance of the integrity and reliability of data and systems for financial reporting.

In our opinion, the financial statements fairly reflect the financial position as at the end of the financial year and the financial and service performance and cash flows for the financial year ended 30 June 2011 and we authorise issuance of these financial statements on 30 September 2011.

#### **Karen Sewell**

Secretary for Education

30 September 2011

#### **Tina Cornelius**

Chief Financial Officer

30 September 2011

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## Introduction to financial performance

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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 and other expenses. Included in this series of financial statements are statements of the Ministry's comprehensive income, financial position, changes in taxpayers' equity 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 seven classes of outputs the Ministry produces (Interventions for Target Student Groups; School Property Portfolio Management; Strategic Leadership in the Sector; Strategic Leadership in the Tertiary System; Support and Resources for Education Providers; Support and Resources for Teachers; Support and Resources for the Community).

The statements of service performance also address the Ministry's management of the non-departmental appropriations in Vote Education. The Ministry's role in respect to non-departmental appropriations is primarily the disbursement of funding to providers of education services, purchasing of services on behalf of the Crown, and monitoring those arrangements, and providing ownership advice in respect to 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 assets and liabilities, expenditure and parliamentary appropriations, and revenue and receipts. 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 Grant J Taylor of Ernst & Young on behalf of the Auditor-General.

### Allocation of Vote Education

In 2010/11, Parliament appropriated \$12,090 million for the purposes of Vote Education. This was allocated to the Ministry for:

▲ **Ministry outputs purchased by the ministers, other expenses and capital expenditure (\$2,381 million).**

This is:

- ▲ \$1,273 million (10.53%) for property outputs and other expenses produced including depreciation and capital charge
- ▲ \$444 million (3.67%) for other outputs produced including other expenses and capital charge
- ▲ \$664 million (5.49%) for capital expenditure

▲ **payments made by the Ministry on behalf of the Crown (\$9,709 million or 80.31%) 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, tertiary education organisations, New Zealand Council for Educational Research, the New Zealand Qualifications Authority, Careers New Zealand, and the Tertiary Education Commission
- ▲ benefits such as scholarships, bursaries and study awards
- ▲ other expenses such as funding to schools (including teachers' salaries), tertiary education institutions, early childhood education services, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and other agencies for adult community education
- ▲ capital investment in other organisations or persons such as schools, wānanga and universities.

As part of these totals:

- ▲ \$9,297 million (76.90%) of appropriations relates to the early childhood education and schooling sectors (for which the Minister of Education is the Responsible Minister)
- ▲ \$2,793 million (23.10%) relates to tertiary and international education (for which the Minister for Tertiary Education is the Responsible Minister).

**Vote Education financial summary**

Vote Education appropriations	30/06/2011	30/06/2011	30/06/2011	
	<b>Budget</b>	<b>Supplementary Estimates</b>	<b>Actual</b>	<b>Variance</b>
	\$000	\$000	\$000	\$000
<b>Departmental</b>				
Ministry outputs and other expenses	1,806,530	1,717,261	1,659,708	57,553
Ministry capital	712,592	663,804	597,795	66,009
<b>Non-departmental</b>				
Crown outputs	2,599,905	2,571,135	2,553,261	17,874
Benefit expenses	73,288	69,667	52,569	17,098
Other expenses	6,750,126	7,020,228	6,888,239	131,989
Capital expenditure	27,042	47,691	42,020	5,671
<b>Total</b>	<b>11,969,483</b>	<b>12,089,786</b>	<b>11,793,592</b>	<b>296,194</b>

**Expenditure variances against appropriations**

**Ministry outputs and other expense** variance is mainly owing to:

- ▲ lower depreciation due to delays in some capital expenditure and slower capitalisations than expected
- ▲ lower than expected expenditure on earthquake rectification as the initial focus was on emergency work and temporary accommodation, while continuing aftershocks have delayed commencement of remedial work
- ▲ other earthquake costs not proceeding because we have not finalised details of insurance recoveries
- ▲ implementation of some programmes such as the Student Achievement Function, communications learning service and early intervention taking longer than expected
- ▲ delays across a range of outputs, some of which will now be delivered in 2011/12 (eg ultra-fast broadband in schools and schools payroll project).

**Ministry capital** expenditure variance is mainly owing to:

- ▲ delays experienced in new site and site extensions and new school constructions. These expenditures are to be incurred in the next financial year
- ▲ delays in the five-year work programme mainly due to the impact of the Canterbury earthquakes.

**Crown outputs** variance is mainly owing to:

- ▲ lower than expected demand for some training programmes such as Modern Apprenticeships, the Industry Training Fund, Gateway grants and Youth Training.

**Benefits expenses** variance is mainly owing to:

- ▲ schools not taking up their full entitlement for teacher reliever costs and lower than expected uptake in other study award programmes
- ▲ lower than expected demand for teacher trainee scholarships
- ▲ some study occurring later than expected although there will be consequential transfers of funding to subsequent financial years
- ▲ lower than expected demand for other benefits.

**Other expenses** variance is mainly owing to:

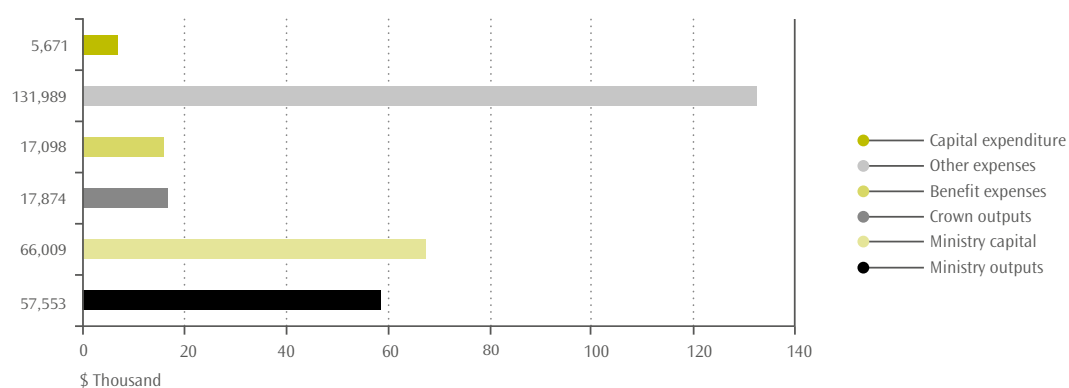
- ▲ lower participation than expected for early childhood education for over- and under-two-year-olds
- ▲ lower than expected claims for 20 hours funding in early childhood education
- ▲ slower take-up of 20 hours for playcentres and kōhanga reo than expected
- ▲ lower than expected numbers of teacher full-time equivalents in schools
- ▲ lower than expected student numbers in state schools.

**Capital expenditure** variance is mainly owing to:

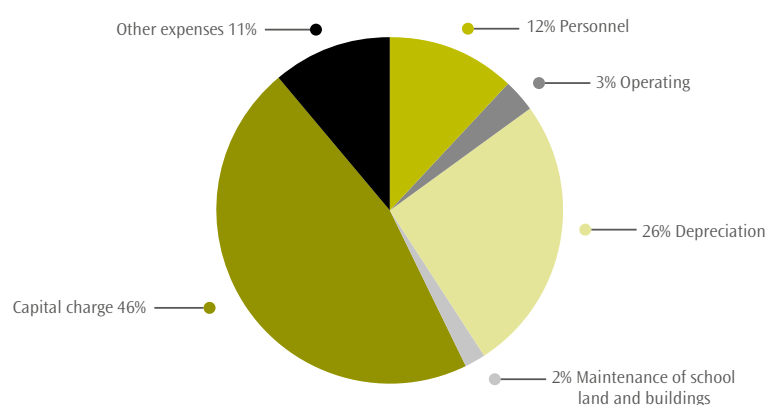
- ▲ changes in timing, with some expenditure delayed until 2011/12
- ▲ lower than expected demand.

## Expenditure variances against appropriations

### Variance against 2010/11 Appropriations



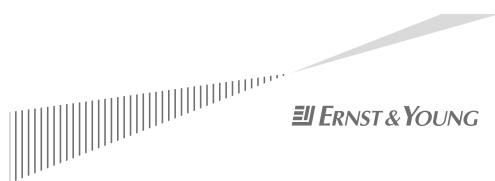
## Ministry expenditure analysis



## 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.

Property, plant and equipment and intangible assets movement	30/06/2011	30/06/2010
	Actual	Actual
	\$ million	\$ million
Opening balance	10,109	10,946
Additions	598	648
Disposals	(26)	(31)
Depreciation	(429)	(430)
Revaluations	32	(94)
Impairments	(55)	(930)
<b>Total property, plant and equipment and intangible assets</b>	<b>10,229</b>	<b>10,109</b>



Chartered Accountants

## Audit report

### To the readers of the Ministry of Education's Financial Statements and Statement of Service Performance for the year ended 30 June 2011

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

#### We have audited:

- ▲ the financial statements of the Ministry on pages 48 to 78, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2011, the statement of comprehensive income, statement of movements in 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 on pages 79 to 118 that comprises the statement of service performance, which includes outcomes; and
- ▲ the schedules of non-departmental activities of the Ministry on pages 119 to 137 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2011, 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 48 to 78:
  - ▲ comply with generally accepted accounting practice in New Zealand; and
  - ▲ fairly reflect the Ministry's:
    - ▶ financial position as at 30 June 2011;
    - ▶ 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 2011; and
    - ▶ unappropriated expenses and capital expenditure for the year ended 30 June 2011; and
- ▲ the non-financial performance information of the Ministry on pages 79 to 118:
  - ▲ 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 2011, 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 119 to 137, fairly reflect:
  - ▲ the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2011 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.

Our audit was completed on 30 September 2011. 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 would affect a reader's 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. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **Responsibilities of the Secretary for Education**

The Secretary for Education is responsible for preparing:

- ▲ financial statements and non-financial performance information that:
  - ▲ comply with generally accepted accounting practice in New Zealand;
  - ▲ fairly reflect the Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
  - ▲ fairly reflect its service performance and outcomes; and
- ▲ schedules of non-departmental activities, in accordance with the Treasury Instructions 2010 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 necessary to enable the preparation of financial statements, non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Chief Executive'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 New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out an assignment in the area of due diligence services, which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Ministry.

### **Grant Taylor**

Ernst & Young

On behalf of the Auditor-General

Wellington, New Zealand

## Financial statements

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### Statement of Accounting Policies for the year ended 30 June 2011

#### 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 2011. The financial statements were authorised for issue by the Secretary for Education on 30 September 2011.

#### 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.

#### Early Adoption Standards and Interpretations

The Ministry has elected to early-adopt all NZ IFRS and Interpretations applicable to public benefit entities that had been approved by the New Zealand Accounting Standards Review Board as at 30 June 2011 but that are not yet effective, with the exception of NZ IFRS 9: Financial Instruments. The early adoption of these standards and interpretations did not result in any material changes to accounting policies.

The first of three phases of this new standard NZ IFRS 9: Financial Instruments (which is incomplete as at 30 June 2011) were approved by the Accounting Standards Review Board in November 2009 and November 2010. The standard addresses the issues of classification and measurement of financial assets and financial liabilities and becomes effective for annual reporting periods commencing on or after 1 January 2013.

The Ministry does not expect the adoption of this standard will have a material impact on the 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 is 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.

### **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**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **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. For the year ended 30 June 2011, 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***

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

### **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 2011, 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 the 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 judgements**

In preparing these financial statements the Ministry has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements 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.

- ▲ Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis (Note 15 refers). 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 2011 and a salary inflation factor of 2.75% 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, Darroch 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	2011 unit rate	2010 unit rate
Classroom fabric – single storey	\$1,070/m <sup>2</sup>	\$1,021/m <sup>2</sup>
Classroom fabric – per storey	\$345/m <sup>2</sup>	\$346/m <sup>2</sup>
Classroom – roof	\$204/m <sup>2</sup>	\$195/m <sup>2</sup>
Classroom – services	\$600/m <sup>2</sup>	\$573/m <sup>2</sup>
Classroom – fitout	\$486/m <sup>2</sup>	\$463/m <sup>2</sup>
Lifts – basic rate	\$107,790	\$105,118
Lifts – per storey	\$5,889	\$9,344
Boilers	\$56,390 each	\$58,399 each
Ancillary buildings	\$684/m <sup>2</sup>	\$653/m <sup>2</sup>
Relocatable buildings	\$2,233/m <sup>2</sup>	\$2,125/m <sup>2</sup>
Covered ways	\$364/m <sup>2</sup>	\$360/m <sup>2</sup>
Site improvements	\$312,059/ha	\$312,688/ha
Swimming pools	\$3,287/m <sup>3</sup>	\$3,033/m <sup>3</sup>

Construction rates have been applied to all components on the same basis as 2010. That is, Rawlinson's 2010 construction rates plus Capital Goods Price Index have been applied to all components with the exception of site improvements and fabric – extra floor (single rate), which has been increased by the Capital Goods Price Index from last year's rate. The allowance for professional fees has been adjusted this year to include an allowance for construction industry project management costs.



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. There were no material changes identified to specific assets that required any changes to useful lives. Refer to Note 16 for further details.
- ▲ In 2010, school buildings were impaired by an amount of \$930.4 million to provide for damage resulting from weather-tightness issues.

In quantifying the extent of impairment, the Ministry commissioned an analysis by Prendos New Zealand Limited – a registered valuer and building surveyor. Prendos undertook a visual survey of 199 Auckland schools with buildings constructed or upgraded since 1994. No destructive testing was done during the survey. The repair cost estimate for the defective buildings in this sample was \$434 million. The sample excluded 148 schools where weather-tightness issues had already been identified.

The survey results extrapolated across the national property portfolio resulted in a total cost estimate of approximately \$1,163 million (+/- 20%) in 2010 dollars (including trade, professional fees and a 15% contingency). As a result of the inherent limitations in the survey and extrapolated estimates, the provision for the impairment of defective buildings was based on the lower end of the estimates, \$930.4 million.

Since 2010, the Ministry has increased the internal resourcing of a team to respond to the increasing workload relating to weather-tightness issues.

During the 2010/11 financial year, the Ministry has incurred capital expenditure of \$53.5 million as part of a remediation programme. Part of this expenditure relates to a small number of buildings that were included in the original Prendos survey of 199 buildings in 2010. These costs generally align with the estimates originally prepared by Prendos and used in the extrapolation.

The Ministry has engaged Hampton Jones, a chartered building surveying and design practice, to conduct a national survey of approximately 5,500 school buildings that have been either constructed or upgraded since 1994. The survey is a visual inspection by qualified surveyors, with results tabulated into a database for identifying current condition and estimated cost to remediate. The survey commenced in May 2011 with initial results supporting the 2010 Prendos extrapolation.

It is anticipated that the full results of the nationwide survey will be available for the Ministry's 2012 Annual Report.

- ▲ The series of earthquakes and associated aftershocks that struck in the Canterbury region in 2010/11, most notably on 4 September 2010, 22 February 2011 and 13 June 2011, resulted in damage to many school buildings.

As at 30 June 2011, a number of buildings with a combined carrying value of \$9.8 million have been demolished or approved to be demolished. These assets have been derecognised since no future economic benefit is expected from their use or disposal.

The revaluation of school buildings as at 30 June 2011 did not take into account damage to property arising from the earthquakes. The Ministry has therefore decided to impair the fair value of buildings according to the estimated cost to replace and reinstate damaged assets to their pre-existing condition.

Forecast capital expenditure estimates of \$54.7 million in 2011 dollars have been used to determine the amount of impairment against the fair value of school buildings as at 30 June 2011. These cost estimates are derived from preliminary engineering assessments and the actual cost when incurred may be materially different to this provision.

At 30 June 2011, there are no instances of Ministry-owned land that, as a direct consequence of the earthquakes, has ceased to be used for education purposes. Consequently, to date, the Ministry has not impaired land values. This situation is subject to ongoing review as information relating to land assessment and provision of infrastructure services becomes available, together with better indication as to mid- to long-term shifts in demographics, for example as a result of residential re-zoning by the Canterbury Earthquake Recovery Authority.

**Statement of Comprehensive Income for the year ended 30 June 2011****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.

		30/6/2011	30/6/2011	30/6/2011	30/6/2010
		<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
Notes		\$000	\$000	\$000	\$000
<b>Revenue</b>					
From the Crown		1,634,768	1,688,753	1,797,138	1,688,200
From other sources	2	10,614	28,508	9,392	11,395
<b>Total revenue</b>		<b>1,645,382</b>	<b>1,717,261</b>	<b>1,806,530</b>	<b>1,699,595</b>
<b>Expenditure</b>					
Personnel	3	202,536	196,013	194,995	195,895
Operating	4	43,698	43,999	40,200	46,809
Depreciation and amortisation	5	429,058	455,683	455,683	430,422
Maintenance of school land and buildings		40,495	58,783	67,000	28,651
Capital charge	6	766,823	766,823	844,415	827,135
Other expenses	7	177,098	195,960	204,237	158,386
<b>Total expenditure</b>		<b>1,659,708</b>	<b>1,717,261</b>	<b>1,806,530</b>	<b>1,687,298</b>
Net surplus/(deficit)	9	(14,326)	-	-	12,297
<b>Other comprehensive income</b>					
Gain/(loss) on property revaluations	10	32,171	-	-	(94,107)
Impairment of buildings	10	(54,700)	-	-	(930,400)
<b>Total comprehensive income/(deficit)</b>		<b>(36,855)</b>	<b>-</b>	<b>-</b>	<b>(1,012,210)</b>

## Statement of Changes in Taxpayers' Equity for the year ended 30 June 2011

### 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
<b>Taxpayers' equity at 1 July 2009</b>		<b>4,002,059</b>	<b>6,990,486</b>	<b>10,992,545</b>	<b>10,992,545</b>	<b>10,705,081</b>
Net surplus for the year	9	12,297	-	12,297	-	-
<b>Other comprehensive income:</b>						
Revaluation reserve for assets disposed		4,327	(4,327)	-	-	-
Add/(deduct) land revaluations		-	(40,332)	(40,332)	-	-
Add/(deduct) buildings revaluations		-	(53,775)	(53,775)	-	-
Add/(deduct) impairment of buildings		-	(930,400)	(930,400)	-	-
<b>Total comprehensive income</b>		<b>16,624</b>	<b>(1,028,834)</b>	<b>(1,012,210)</b>	<b>-</b>	<b>-</b>
<b>Transactions with the Crown:</b>						
Net surplus/(deficit) repayable to the Crown	9	(12,297)	-	(12,297)	-	-
Capital contributions		203,863	-	203,863	228,133	183,633
Capital withdrawals		(24,270)	-	(24,270)	(24,270)	(5,217)
<b>Taxpayers' equity at 30 June 2010</b>		<b>4,185,979</b>	<b>5,961,652</b>	<b>10,147,631</b>	<b>11,196,408</b>	<b>10,883,497</b>
<b>Taxpayers' equity at 1 July 2010</b>		<b>4,185,979</b>	<b>5,961,652</b>	<b>10,147,631</b>	<b>10,147,631</b>	<b>11,196,408</b>
Net surplus/(deficit) for the year	9	(14,326)	-	(14,326)	-	-
<b>Other comprehensive income:</b>						
Revaluation reserve for assets disposed		9,172	(9,172)	-	-	-
Add/(deduct) land revaluations			(71,753)	(71,753)	-	-
Add/(deduct) buildings revaluations			103,924	103,924	-	-
Add/(deduct) impairment of buildings			(54,700)	(54,700)	-	-
<b>Total comprehensive income</b>		<b>(5,154)</b>	<b>(31,701)</b>	<b>(36,855)</b>	<b>-</b>	<b>-</b>
<b>Transactions with the Crown:</b>						
Net surplus repayable to the Crown	9	-	-	-	-	-
Capital contributions		208,451	-	208,451	208,451	254,029
Capital withdrawals		(27,263)	-	(27,263)	(27,263)	(24,053)
<b>Taxpayers' equity at 30 June 2011</b>		<b>4,362,013</b>	<b>5,929,951</b>	<b>10,291,964</b>	<b>10,328,819</b>	<b>11,426,384</b>

**Statement of Financial Position as at 30 June 2011****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.

		30/6/2011	30/6/2011	30/6/2011	30/6/2011	30/6/2010
		<b>Actual</b>	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	Notes	\$000	\$000	\$000	\$000	\$000
<b>Taxpayers' equity</b>		<b>10,291,964</b>	<b>10,328,819</b>	<b>11,426,384</b>	<b>10,147,631</b>	
General funds		4,362,013		4,367,167	4,435,898	4,185,979
Revaluation reserves	10	5,929,951		5,961,652	6,990,486	5,961,652
<b>which is represented by:</b>						
<b>Current assets</b>		<b>189,817</b>	<b>130,790</b>	<b>123,817</b>	<b>161,648</b>	
Cash and bank		24,365		22,076	34,692	24,130
Accounts receivable	11	79,865		41,327	22,211	61,441
Prepayments	12	39,676		26,672	26,672	35,362
Non-current assets held for sale	13	45,911		40,715	40,242	40,715
<b>Less</b>						
<b>Current liabilities</b>		<b>(121,089)</b>	<b>(94,391)</b>	<b>(93,769)</b>	<b>(118,059)</b>	
Goods and Services Tax		(10,930)		-	-	(10,471)
Accounts payable	14	(96,397)		(81,162)	(81,162)	(81,989)
Provision for employee entitlements	15	(13,762)		(13,229)	(12,607)	(13,302)
Net surplus payable to the Crown	9	-		-	-	(12,297)
<b>Working capital</b>		<b>68,728</b>	<b>36,399</b>	<b>30,048</b>	<b>43,589</b>	
<b>Plus</b>						
<b>Non-current assets</b>		<b>10,228,728</b>	<b>10,297,680</b>	<b>11,400,383</b>	<b>10,109,302</b>	
School land	16	2,660,524		2,746,000	2,838,443	2,740,000
School buildings	16	7,509,133		7,478,381	8,491,070	7,306,523
Ministry chattels	16	40,672		40,987	31,692	39,009
Intangible assets	17	18,399		32,312	39,178	23,770
<b>Less</b>						
<b>Non-current liabilities</b>		<b>(5,492)</b>	<b>(5,260)</b>	<b>(4,047)</b>	<b>(5,260)</b>	
Provision for employee entitlements	15	(5,492)		(5,260)	(4,047)	(5,260)
<b>Net assets</b>		<b>10,291,964</b>	<b>10,328,819</b>	<b>11,426,384</b>	<b>10,147,631</b>	

## Statement of Cash Flows for the year ended 30 June 2011

### 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.

	30/6/2011	30/6/2011	30/6/2011	30/6/2011	30/6/2010
	<b>Actual</b>	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000	\$000
<b>Operating activities</b>					
<b>Cash was received from:</b>					
The Crown	1,640,041		1,731,226	1,797,138	1,654,078
Other	11,146		6,149	9,392	15,482
		<b>1,651,187</b>	<b>1,737,375</b>	<b>1,806,530</b>	<b>1,669,560</b>
<b>Cash was expended on:</b>					
<b>Production of outputs</b>					
Personnel	(201,803)		(194,489)	(193,398)	(193,911)
Operating and other	(233,129)		(268,084)	(313,034)	(226,264)
Capital charge	(766,823)		(766,823)	(844,415)	(827,135)
		<b>(1,201,755)</b>	<b>(1,229,396)</b>	<b>(1,350,847)</b>	<b>(1,247,310)</b>
<b>Net cash flows from operating activities (Note 18)</b>		<b>449,432</b>	<b>507,979</b>	<b>455,683</b>	<b>422,250</b>
<b>Investing activities</b>					
<b>Cash was received from:</b>					
Sales of assets	13,710		17,000	20,877	22,100
		<b>13,710</b>	<b>17,000</b>	<b>20,877</b>	<b>22,100</b>
<b>Cash was expended on:</b>					
School land and buildings	(602,409)		(650,921)	(693,534)	(635,992)
Property, plant and equipment	(5,119)		(20,734)	(19,058)	(3,018)
		<b>(607,528)</b>	<b>(671,655)</b>	<b>(712,592)</b>	<b>(639,010)</b>
<b>Net cash flow from investing activities</b>		<b>(593,818)</b>	<b>(654,655)</b>	<b>(691,715)</b>	<b>(616,910)</b>
<b>Financing activities</b>					
<b>Cash was received from:</b>					
The Crown:					
Capital contribution	208,451		208,451	254,029	203,863
		<b>208,451</b>	<b>208,451</b>	<b>254,029</b>	<b>203,863</b>

	30/6/2011	30/6/2011	30/6/2011	30/6/2011	30/6/2010
	Actual	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Cash was expended on:</b>					
Repayment to the Crown:					
Prior period net surplus	(12,297)		(12,297)	-	(6,192)
Capital withdrawal	(51,533)		(51,533)	(24,053)	-
		<b>(63,830)</b>	<b>(63,830)</b>	<b>(24,053)</b>	<b>(6,192)</b>
<b>Net cash flows from financing activities</b>		<b>144,621</b>	<b>144,621</b>	<b>229,976</b>	<b>197,671</b>
<b>Total net increase/ (decrease) in cash held</b>		<b>235</b>	<b>(2,055)</b>	<b>(6,056)</b>	<b>3,011</b>
Bank and cash balances as at 1 July		24,130	24,131	40,748	21,119
<b>Bank and cash balances as at 30 June</b>		<b>24,365</b>	<b>22,076</b>	<b>34,692</b>	<b>24,130</b>

## Financial commentary for 2010/11

The Ministry spent \$1,645.4 million (GST exclusive) on delivering outputs in 2010/11 and a further \$14.3 million on departmental other expenses. This was in total \$146.8 million less than had been originally budgeted. This was because of changes made after the 2010/11 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:

- ▲ lower operating costs for management of the school sector property portfolio:
  - ▲ reduced capital charge mainly related to the downward revaluation of school sector property at the end of June 2010 and the impairment of defective buildings (\$77.6 million)
  - ▲ transfers from 2010/11 to subsequent financial years for the school property rationalisation project due to delays (\$23.0 million) and the national survey of defective buildings due to a slower than expected start (\$11.5 million)
  - ▲ lower school property depreciation (\$23.1 million) due to delays in the capital expenditure programme. Part of this underspend (\$13.4 million) and underspends on rentals arising from Treaty settlements was set aside for managing earthquake costs. These funds were largely not required as ongoing aftershocks prevented any remediation work from commencing and some costs have been allocated to a other expense appropriation created in April 2011.
- ▲ implementation of other policy changes during the year, which included:
  - ▲ provision of communication services to an additional 1,000 students aged five to eight (\$4.0 million)
  - ▲ provision for additional programme management costs related to ultra-fast broadband in schools (\$3.9 million)
  - ▲ settlement of special education field staff and service managers collective agreements (\$1.0 million).
- ▲ transfers of funding to subsequent years (\$11.1 million net decrease) which included changes in timing for the:
  - ▲ ongoing replacement of the schools' payroll project (\$10.1 million)
  - ▲ long-term work programme for teachers (\$1.0 million).

Consideration will be given to further transfers of funding to the new financial year as a result of delays in some programmes, which resulted in lower than expected costs this year.
- ▲ other lower than budgeted expenditure was due to:
  - ▲ establishment of the Student Achievement Function taking longer than planned (\$5.9 million)
  - ▲ slower than expected implementation of the Communications Learning Service programme and fewer initiatives being submitted than expected (\$2.3 million)

- ▲ delays in finalising contracts for the Māori Language Material Development and Kimihia Rangahaua programmes (\$2.0 million)
- ▲ delays in the Positive Behaviour for Learning programme – some of this activity will now occur in 2011/12 (\$1.8 million)
- ▲ further delays in the delivery of schools' payroll project milestones resulting in lower contract and personnel costs (\$1.8 million)
- ▲ delays in the ultra-fast broadband in schools programme development and evaluation of provider policy programmes (\$1.7 million)
- ▲ a lower demand for teacher aide hours in the Ongoing Resourcing Scheme and lower than expected expenditure for the High Health Needs programme (\$1.3 million) and delays in implementing early intervention services (\$1.3 million)
- ▲ lower than expected costs for the National Education Network Trial due to limiting and extending the trial to 30 June 2013 and delays in the preparation of the business case (\$1.4 million).

A departmental other expense appropriation Recovery from February 2011 Christchurch Earthquake was established for writing off, or making good damage to, departmental assets and re-establishing school operations in Christchurch following the 22 February 2011 earthquake (\$14.3 million).

Revenue for services in 2010/11 was \$1,645.4 million, which was \$161.1 million less than forecast. This decrease was owing to:

- ▲ reduced outputs purchased by the Government as noted above (\$162.4 million)
- ▲ higher than forecast fees for contracts and services for third parties, including other government departments (\$1.2 million).

The operating deficit for 2010/11 was therefore \$14.3 million. This deficit is due to other expenses relating to the February 2011 Canterbury earthquake.

At \$10,292.0 million, taxpayers' funds as at 30 June 2011 was \$1,134.4 million less than projected on Budget night, mainly owing to a combination of:

- ▲ an upward revaluation of school property assets by \$32.1 million – this comprises a reduction of \$71.8 million for land and an increase of \$103.9 million for buildings. This mainly reflects market movements, particularly for land and revised construction costs for replacement buildings
- ▲ the impact of decreased revaluation from 2009/10 (\$94.1 million)
- ▲ an impairment provision for defective buildings in 2009/10 for the impairment of school buildings due to weather-tightness issues (\$930.4 million)
- ▲ an impairment provision for damage to school buildings arising from the Canterbury earthquakes (\$54.7 million)
- ▲ lower than expected capital investment, principally for the school property works programme (totalling \$25.3 million) across 2009/10 and 2010/11
- ▲ capital withdrawals returned to Crown primarily related to the school property work programme after an increase in operating appropriations (\$22.3 million) across 2009/10 and 2010/11
- ▲ a net deficit arising from other departmental expenses (\$14.3 million).

The property, plant and equipment balance at 30 June 2011 was \$10,210.3 million, with a further \$18.4 million for intangibles, which was a total of \$1,171.7 million less than expected on Budget night. The decrease was largely owing to the impairment of school buildings due to weather-tightness issues (\$930.4 million) at 30 June 2010 and the Canterbury earthquakes (\$54.7 million) at 30 June 2011, lower than expected expenditure on development of assets (mainly school property) and a downward revaluation of school land and buildings last year (\$94.1 million) offset by an upward revaluation this year (\$32.2 million).

The cash balance for the Ministry at 30 June 2011 was \$10.3 million less than forecast.

Changes in capital expenditure on property, plant and equipment repayments to the Crown was \$3.2 million more than forecast.

The Ministry's working capital (current assets less current liabilities) at the end of 2010/11 was \$68.7 million, \$38.7 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 2011 (\$27.3 million)
- ▲ a lower level of cash in bank (\$10.3 million)
- ▲ a higher than expected level of receivables and prepayments (\$70.7 million), mainly owing to funding not drawn down from the Treasury
- ▲ a higher than forecast amount of school sector property intended for disposal (\$5.7 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.

	30/06/2011	30/06/2010
	Actual	Actual
	\$000	\$000
<b>Curriculum development projects:</b>		
▲ Not later than one year	8,536	11,703
▲ Later than one year and not later than two years	1,769	2,725
▲ Later than two years and not later than five years	214	989
<b>Capital works projects:</b>		
▲ Not later than one year	178,730	214,909
▲ Later than one year and not later than two years	7,597	7,000
▲ Later than two years and not later than five years	15,454	9,516
▲ Later than five years	1,814	570
<b>Other operating commitments</b>		
▲ Not later than one year	22,999	3,209
▲ Later than one year and not later than two years	9,776	-
▲ Later than two years and not later than five years	14,353	-
<b>Research projects:</b>		
▲ Not later than one year	52	7
▲ Later than one year and not later than two years	20	20
<b>Payroll contracts:</b>		
▲ Not later than one year	13,507	13,585
Maintenance of schools – current year	14,653	4,114
<b>Accommodation leases:</b>		
▲ Not later than one year	17,687	16,436
▲ Later than one year and not later than two years	16,690	15,416
▲ Later than two years and not later than five years	37,975	36,317
▲ Later than five years	56,424	41,246
<b>Total commitments</b>	<b>418,250</b>	<b>377,762</b>



**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 the balance sheet 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.

**Other non-cancellable commitments**

The Ministry has entered into non-cancellable contracts for maintenance, curriculum development contracts, consulting services and other contracts for service.

**Statement of Contingent Liabilities**

The Statement of Contingent Liabilities discloses situations that exist at 30 June 2011, 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.

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Personal grievances	-	25
Civil claims	1,319	1,322
Contractual dispute	5,000	6,450
<b>Total contingent liabilities</b>	<b>6,319</b>	<b>7,797</b>

**Civil claims**

Civil claims represent amounts claimed by plaintiffs in relation to school transport allowances, disposal of a school site, and a dispute about software accreditation decisions.

**Contractual disputes**

Contractual disputes represent amounts for disputes in relation to school transport contracts. The Ministry is disputing these claims.

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

**Statement of Unappropriated Expenditure**

In terms of section 26 of the Public Finance Act 1989, there was no unappropriated expenditure against departmental output expenses for 2010/11 (there was no unappropriated expenditure for the year ended 30 June 2010).

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**Note 1 – Budget composition**

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Budget</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Budget</b>
	Forecasts	Increase/ (Decrease)	Total	Total
	\$000	\$000	\$000	\$000
<b>Revenue:</b>				
From the Crown	1,797,138	(108,385)	1,688,753	1,703,200
Other	9,392	19,116	28,508	9,392
<b>Total revenue</b>	<b>1,806,530</b>	<b>(89,269)</b>	<b>1,717,261</b>	<b>1,712,592</b>
<b>Expenditure</b>				
Personnel	194,995	1,018	196,013	194,738
Operating	40,200	3,799	43,999	48,662
Depreciation	455,683	-	455,683	442,135
Maintenance of school land and buildings	67,000	(8,217)	58,783	29,517
Capital charge	844,415	(77,592)	766,823	827,115
Other expenses	204,237	(8,277)	195,960	170,425
<b>Total expenditure</b>	<b>1,806,530</b>	<b>(89,269)</b>	<b>1,717,261</b>	<b>1,712,592</b>
Net operating surplus/(deficit)	-	-	-	-

**Note 2 – Other revenue**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Payroll deduction fees	594	714
Sale of learning materials	108	169
Early childhood licences	395	476
Sundry rentals	171	253
School house rentals	3,758	3,731
State Sector Retirement Savings Scheme and KiwiSaver	3,523	3,685
Miscellaneous revenue	1,017	1,121
Special education	1,048	1,246
<b>Total other revenue</b>	<b>10,614</b>	<b>11,395</b>

Insurance recoveries resulting from the Christchurch earthquake damage have not been recognised as at 30 June 2011 as the amounts receivable have not yet been agreed with the insurer.

**Note 3 – Personnel expenditure**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Salaries and wages	193,330	186,599
ACC	917	958
Superannuation subsidies	4,840	4,246
Training	2,761	2,257
Increase in provision for annual leave	660	406
Increase in provision for long service leave	117	624
Increase in provision for retiring leave	(89)	805
<b>Total personnel expenditure</b>	<b>202,536</b>	<b>195,895</b>

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**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Travel	10,002	8,355
Communications	3,861	4,415
Operating lease rentals	14,885	20,435
Contracts	1,752	2,547
Equipment maintenance	1,507	636
Other operating costs	11,691	10,421
<b>Total operating expenditure</b>	<b>43,698</b>	<b>46,809</b>

**Note 5 – Depreciation and amortisation**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Buildings	408,626	411,998
Plant and equipment	268	20
Computer hardware	4,834	4,271
Furniture and fittings	3,323	3,396
Motor vehicles	1,518	1,599
<b>Total depreciation</b>	<b>418,569</b>	<b>421,284</b>
Computer software	10,489	9,138
<b>Total amortisation</b>	<b>10,489</b>	<b>9,138</b>
<b>Total depreciation and amortisation</b>	<b>429,058</b>	<b>430,422</b>

**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 2011 was 7.5% (at 30 June 2010 the rate was 7.5%).

**Note 7 – Other expenses**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Fees to auditors		
▲ Audit fees for audit of the financial statements	400	405
▲ Fees for other services	7	28
Debt impairment	38	(12)
(Profit)/loss on sale of property, plant and equipment (note 8)	2,550	501
Provision for additional property liabilities	9,759	-
Contracts for services	68,879	66,444
Special education payments	82,607	77,561
Other	12,858	13,459
<b>Total other expenses</b>	<b>177,098</b>	<b>158,386</b>

Fees to auditors for other services are for carrying out an assignment in the area of due diligence services, which is compatible with the independence requirements.

**Note 8 – Loss on sale of property, plant and equipment**

	30/06/2011 <b>Actual</b> \$000	30/06/2010 <b>Actual</b> \$000
Chattels	(2)	501
Land and buildings	2,552	-
<b>Total (gain)/loss on sale of property, plant and equipment</b>	<b>2,550</b>	<b>501</b>

**Note 9 – Net surplus payable to the Crown**

	30/06/2011 <b>Actual</b> \$000	30/06/2010 <b>Actual</b> \$000
Surplus/(deficit) from the Statement of Comprehensive Income	(14,326)	12,297
Deficit carried to taxpayers' equity	14,326	-
<b>Total for repayment to the Crown</b>	<b>-</b>	<b>12,297</b>

**Note 10 – Revaluation reserves**

	30/06/2011 <b>Actual</b> \$000	30/06/2010 <b>Actual</b> \$000
<b>Revaluation reserves consist of:</b>		
Land revaluation reserves	2,142,311	2,223,236
Building revaluation reserves	3,787,640	3,738,416
<b>Total revaluation reserve</b>	<b>5,929,951</b>	<b>5,961,652</b>

The revaluation reserve is used to record increases and decreases in the fair value of land and buildings to the extent that they offset one another.

**Note 11 – Accounts receivable**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Trade receivables	1,233	1,592
Crown debtor	77,070	58,073
Non-trade receivables	1,562	1,735
Employee advances	-	41
<b>Total accounts receivable</b>	<b>79,865</b>	<b>61,441</b>

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

As at 30 June 2011 and 2010, all trade receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2011			30/06/2010		
	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	477	-	477	740	-	740
Past due 1 - 30 days	510	-	510	132	-	132
Past due 31 - 60 days	22	-	22	62	-	62
Past due 61 - 90 days	112	-	112	615	-	615
Past due > 91 days	412	300	112	268	225	43
<b>Total</b>	<b>1,533</b>	<b>300</b>	<b>1,233</b>	<b>1,817</b>	<b>225</b>	<b>1,592</b>

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:

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
<b>Balance at 1 July</b>	<b>225</b>	<b>236</b>
Additional provisions made during the year	91	10
Receivables written off during period	(16)	(21)
<b>Balance at 30 June</b>	<b>300</b>	<b>225</b>

**Note 12 – Prepayments**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Prepayments	1,403	2,915
Property capital	38,273	32,447
<b>Total prepayments</b>	<b>39,676</b>	<b>35,362</b>

**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:

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Buildings	11,712	10,087
Land	34,199	30,628
<b>Total non-current assets held for sale</b>	<b>45,911</b>	<b>40,715</b>

**Note 14 – Accounts payable**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Trade payables	18,268	13,002
Accrued expenses	76,203	63,430
Crown entities	1,926	5,557
<b>Total accounts payable</b>	<b>96,397</b>	<b>81,989</b>

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**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
<b>Current liabilities</b>		
Annual leave	12,361	11,701
Provision for State Sector Retirement Savings Scheme	112	120
Government Superannuation Fund: Employer Subsidy	21	9
Long service leave	316	177
Retiring leave	952	1,295
<b>Total current portion</b>	<b>13,762</b>	<b>13,302</b>

The provision for annual leave represents the amount owing to employees as at 30 June 2011. The provision for Government Superannuation Fund: Employer Subsidy represents the amount owing to the fund on behalf of employees as at 30 June 2011.

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
<b>Non-current liabilities</b>		
Long service leave	1,299	1,321
Retiring leave	4,193	3,939
<b>Total non-current portion</b>	<b>5,492</b>	<b>5,260</b>

The provision for long service and retiring leave is calculated on an actuarial basis as at 30 June 2011. 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 2011, where the main economic assumptions applied were discount rates prescribed by the Treasury calculated as at 30 June 2011 and a salary growth rate of 2.75% (2.75% in 2009/10).

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 \$123,000 higher/\$113,000 lower
- ▲ retiring leave liability would be an estimated \$316,000 higher/\$276,000 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 \$7,000 higher/\$7,000 lower
- ▲ retiring leave liability would be an estimated \$15,000 higher/\$16,000 lower.

**Note 16 – Non-current assets****Valuation**

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

	Land	Buildings	Furniture/ office equipment	Motor vehicles	Total
	<b>Valuation</b>	<b>Valuation</b>	<b>Cost</b>	<b>Cost</b>	
	\$000	\$000	\$000	\$000	\$000
<b>Cost or valuation</b>					
Balance at 1 July 2009	2,775,532	8,105,339	72,554	11,927	10,965,352
Additions	9,020	621,948	11,579	2,224	644,771
Revaluation increase/(decrease)	(40,332)	(460,101)	-	-	(500,433)
Disposals	(4,220)	(24,590)	(950)	(1,622)	(31,382)
<b>Balance at 30 June 2010</b>	<b>2,740,000</b>	<b>8,242,596</b>	<b>83,183</b>	<b>12,529</b>	<b>11,078,308</b>
Additions	6,947	572,809	9,867	3,053	592,676
Revaluation increase/(decrease)	(81,456)	(297,599)	-	-	(379,055)
Disposals	(4,967)	(23,022)	(335)	(3,289)	(31,613)
<b>Balance at 30 June 2011</b>	<b>2,660,524</b>	<b>8,494,784</b>	<b>92,715</b>	<b>12,293</b>	<b>11,260,316</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 July 2009	-	-	44,872	4,093	48,965
Depreciation expense	-	411,999	7,685	1,600	421,284
Eliminate on disposal	-	-	(540)	(1,007)	(1,547)
Eliminate on revaluation	-	(406,326)	-	-	(406,326)
Impairment provision	-	930,400	-	-	930,400
<b>Balance at 30 June 2010</b>	<b>-</b>	<b>936,073</b>	<b>52,017</b>	<b>4,686</b>	<b>992,776</b>
Depreciation expense	-	408,624	8,424	1,518	418,566
Eliminate on disposal	-	(2,520)	(281)	(2,028)	(4,829)
Eliminate on revaluation	-	(411,226)	-	-	(411,226)
Impairment provision	-	54,700	-	-	54,700
<b>Balance at 30 June 2011</b>	<b>-</b>	<b>985,651</b>	<b>60,160</b>	<b>4,176</b>	<b>1,049,987</b>
<b>Carrying amounts</b>					
At 1 July 2009	2,775,532	8,105,339	27,682	7,834	10,916,387
At 30 June 2010	2,740,000	7,306,523	31,166	7,843	10,085,532
<b>At 30 June 2011</b>	<b>2,660,524</b>	<b>7,509,133</b>	<b>32,555</b>	<b>8,117</b>	<b>10,210,329</b>

The balance of accumulated depreciation and impaired losses under buildings as at 30 June 2011 includes impairment for damage resulting from the Canterbury earthquakes, weather-tightness issues and estimated depreciation of work in progress completed as at 30 June 2011 but not yet capitalised.

The annual revaluation of school land, early childhood education land and houses was conducted by Darroch Limited, led by Kerry Stewart (FPINZ, FNZIV). The valuation had an effective date of 30 June 2011. School buildings and improvements are valued internally by experienced Ministry staff, and the internal valuation is reviewed by Darroch Limited, also led by Kerry Stewart.

	Land \$000	Buildings \$000	Total \$000
Darroch Limited	2,660,524	131,809	2,792,333
Internal assessment by experienced Ministry staff	-	7,377,324	7,377,324
<b>Total</b>	<b>2,660,524</b>	<b>7,509,133</b>	<b>10,169,657</b>

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 \$45.9 million (\$40.7 million for the year ended 30 June 2010) 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.

As a result of the earthquake events in the Canterbury region in 2010/11, buildings with a total carrying value of \$2.5 million had been demolished by 30 June 2011. Buildings with a carrying value of \$7.3 million have been identified as 'to be demolished' as at 30 June 2011.

The Ministry adopted a two-tier approach to the risk management of our property, plant and equipment for the year 2010/11:

- ▲ The first tier concentrated on upgrading fire protection and security systems in order to minimise arson and vandalism losses.
- ▲ The second tier is a policy of self-insurance up to a yearly limit of \$12.5 million to cover claims from catastrophic loss. Losses beyond the annual limit are covered by a catastrophe insurance policy placed with the international insurance market, which provides cover for 100% of the loss, up to \$198 million for any one fire event and up to \$258 million for any one non-fire event or \$456 million in one year for more than one event.

The Ministry has entered a material damage policy with the international insurance market for 2011/12, which provides cover for \$260 million for any one loss and in the aggregate for Canterbury Referral Zone; and one reinstatement to \$460 million in the aggregate for the Rest of New Zealand (ie no reinstatement for Canterbury Referral Zone) for the period at additional premium; and a fire limit of \$60 million for any one loss and in the aggregate (with no reinstatement).

The Ministry self-insures up to the yearly deductible amounts, being:

- ▲ Non-Catastrophe, \$25,000 for each and every loss and \$12.5 million in the aggregate
- ▲ Catastrophe, \$25 million for each and every loss, except \$50 million for each and every loss for Catastrophic Risk Evaluation and Standardising Target Accumulations Zone 10 (Wellington) and 13 (Canterbury), except \$75 million for each and every loss for Canterbury Referral Zone.

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 \$270.369 million (2009/10: \$206.465 million).

**Note 17 – Intangible assets**

	Internally generated software
	\$'000
<b>Cost</b>	
Balance at 1 July 2009	72,566
Additions	2,994
<b>Balance at 30 June 2010</b>	<b>75,560</b>
Additions	5,119
<b>Balance at 30 June 2011</b>	<b>80,679</b>
<b>Accumulated amortisation</b>	
Balance at 1 July 2009	42,652
Amortisation expense	9,138
<b>Balance at 30 June 2010</b>	<b>51,790</b>
Amortisation expense	10,490
<b>Balance at 30 June 2011</b>	<b>62,280</b>
<b>Carrying amounts</b>	
At 1 July 2009	29,914
At 30 June 2010	23,770
<b>At 30 June 2011</b>	<b>18,399</b>

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 \$33.835 million that are fully amortised but that are still in use (2009/10: \$32.654 million).

The total amount of software assets in the course of development is \$2.239 million (2009/10: \$1.849 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.

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$000</b>	<b>Estimates</b>	<b>\$000</b>	<b>\$000</b>
<b>Reported net surplus/(deficit)</b>	<b>(14,326)</b>	<b>-</b>	<b>-</b>	<b>12,297</b>
<b>Add non-cash items:</b>				
Depreciation	429,058	455,683	455,683	430,422
Buildings demolished and identified for demolition	9,759	10,000	-	-
Increase/(decrease) in non-current employee entitlements	232	-	-	1,213
	<b>439,049</b>	<b>465,683</b>	<b>455,683</b>	<b>431,635</b>
<b>Add/(less) movements in working capital items:</b>				
(Increase)/decrease in accounts receivable	5,846	19,788	-	(29,959)
(Increase)/decrease in prepayments	1,512	-	-	(808)
Increase/(decrease) in accounts payable	14,341	22,589	-	7,889
Increase/(decrease) in current employee entitlements	460	(81)	-	695
	<b>22,159</b>	<b>42,296</b>	<b>-</b>	<b>(22,183)</b>
<b>Add/(less) items classified as investing activities:</b>				
Net (surplus)/loss on sale of property, plant and equipment	2,550	-	-	501
	<b>2,550</b>	<b>-</b>	<b>-</b>	<b>501</b>
<b>Net cash flows from operating activities</b>	<b>449,432</b>	<b>507,979</b>	<b>455,683</b>	<b>422,250</b>

## 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.

### **Maximum credit risk exposure**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Cash and bank balances	24,365	24,130
Accounts receivable	79,865	61,441
<b>Total maximum credit risk exposure</b>	<b>104,230</b>	<b>85,571</b>

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.

### **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.

	<b>Less than 6 months</b>	<b>Between 6 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	\$000	\$000	\$000	\$000	\$000
<b>2010</b>					
Creditors and other payables	66,819	25,641	-	-	<b>92,460</b>
<b>2011</b>					
Creditors and other payables	81,750	25,577	-	-	<b>107,327</b>

**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:

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
<b>Loans and receivables</b>		
Cash and cash equivalents	24,365	24,130
Debtors and other receivables (Notes 11 and 12)	119,541	96,803
<b>Total loans and receivables</b>	<b>143,906</b>	<b>120,933</b>
<b>Financial liabilities measured at amortised cost</b>		
Creditors and other payables	107,327	92,460

**Note 21 – Capital management**

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

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

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

**Note 22 – Related party transactions and key management personnel*****Related party transactions***

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

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

**The following transactions were carried out with related parties:**

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

- ▲ Te Runanga o Ngāti Porou, in which a Deputy Secretary's brother is the Deputy Chairman. These services cost \$1,809 (2010: \$1,350) and were supplied on normal commercial terms. No balance was outstanding at year end (2010: Nil).
- ▲ Te Matatini Society, in which a Deputy Secretary's brother is the Chairman. These services cost \$686 (2010: Nil). No balance was outstanding at year end (2010: Nil).
- ▲ Te Whare Wānanga o Awanuiārangī, in which a Deputy Secretary's brother-in-law is a Board member. These services cost \$640 (2010: Nil). No balance was outstanding at year end (2010: Nil).
- ▲ Montessori-at-Otari Playgroup, in which a senior manager's wife is the Chair of the Playgroup. These services cost \$1,289 (2010: Nil). No balance was outstanding at year end (2010: Nil).
- ▲ Gardiner & Parata Ltd, which is owned by a Deputy Secretary's brother-in-law and sister. These services cost \$23,584 (2010: \$37,303) and were supplied on normal commercial terms. No balance was outstanding at year end (2010: Nil).

- ▲ Evaluation Associates, in which a senior manager's partner is a director and major shareholder. These services cost \$21,064 (2010: \$118,935) and were supplied on normal commercial terms. No balance was outstanding at year end (2010: Nil).
- ▲ Educational Leadership Project Ltd, in which a senior manager's sister-in-law is a director of the company. These services cost \$4,863 (2010: \$39,077) and were supplied on normal commercial terms. No balance was outstanding at year end (2010: Nil).

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

***Key management personnel compensation***

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Salaries and other short-term employee benefits	2,394	2,254
Post-employment benefits – superannuation	62	62
Other long-term benefits	-	-
Termination benefits	-	-
<b>Total key management personnel compensation</b>	<b>2,456</b>	<b>2,316</b>

Key management personnel information relates to the seven positions of the senior management team – Secretary for Education and six deputy secretaries.

Key management personnel compensation excludes the remuneration and other benefits the Minister of Education and the Minister for Tertiary Education 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 during the 2010/11 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.

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.

An other expenses appropriation was provided for writing off, or making good damage to, departmental assets and re-establishing school operations in Christchurch following the 22 February 2011 earthquake. The expected results of this appropriation are also compared against the results achieved.

### Statement of Expenditure and Appropriations for Vote Education for the year ended 30 June 2011

<b>Departmental Expenses</b>	<b>30/06/2011 Expenditure \$000</b>	<b>30/06/2011 Supplementary Estimates \$000</b>	<b>30/06/2011 Budget \$000</b>	<b>30/06/2010 Supplementary Estimates \$000</b>
<b>Appropriations for output expenses</b>				
<b>Minister of Education</b>				
Interventions for Target Student Groups	233,554	242,394	237,396	225,266
School Property Portfolio Management	1,226,869	1,258,407	1,364,193	1,287,871
Strategic Leadership in the Sector	32,619	34,081	31,476	31,276
Support and Resources for Education Providers	68,422	74,752	85,669	77,258
Support and Resources for Teachers	57,425	63,050	59,528	61,347
Support and Resources for the Community	11,232	13,565	14,378	14,492
<b>Minister for Tertiary Education</b>				
Strategic Leadership in the Tertiary System	15,261	16,292	13,890	15,082
<b>Total appropriation for output expenses</b>	<b>1,645,382</b>	<b>1,702,541</b>	<b>1,806,530</b>	<b>1,712,592</b>
<b>Appropriation for other expenses</b>				
Recovery from February 2011 Christchurch Earthquake	14,326	14,720	-	-
<b>Total output and other expenses</b>	<b>1,659,708</b>	<b>1,717,261</b>	<b>1,806,530</b>	<b>1,712,592</b>
Capital Expenditure	597,795	663,804	712,592	682,283

### Changes to departmental appropriations in 2010/11

Expenditure on outputs delivered by the Ministry decreased by \$104.0 million (GST exclusive) during 2010/11 (refer table on page 81). The major reasons for the decrease were:

### Cabinet and other decisions

Cabinet and other decisions resulted in a \$14.0 million increase to appropriations. The major initiatives agreed by the Government during 2010/11 were:

- ▲ provision for costs arising from the February 2011 earthquake (\$4.4 million) funded from expected insurance recoveries
- ▲ provision of communication services to an additional 1,000 students aged five to eight (\$4.0 million)
- ▲ provision for additional programme management costs related to ultra-fast broadband in schools (\$3.9 million)
- ▲ settlement of special education field staff and service managers' collective agreements (\$1.0 million)
- ▲ training additional advisors on deaf children (\$0.6 million).

### Expense transfers

Transfers from 2010/11 to subsequent financial years or from 2009/10 to 2010/11 totalled \$44.9 million.

The major transfers reflected changes in timing in the following outputs:

- ▲ school property rationalisation project (\$23.0 million)
- ▲ national survey of defective buildings (\$11.5 million)
- ▲ development of the schools' payroll project (\$10.1 million)
- ▲ long-term work programme for teachers (\$1.0 million).

### Other output adjustments

Capital charge for the year was \$77.6 million less than originally forecast, mainly as a consequence of a downward revaluation of school sector property at the end of June 2010 and the impairment of defective buildings.

Some fiscally neutral changes were required following changes to cost allocations between departmental output expense appropriations.

Other adjustments largely related to movements between Ministry outputs and non-departmental appropriations, including:

- ▲ to develop the Student Achievement Function in order to continue to raise student achievement by directly working with schools and kura including some reallocation between Ministry outputs (\$3.1 million)
- ▲ transfer of the Tertiary Education Commission's policy advice function to the Ministry (\$0.8 million).

### Other expense

A new departmental other expense appropriation Recovery from February 2011 Christchurch Earthquake was established for writing off, or making good damage to, departmental assets and re-establishing school operations in Christchurch following the 22 February 2011 earthquake (\$14.7 million).

### Capital injection

All figures \$000	Budget Night	Supplementary Estimates	Final Appropriation
School property	247,861	(46,509)	201,352
Other programmes	6,168	931	7,099
<b>Total capital</b>	<b>254,029</b>	<b>(45,578)</b>	<b>208,451</b>

Capital injections to be received by the Ministry during 2010/11 decreased by \$45.6 million, mainly owing to a combination of:

- ▲ transfers to 2011/12 of funding for school property works programme, including defective buildings (\$32.0 million) and other programmes (\$23.0 million)
- ▲ continued funding for ultra-fast broadband into schools (\$8.5 million).

### Capital expenditure

This appropriation decreased by \$48.8 million to \$663.8 million for 2010/11. The decrease is mainly owing to:

- ▲ transfers to 2011/12 of expenditure due to delays in the school property works programme, including defective buildings (\$32.0 million) and other programmes (\$14.5 million)
- ▲ transfer of capital funds to an operating stream to provide for leased accommodation (\$3.2 million)
- ▲ continued expenditure for the implementation of ultra-fast broadband in schools (\$8.5 million).

Departmental Output Expense Appropriations 2010/11	Interventions for Target Student Groups	School Property Portfolio Management	Strategic Leadership in the Sector	Strategic Leadership in the Tertiary System	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	\$000
<b>Budget 2010 Appropriations</b>	<b>237,396</b>	<b>1,364,193</b>	<b>31,476</b>	<b>13,890</b>	<b>85,669</b>	<b>59,528</b>	<b>14,378</b>	<b>1,806,530</b>
<b>Cabinet and Ministerial Decisions</b>								
Earthquake costs for school property	-	4,396	-	-	-	-	-	4,396
Supporting 1,000 additional students aged 5 to 8	4,000	-	-	-	-	-	-	4,000
Funding settlement of staff collective agreements	1,018	-	-	-	-	-	-	1,018
Training additional advisors on deaf children	600	-	-	-	-	-	-	600
Ultra-fast broadband in schools: towards a managed network	-	168	-	-	3,881	-	-	4,049
Trialling new approaches to social sector change	(83)	-	-	-	-	-	-	(83)
	<b>5,535</b>	<b>4,564</b>	<b>-</b>	<b>-</b>	<b>3,881</b>	<b>-</b>	<b>-</b>	<b>13,980</b>
<b>Transfers</b>								
School property rationalisation project	-	(22,959)	-	-	-	-	-	(22,959)
Defective buildings project	-	(11,501)	-	-	-	-	-	(11,501)
Schools' payroll project	-	-	-	-	(10,127)	-	-	(10,127)
Industrial relations long-term work programme	-	-	-	-	(1,022)	-	-	(1,022)
Others	290	-	(225)	-	280	100	250	695
	<b>290</b>	<b>(34,460)</b>	<b>(225)</b>	<b>-</b>	<b>(10,869)</b>	<b>100</b>	<b>250</b>	<b>(44,914)</b>
<b>Fiscally Neutral Adjustments</b>								
Ministry output costing update	(1,073)	1,575	2,755	1,494	(2,912)	(2,757)	918	-
Analytical and research services	(50)	-	50	-	-	-	-	-
	<b>(1,123)</b>	<b>1,575</b>	<b>2,805</b>	<b>1,494</b>	<b>(2,912)</b>	<b>(2,757)</b>	<b>918</b>	<b>-</b>
<b>Technical Changes</b>								
Capital charge – property revaluation	-	(76,839)	-	-	-	-	-	(76,839)
Capital charge – other	-	(788)	-	-	-	-	-	(788)
Government Superannuation Fund increase	296	65	53	20	46	39	19	538
	<b>296</b>	<b>(77,562)</b>	<b>53</b>	<b>20</b>	<b>46</b>	<b>39</b>	<b>19</b>	<b>(77,089)</b>
<b>Other Adjustments</b>								
Raising student achievement	-	-	-	-	(1,063)	6,140	(2,000)	3,077
Changing the roles of tertiary education agencies	-	-	-	788	-	-	-	788
Other changes	-	97	(28)	100	-	-	-	169
	<b>-</b>	<b>97</b>	<b>(28)</b>	<b>888</b>	<b>(1,063)</b>	<b>6,140</b>	<b>(2,000)</b>	<b>4,034</b>
<b>Total Changes</b>	<b>4,998</b>	<b>(105,786)</b>	<b>2,605</b>	<b>2,402</b>	<b>(10,917)</b>	<b>3,522</b>	<b>(813)</b>	<b>(103,989)</b>
<b>Final 2010/11 Appropriations</b>	<b>242,394</b>	<b>1,258,407</b>	<b>34,081</b>	<b>16,292</b>	<b>74,752</b>	<b>63,050</b>	<b>13,565</b>	<b>1,702,541</b>

**Departmental output expense specifications****Interventions for Target Student Groups****Portfolio Minister – Minister of Education****Scope of appropriation**

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

**Output performance measures and standards**

Performance Measures	Budget Standard	Actual Performance
<b>Development and Evaluation of Student Intervention Policy</b>		
The Ministry measures the quality and timeliness of its policy advice through a representative sample of policy advice that the Ministry has provided the Minister of Education and Cabinet committees. The sample spans all areas of the Ministry's policy work and provides a general rating across these areas.		
For the purposes of this report, the information provided below encompasses the following Output Expenses relating to policy advice:		
<ul style="list-style-type: none"> <li>▲ Development and Evaluation of Student Intervention Policy</li> <li>▲ Development and Evaluation of Strategic Policy</li> <li>▲ Development and Evaluation of Provider Policy</li> <li>▲ Development and Evaluation of Teaching Policy</li> <li>▲ Development and Evaluation of Community Policy.</li> </ul>		
Policy will be delivered according to the work programme (and any subsequent amendments) negotiated between the Minister of Education and the Secretary for Education.	100%	Achieved. All policy provided during this period was delivered according to the work programme agreed between the Ministry and Ministers, as outlined in the Ministry's Statement of Intent 2010-2015.
The quality of the Ministry's policy advice will be internally assessed from a representative sample of the Ministry's policy advice to Education Ministers and Cabinet committees, showing an improvement from the current benchmark result of 6.0 out of 10 to a score in excess of 7.5 – as assessed against the Ministry's Criteria for Assessing Policy Papers.	>7.5/10	During 2010/11, the Ministry discontinued its internal assessment of policy advice quality to focus on external assessments by the New Zealand Institute of Economic Research.
The quality of the Ministry's policy advice will be externally assessed from a representative sample of the Ministry's policy advice to Education Ministers and Cabinet committees, showing an improvement from the current rating of 6.8 out of 10 to a score over 7.0 – as assessed through the annual New Zealand Institute of Economic Research review.	>7.0/10	The Ministry commissioned the New Zealand Institute of Economic Research to review a sample of 30 policy papers produced throughout the 2010/11 year drawn from across the Ministry's Policy Groups. The mean score was 6.8 out of 10. The New Zealand Institute of Economic Research rated the median (ie centre of the sample) score as 7, which is regarded as adequate.
Percentage of policy that is provided within the agreed timeframes.	100%	Achieved. Policy advice was provided within key timeframes.

Performance Measures	Budget Standard	Actual Performance
<b>Targeted Student Participation Interventions</b>		
The following scholarships and awards will be administered:		
▲ Boarding Allowances and Bursaries.	400 - 600	687
▲ Home Schooling Allowances.	5,500 - 6,500	<p>Students exempted to homeschool are eligible for two homeschooling allowance payments per year, in arrears on receipt of a completed statutory declaration for the relevant funding period.</p> <p>At any time during the funding period 1 July 2010 to 31 December 2010 there were 6,432 active homeschooled students. For this period, 6,178 students have received their allowances.</p> <p>At any time during the funding period 1 January 2011 to 30 June 2011 there were 6,091 active homeschooled students. For this period, 5,308 have so far received their allowances.</p> <p>The difference between the number of active students and the number of paid students for each period is because statutory declarations have not been received for those students, and this is what activates a student's allowance payment.</p> <p>The 1 January 2011 to 30 June 2011 period was paid at the end of June 2011 so there are still a number of outstanding statutory declarations for this funding period.</p>
▲ Māpihi Pounamu.	350 - 500	482
▲ Aspire Scholarships.	200	184
Interim Response Fund grant applications processed.	1,500 - 2,500	3,000
Non-enrolled truancy cases closed by Ministry staff.	400 - 1,000	435
The following funding will be provided to schools for the provision of support to English language learners:		
▲ English for Speakers of Other Languages funding for provision of support.	32,000 students	33,653 students funded for Terms 3 and 4, 2010 32,651 students funded for Terms 1 and 2, 2011.
▲ Refugee Flexible Funding pool (for additional support to at-risk refugee background students).	30 - 40 schools for at least 600 students	31 schools (619 students).
▲ Refugee pathways.	25 - 35 schools	20 schools.

Performance Measures	Budget Standard	Actual Performance
Scholarships and grants will be: <ul style="list-style-type: none"> <li>▲ awarded in line with Government policies and published criteria</li> <li>▲ calculated accurately</li> <li>▲ paid to the correct payee</li> <li>▲ paid within timeframes.</li> </ul>	98%	Achieved (Māpihi Pounamu and Aspire).  All TeachNZ Scholarships and Study Awards are now awarded against eligibility and selection criteria that reflect Government priorities. Payments have been made correctly and within agreed timelines with an information technology upgrade process completed to reduce the risk of error. A further project has been completed to increase the accuracy of Study Award payments claimed by schools.
Satisfaction of providers, families, communities and students with support and assistance provided.	Feedback collected	According to the feedback received from the 2010 Aspire and Māpihi Pounamu scholarship students and caregivers, the majority have been satisfied with the scheme.
Scholarships and grants will be paid within the timeframes notified.	100%	Achieved (Māpihi Pounamu and Aspire).  In the current financial year, all TeachNZ payments have been made within the timeframes notified to scholarship recipients and schools.

#### Special Needs Interventions

Number of Communications services students.	5,500 - 7,000	5,896
Number of Behavioural services students.	4,000 - 6,000	3,776  This includes students receiving an intensive behaviour service.
Workshops for family and whānau and education providers.	550 - 650	568  In addition the Ministry delivered the Incredible Years parents and teachers programmes during 2010/11 at the following volumes: <ul style="list-style-type: none"> <li>▲ Incredible Years parents programme: 1,827 parents have completed or are participating in one of 70 programmes.</li> <li>▲ Incredible Years teachers programme: 1,440 teachers have completed or are participating in one of 65 programmes.</li> </ul>
Number of Early Intervention services students.	11,000 - 13,000	12,994
Number of complex needs services comprising:		
▲ Ministry-provided Ongoing Resourcing Scheme (ORS) students	3,600 - 3,800	4,950
▲ Specialist service provider Ongoing Resourcing Scheme students	2,950 - 3,150	3,264
▲ Ongoing Resourcing Scheme extension students	400	359
▲ High Health Needs students	550	644
▲ Other services.	2,200 - 2,500	3,441

Performance Measures	Budget Standard	Actual Performance
Families, education providers and communities are satisfied with the services received.	Feedback collected	<p>The Special Education Service Promise, which sets out internal and external customer expectations, was rolled out to teams from February 2011.</p> <p>The annual client satisfaction survey, which measures parent and educator satisfaction with Special Education services, was completed in early June and the first results are available. These show that 76% of parents and 64% of educators were satisfied with the overall quality of service delivery.</p>
Percentage of providers that were reviewed during the year that met or exceeded the standards for service.	100%	<p>From July 2010 to June 2011, 26 specialist service providers were scheduled to be reviewed.</p> <p>As two reviews had to be rescheduled because of the Canterbury earthquakes, 24 reviews were completed in the timeframe.</p> <p>Providers were on average meeting 84% of the standards reviewed in depth.</p> <p>Five providers were meeting fewer than 55% of these standards and have been scheduled to have a discretionary review within 12 to 18 months of their action plan being approved. If these providers are removed from the analysis, the remaining providers are meeting in excess of 90% of the standards that were reviewed in depth.</p>
Percentage of eligible children waiting more than 90 days from referral for Communications, Behavioural, Early Intervention and Ongoing Resourcing Scheme service.	No more than 5% for each service	<p>As at 30 June the percentage across all services was 13%.</p> <p>Broken down by service this is:</p>
▲ Communication services		10%. Variance due to increases in demand for other services (early intervention and Ongoing Resourcing Scheme).
▲ Behaviour services		9%. Meeting this target was impacted by a national spike in hours spent responding to traumatic incidents (including the Education Welfare Response to the Canterbury earthquakes and the Pike River mining disaster in Greymouth).
▲ Early Intervention services		16%. Demand for this service has impacted on the waiting list over 2010/11. Over this period the highest ever number of students has accessed early intervention services.
▲ Ongoing Resourcing Scheme		6%. At times it was difficult to meet the 5% target; however the figures above show we are delivering to 1,000 more individual students than the original target.

**Cost of output expense: Interventions for Target Student Groups**

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
From the Crown	230,135	239,062	234,064	221,934
Other	3,419	3,332	3,332	4,020
<b>Total revenue</b>	<b>233,554</b>	<b>242,394</b>	<b>237,396</b>	<b>225,954</b>
<b>Expenditure</b>				
Personnel	107,758			106,763
Operating	24,041			22,512
Depreciation	7,897			7,093
Capital charge	2,332			2,682
Other expenses	91,526			84,181
<b>Total expenditure</b>	<b>233,554</b>	<b>242,394</b>	<b>237,396</b>	<b>223,231</b>
Surplus/(deficit)	-	-	-	2,723

The increase in appropriation for 2010/11 compared with 2009/10 funding was owing to a combination of:

- ▲ increased provision for implementation of Positive Behaviour for Learning
- ▲ extension of the Ongoing Resourcing Scheme
- ▲ wage settlement for special education-funded teacher aides
- ▲ maintaining hours of special education support workers
- ▲ effect of settlement of special education field staff and service managers' collective agreements
- ▲ partly offset by reductions in general operating expenditure as agreed in Budget 2009.

The increase in the appropriation during the year was owing to a combination of:

- ▲ provision for supporting 1,000 additional students aged five to eight
- ▲ funding settlement of staff collective agreements
- ▲ training additional advisors on deaf children
- ▲ changes to cost allocations between departmental output expense appropriations.

Expenditure for the year was below budget mainly due to:

- ▲ slower than expected implementation of the Communications Learning Service programme and fewer initiatives being submitted than expected
- ▲ delays with the Positive Behaviour for Learning programme – some of this activity will now occur in 2011/12
- ▲ a lower demand for teacher aide hours in the Ongoing Resourcing Scheme and lower than expected expenditure for the High Health Needs Fund
- ▲ delays in implementing early intervention services.



## School Property Portfolio Management

### Portfolio Minister – Minister of Education

#### Scope of appropriation

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

At March 2011, there were more than 2,300 state (non-integrated) schools, with over 17,000 buildings on Ministry of Education-owned land, which covers an area of more than 18,000 hectares.

#### Output performance measures and standards

Performance Measures	Budget Standard	Actual Performance
Schools re-signing their Five-Year Property Agreement (5YA) for the period starting 1 July 2010.	420 - 430	<p>A new Five-Year Property Agreement round started on 1 July 2010 for 461 schools. With closures and mergers of schools during the year, this number has reduced to 439.</p> <p>The deadline for Five-Year Property Agreement completion was extended from September 2010 to December 2010 to help schools implement the new modern learning environment prioritisation process.</p> <p>By the end of June 2011, 248 of the 439 (56%) agreements had been signed.</p>
All schools are visited by Ministry of Education property staff within two years to support school property management including planning, capital projects and maintenance.	900 - 1,100 per year	Currently, 1,386 of 2,075 eligible state schools (67%) are recorded as being visited in the last two years (682 schools remain unvisited in that time).
School maintenance plans monitored and reviewed.	200 plans	<p>As at 30 June 2011, 154 of the 200 state schools on this year's Ten-Year Property Plan (10YPP) Assessment Programme have been assessed and data collected and tabled in the database.</p> <p>Initial feedback from the assessment:</p> <ul style="list-style-type: none"> <li>▲ All schools were aware of the need for a Ten-Year Property Plan and had one in place. The majority were implementing it successfully.</li> <li>▲ The role of the Ministry's Preferred Supplier Project Manager for devising and implementing the Ten-Year Property Plan is supported by a clear majority of the schools assessed.</li> </ul>
New schools are opened in time for the new school year.	100%	Achieved. All new schools planned to open in 2010/11 were opened on the date required.

Performance Measures	Budget Standard	Actual Performance
The 2010/11 work programmes are implemented in accordance with the 2010/11 School Property Capital Plan.	100%	<p>Not Achieved</p> <p>The updated School Property Capital Plan (budget) of \$642 million includes a transfer to future years of \$95 million.</p> <p>This transfer forward includes: (i) \$32 million of committed funds in the Defective Buildings programme that will not be spent until 2011/12; (ii) the School Network Upgrade Project (\$17 million) and certain projects within the Expanding Capacity – Quantity programme (\$46 million) across financial years.</p> <p>The actual expenditure was \$580 million at the end of June 2011.</p> <p>Principal reasons for the reduced expenditure against budget include:</p> <ul style="list-style-type: none"> <li>▲ the impact of the Canterbury earthquake recovery on management focus, work prioritisation and the direct consequential constraints on specific programmes in the impacted region</li> <li>▲ delays in programme expenditure, particularly in relation to kura roll growth, the School Network Upgrade Project and new site acquisitions and new school construction.</li> </ul>
Management of upgrade of schools infrastructure cabling to prepare for broadband connection Stage 3.	340 schools prepared	<p>As at 4 July 2011, 162 of the target 340 school upgrades (Stage 3) have been delivered.</p> <p>Issues identified within this current period have been remedied, and the project is on track for 2011/12.</p>
Develop Stage 2 business case for broadband in schools.	By May 2011	Achieved. The business case will be considered by Ministers in due course.

Performance Measures	Budget Standard	Actual Performance	
The Ministry will ensure that:			
All state schools have a Ten-Year Property Plan in place that includes an asset condition assessment; and a Five-Year Property Agreement that prioritises issues identified in the Ten-Year Property Plan prior to accessing capital funding, with the exception of funding to rectify a catastrophic loss.	100%	All Ten-Year Property Plans signed since 1 July 2007 include an asset condition assessment.	
		Schools entering a new Ten-Year Property Plan from 1 July 2010 were given until December 2010 to assist them to implement the new modern learning environment prioritisation process.	
		As at 30 June 2011, 89% of schools had a signed Ten-Year Property Plan with a completed condition assessment.	
		At 30 June 2011, many schools were in the process of renewing their five-year capital funding agreements with the Ministry. The Ministry agreed to provide these schools with an extension to allow them to use a new condition assessment system and methodology that were implemented during the year.	
		The new property condition assessment methodology was piloted at 20 schools and a business case for the rollout was approved.	
		There have been 168 project managers trained on the new methodology and they have been given access to the new Property Condition Assessment system (WebFM). As at 30 June 2011, there were 114 schools with conditional assessment information loaded into WebFM.	
		As at 30 June 2011, the Five-Year Property Agreement status was as follows:	
Year	Unsigned 5YA	Total Schools	Signed
2010/11	191	439	56.5%
2009/10	12	357	96.6%
2008/09	17	415	95.9%
2007/08	1	827	99.9%
Total		2,038	

Performance Measures	Budget Standard	Actual Performance
Schools with a compliance schedule hold a current Building Warrant of Fitness.	100%	<p>As at 30 June 2011, 96% of state schools with compliance schedules had their Building Warrant of Fitness (BWOF) issued on time. A total of 88 (4%) of 2,011 state schools with compliance schedules did not because of outstanding pre-requisite work and late inspections/paperwork by contractors. All outstanding action is expected to be completed by 31 October 2011.</p> <p>April to June is the busiest period with over 50% of Building Warrants of Fitness falling due and the annual increase in overdue Building Warrants of Fitness reflects this. During this period 4,200 inspections are coordinated.</p>
Major projects are certified with a completion certificate provided by a professionally qualified project manager, such as an architect or engineer. They certify that the design complies with all statutory, regulatory and Ministry design standards and was implemented in accordance with Ministry operational policies outlined in the Property Management Handbook.	100%	<p>Although all projects met relevant building standards and were approved on completion, completion certificates for 4% of projects were unable to be located at the time of this report. As a result, 96% of projects have available completion certificates as at 30 June 2011.</p>
All schools suffering a catastrophic incident of loss (fire, flood, earthquake, etc) are restored to operational status within three working days of the loss.	100%	<p>Outside of the damage caused by the Canterbury earthquakes, all schools that suffered a catastrophic incident were returned to operational status within three working days. A major fire at Glendowie School occurred during the Christmas school holidays and although temporary classrooms were needed, the school was fit to open at the commencement of the new school term with no loss of days.</p> <p>165 schools in the Canterbury region were closed for up to a week and fewer than 10 closed for up to two weeks, as a result of the September earthquake.</p> <p>In addition, the February 2011 earthquake severely impacted on many schools in the Canterbury area and damage was still being assessed when the June earthquake occurred, causing further damage to school property. Ministry staff, in association with school management and external engineers, are making decisions on a case-by case basis as to when the remaining schools that have been seriously damaged will be re-opened (if at all).</p>

Performance Measures	Budget Standard	Actual Performance
Projects over \$250,000 are progressed within 12 months after funding approval.	95% design complete	71%
	85% tender complete	71%
	65% construction complete	11%
		Delays are due to an increased workload in the regions, work to repair defective buildings and restorative work in Canterbury.
New state schools are opened, new sites are acquired and new wharekura and kura redevelopments are delivered in accordance with the 2010/11 School Property Capital Plan.	3 new schools open	Four new schools were opened – Stonefields Primary, Ormiston Senior College, Golden Sands Primary and Papamoa College.  Three new Special Schools were completed in Wellington – Mahinawa Specialist School and Resource Centre, Kimi Ora Base Special School and Kimi Ora Satellite Special School.
	5 sites acquired	Land was acquired in Pukekohe West and Hokianga. A number of new designations and alterations to existing designations were undertaken.
	2 new wharekura	No new wharekura were completed during the year; however new wharekura are currently under construction in Nelson and Bethlehem and the kura roll growth/change of class programme has 18 kura/wharekura in various stages of development.
Funding for roll growth classrooms and non-teaching space at existing schools is allocated in accordance with the 2010/11 School Property Capital Plan.	100%	Funding has been allocated in accordance with the School Property Capital Plan.  Submissions for 140 standard classrooms and four specialist classrooms were planned. With a slightly lower average building cost than anticipated, a total of 152 classrooms have been built.
Post-occupancy evaluations are completed for all new schools that opened in 2010.	3	No post-occupancy evaluations were completed.  Owing to post-occupancy evaluations criteria changes, evaluations for the schools that opened in 2010 will be completed in 2011/12.  A new Request for Proposals document is currently being written for 2010 new schools. It will include new requirements regarding value for money and technical issues, as a result of responses within the last post-occupancy evaluations.

Performance Measures	Budget Standard	Actual Performance
Projects comply with statutory, regulatory and Ministry design standards and are implemented in accordance with the project management guidelines.	100%	<p>All projects were completed in accordance with internal Ministry of Education financial and project management guidelines.</p> <p>All projects were constructed in accordance with the Ministry, national (Resource Management Act and Building Act) and Territorial Local Authority design requirements.</p>
Post-occupancy evaluations confirm that schools that open in 2010 are aligned with their vision and meet the users' needs and that no major design or construction issues have been identified.	100%	<p>No post-occupancy evaluations were completed.</p> <p>Owing to post-occupancy evaluations criteria changes, evaluations for the schools that opened in 2010 will be completed in 2011/12.</p> <p>A new Request for Proposals document is currently being written for 2010 new schools.</p>
The real cost per student for the construction of new schools in 2010/11 will not exceed the 2009/10 cost.	<0% real increase	The construction rates for the 2010/11 year remained unchanged from the 2009/10 year. All new schools projects were completed on time and below budget.
New schools are opened in time for the new school year.	100%	All new schools planned to open in 2011 were opened on the date required.
Post-occupancy evaluations are completed for each new school within two years of the opening of the school.	100%	As part of the post-occupancy evaluations criteria changes, a new Request for Proposals document will state that all evaluations must be completed within two years of the opening of the school.
Surplus properties entering the sale disposal process.	60 - 80	Fifty-two properties entered the disposal process this financial year.
Surplus properties sold or removed.	85 - 100	<p>Fifty-one properties were sold this financial year (including six tertiary properties).</p> <p>Five properties have been withdrawn from the disposal process.</p> <p>There has been a large decrease in the number of properties in disposal which sold compared with last year (88). Various external factors have contributed to this trend, including a slower property market, disposal contractor's main office closed following the February Canterbury earthquake (not able to access files), complex subdivisions, delays in settlements concerning the Office of Treaty Settlements, and the Auckland Council reconsidering decisions made by previous councils.</p>

Performance Measures	Budget Standard	Actual Performance
Demolition of surplus buildings prioritised for rationalisation in 2010/11.	100%	<p>As at 30 June 2011, all buildings on the former Aorangi School, Christchurch, site have been demolished.</p> <p>Waimihi School, Waimihi, and part of the former Kaimiro School, Inglewood, and Waikiwi School, Invercargill, have been identified as suitable for rationalisation.</p>
Surplus properties are identified and disposed of in accordance with statutory, regulatory and Government policy requirements that apply to surplus Crown land.	100%	All of the 51 surplus properties (including six tertiary) were sold in accordance with Land Information New Zealand standards, following due process under legislation and Cabinet directives.
Sites where surplus buildings are demolished are restored to a condition where they are safe for the school to use.	100%	All demolition projects that have been completed during the 2010/11 year have returned the school site to a safe condition for staff and students. The Rationalisation Project has been established to ensure this occurs.
Surplus properties are sold within 16 to 38 months of them being assigned to the disposal process.	100%	<p><b>School properties (excluding houses for removal and tertiary properties)</b></p> <p>The average selling time for the 44 properties was 52 months.</p> <p>However, this includes 25 properties with protracted selling times averaging 74 months. The reasons for these long sale times include:</p> <ul style="list-style-type: none"> <li>▲ re-zoning application – one</li> <li>▲ complicated subdivisions – six</li> <li>▲ complicated offer backs – four</li> <li>▲ Gifted Lands Policy – four</li> <li>▲ slow market – three</li> <li>▲ review of Office of Treaty Settlements decision – one</li> <li>▲ ministerial decision on Sites of Significance – five</li> <li>▲ Ministry decision for possible kura – one.</li> </ul> <p>Note: if these 25 properties that faced exceptional circumstances are excluded from the calculations then the average selling time drops to 24 months.</p> <p><b>School properties – buildings for removal (including houses)</b></p> <p>The selling time for the one property was two months.</p> <p><b>Tertiary properties</b></p> <p>The average selling time for the six properties was 19 months.</p> <p>There has been a slight decrease in the number of properties that have been in disposal for a protracted timeframe. The Ministry's disposal contractor will investigate how disposal process timeframes might be shortened.</p>

Performance Measures	Budget Standard	Actual Performance
School house occupancy rate.	85%	76% occupancy for 2010/11.  Non-core houses that have been vacant for more than six months have been identified as houses that may be surplus to requirements. Work to consider options for disposal is underway.
Maintenance is completed as required for compliance with the Residency Tenancy Act 1986.	100%	100% as per schedule. Service agent (Darroch) provides helpdesk logs each month as part of their monthly reporting requirement.
Debtors for housing rental shall be kept current.	75% of debts are less than three months old	71% of debt is less than three months old.  Service agent (Darroch) actively pursues any outstanding balance, as per their contract.
Planned maintenance is undertaken as programmed, following the annual inspection.	Schedule of works submitted by the end of September. Works to be completed by June the following year	Planned maintenance completed as scheduled.
Urgent repairs and maintenance will be undertaken as and when required.	Contractor on site between six and 12 hours from initial request	Service agent (Darroch) provides helpdesk calls log each month. Work is commissioned immediately for health and safety issues, and quotes requested for others, as per their contract.
Identification and disclosure of all sites to be used in Treaty settlements under appropriate redress mechanisms.	100%	All 34 site disclosures requested have been completed. All requests for disclosure information from the Office of Treaty Settlements have been met.
Leases developed for all education sites that are to be sold and leased back.	100%	Template leases have been provided to all claimant groups with education sale and lease-back properties. Lease documents have been agreed with five iwi to date. The Ministry has been proactive and responsive in all Treaty negotiations.
Sale and lease-back leases enacted following legislation.	100%	The first sale and lease-back agreements from Stage One of the Treaty settlement programme are to be executed by late 2011/ early 2012. This timeframe has been pushed out from June 2011 because of delays in the passing of settlement legislation; this is required to enact the Treaty lease agreements.



**Cost of output expense: School Property Portfolio Management**

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
From the Crown	1,222,398	1,250,722	1,360,904	1,274,582
Other	4,471	7,685	3,289	4,339
<b>Total revenue</b>	<b>1,226,869</b>	<b>1,258,407</b>	<b>1,364,193</b>	<b>1,278,921</b>
<b>Expenditure</b>				
Personnel	10,215			8,684
Operating	2,480			7,799
Maintenance of school land and buildings	34,898			28,651
Depreciation	409,548			412,194
Capital charge	760,215			819,665
Other expenses	9,513			2,674
<b>Total expenditure</b>	<b>1,226,869</b>	<b>1,258,407</b>	<b>1,364,193</b>	<b>1,279,667</b>
Surplus/(deficit)	-	-	-	(746)

The increase in the appropriation in 2010/11 compared with 2009/10 funding was owing to a combination of:

- ▲ provision for a school property rationalisation programme
- ▲ additional costs – mainly capital charge and depreciation – related to the school property works programme, from Budgets 2009 and 2010 decisions
- ▲ the impact of Treaty of Waitangi settlements involving education sites including transfer costs and increased lease expenses
- ▲ increased costs related to managing the defective buildings programme
- ▲ increased costs related to disposal of surplus school properties
- ▲ additional costs related to property investments for school staffing improvements.

This appropriation was reduced during 2010/11 owing to a combination of:

- ▲ changes in capital charge, largely reflecting the impact of revaluation and impairment of defective buildings at 30 June 2010
- ▲ delays in the school property rationalisation project with expenditure now expected to occur over the next several years
- ▲ a slower start than expected on a national survey of defective buildings, which is now due to finish at the end of the next financial year
- ▲ provision for costs arising from the February 2011 Canterbury earthquake (funded by projected insurance recoveries)
- ▲ changes to cost allocations between departmental output expense appropriations.

Under-expenditure at the end of the year mainly comprised:

- ▲ lower than expected expenditure on earthquake rectification. Funding for meeting earthquake-related property management costs came initially from existing baselines (projected underspends in school-property depreciation and delays with Treaty settlements) as well as projected insurance recoveries. However the main focus was on emergency work and issues relating to temporary accommodation (and these costs were largely allocated to departmental other expense Recovery from February 2011 Christchurch Earthquake) while continuing aftershocks have prevented commencement of remedial work
- ▲ lower depreciation costs than expected due to delays in some capital expenditure projects.

**Strategic Leadership in the Sector****Portfolio Minister – Minister of Education****Scope of appropriation**

Expenditure on policies and services focused on the Ministry's leadership role in the education sector. This includes enhancing the Ministry's coordination with other sector and government agencies and forums, undertaking research and analysis, developing strategic policy, monitoring the sector and select Crown entities, and supporting the Minister of Education and Associate Minister to meet their obligations to Parliament.

**Output performance measures and standards**

Performance Measures	Budget Standard	Actual Performance
<b>Cross-Agency Coordination</b>		
The Secretary for Education has regular formalised contact with education chief executives to address issues of alignment within the sector.	Record of meeting and topics	Fifteen meetings were held between the Secretary for Education and education agency chief executives during this period. Of these, 12 were education chief executive meetings and three were Education Sector Information and Communications Technology Standing Committee meetings.
Central agencies, education agencies and other sector bodies as appropriate are satisfied that the cross-agency work programme is relevant and contributes to improved outcomes for the sector.	Feedback collected	Informal feedback from chief executives during meetings indicated satisfaction with the relevance of the cross-agency work to improve outcomes for the sector.
Peak bodies and other government agencies recognise the Ministry's leadership on education issues.	Feedback collected	The Ministry worked extensively with peak bodies and other government agencies through this period. The Ministry continues to work on improving its leadership role with peak bodies and government agencies.
Education chief executives are satisfied with Ministry advice on shared sector information and communications technology (ICT) services.	Feedback collected	<p>Informal feedback from chief executives indicated a high level of satisfaction with advice and operation of the work programme.</p> <p>A formal review of the Education Sector Information and Communications Technology Standing Committee and fora found "a consistent picture of a Committee that had made good early progress in coordinating Information and Communications Technology information and approaches across the education sector". The Committee is now considering how to most effectively support greater innovation in education sector information and communications technology.</p>
The cross-agency shared work programme is delivered as planned.	100%	The <i>Education Sector Information and Communications Technology Annual Report 2010-11</i> summarises status against the 2010-11 Work Programme, noting progress and challenges.

Performance Measures	Budget Standard	Actual Performance
The work plan is revisited and confirmed by the Ministry of Education and its partner agencies and relevant stakeholders before the commencement of each financial year.	100% of stakeholders consulted	<p>The 2010-11 Education Sector Information and Communications Technology Work Programme was confirmed by the Education Sector Information and Communications Technology Standing Committee in August 2010.</p> <p>The 2011-12 Education Sector Information and Communications Technology Work Programme was considered at the Committee's July 2011 meeting.</p>

### Research and Analysis

<p>Research/analysis reports are delivered according to the agreed work programme and aligned with the Ministry's priority areas, including:</p> <ul style="list-style-type: none"> <li>▲ outcomes of study and learner assessment</li> <li>▲ early childhood education</li> <li>▲ language, literacy and numeracy</li> <li>▲ international comparative studies.</li> </ul>	100%	<p>Achieved</p> <p>Reports were published in relation to all Ministry priority areas. Major overview reports during the year included <i>PISA 2009: Our 21st century learners at age 15</i>. All reports are made publicly available on the Ministry of Education's Education Counts website.</p> <p><a href="http://www.educationcounts.govt.nz/publications#">http://www.educationcounts.govt.nz/publications#</a></p>
All research and analysis projects are reviewed for accuracy, quality and value.	100%	Achieved
All major research and analysis reports are externally reviewed by a recognised expert and found to be of high quality.	100%	Achieved
Research programmes are provided within the agreed timeframes.	100%	Achieved

### Monitoring of the Education Sector

Crown entities' accountability documents are reviewed and assistance provided in their development as required.	100%	All Crown entity quarterly/annual reports received in the period were reviewed and advice on them prepared for the Responsible Ministers.
Risk profiling and monitoring reports are prepared every six months and submitted to the Minister of Education.	100%	Not achieved. A new methodology for monitoring and reporting on risk has been developed and will be reported on in 2011/12.
The Minister is satisfied with the advice and briefings provided around the Crown entities.	Feedback from Minister	No formal feedback has been sought in 2010/11. For 2011/12, the Ministry plans to survey the office of the Minister of Education three times a year as an indicator of the quality of work being provided.
Crown entity boards demonstrate that they undertake best practice self-review and capability assessment processes. There is an engagement between the Ministry representative and Crown entity Chairs at least every 12 months where this information is exchanged as appropriate.	100%	Achieved. A new methodology for monitoring and reporting on governance capability was developed and successfully trialled.

Performance Measures	Budget Standard	Actual Performance
Critical forecasts of demographic trends, network capacity and expenditure are within an average of 3% and a maximum of 5% of actual values up to 12 months after being forecast.	100%	All forecasts of major items of expenditure were within the defined tolerance.
Analysis of and comment on the performance of Crown entities under their accountability documents will be provided to the Minister within 30 working days of receipt of reports.	100%	Achieved
The membership of Crown entity boards is regularly reviewed and nominations are made for board vacancies three months prior to terms expiring.	100%	Achieved
<b>Development and Evaluation of Strategic Policy</b>		
Refer to the Development and Evaluation of Student Intervention Policy section on page 82 of this report for information on the Ministry's policy performance.		
<b>Support for the Education Minister</b>		
Ministerial services will be provided in the following ranges:		
▲ Parliamentary questions and petitions.	1,110 - 1,400	2,846
▲ Select Committee examinations and enquiries.	250 - 400	741 Select Committee enquiries, including tertiary education, were received.
▲ Statutory information.	100 - 200	302
▲ General ministerial correspondence, including responses to requests from the Minister.	6,000 - 7,000	8,475
The content of all ministerial services provided will be factually accurate and appropriate in style and content for the individual Minister, consistent with the Ministry's Ministerial Correspondence Guidelines.	100%	98%
All responses and provision of information to the Minister of Education and Parliament, and its committees, will be prepared to agreed timeframes.	100%	84% Delays were due to a combination of: ▲ the continued need for greater quality assurance ▲ short timeframes in which to provide responses requested (excluding those subject to statutory response times) ▲ a continued increase in the number of urgent requests for information ▲ a continued increase in the volume of requests over that of previous periods.

**Cost of output expense: Strategic Leadership in the Sector**

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
From the Crown	32,273	33,634	31,029	29,829
Other	346	447	447	304
<b>Total revenue</b>	<b>32,619</b>	<b>34,081</b>	<b>31,476</b>	<b>30,133</b>
<b>Expenditure</b>				
Personnel	18,963			17,235
Operating	3,484			2,757
Depreciation	2,758			2,863
Capital charge	905			1,192
Other expenses	6,509			6,482
<b>Total expenditure</b>	<b>32,619</b>	<b>34,081</b>	<b>31,476</b>	<b>30,529</b>
Surplus/(deficit)	-	-	-	(396)

This appropriation was increased during 2010/11 mainly owing to changes to cost allocations between departmental output expense appropriations.

The under-expenditure for the year mainly relates to reduced costs in developing and evaluating strategic policies after cancellation of some projects and delays in finalising other contracts.

**Strategic Leadership in the Tertiary System****Portfolio Minister – Minister for Tertiary Education****Scope of appropriation**

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

**Output performance measures and standards**

<b>Performance Measures</b>	<b>Budget Standard</b>	<b>Actual Performance</b>
<b>Cross-Tertiary Agency Coordination</b>		
The Secretary for Education has regular formalised contact with the chief executives of the Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA) to address issues of alignment within the tertiary sector.	Record of meeting and topics	Six Sector Leadership Group meetings were held between the Secretary for Education and Tertiary Education Commission and New Zealand Qualifications Authority chief executives during this period.

Performance Measures	Budget Standard	Actual Performance
Central agencies, education agencies and other sector bodies as appropriate are satisfied that the cross-agency work programme is relevant and contributes to improved outcomes for the sector.	Feedback from central agencies, education agencies and other sector bodies	Informal feedback from chief executives during meetings indicates satisfaction with the relevance of the cross-agency work to improve outcomes for the sector.
The cross-agency shared work programme for the tertiary sector is delivered as planned.	100%	Achieved

### Tertiary and International Research and Analysis

Research/analysis outputs are delivered according to the agreed work programme and aligned with the Ministry's priority areas, including: <ul style="list-style-type: none"> <li>▲ outcomes of study</li> <li>▲ learners in tertiary education</li> <li>▲ research and knowledge creation</li> <li>▲ language literacy and numeracy supporting the system.</li> </ul>	100%	Research and analysis outputs were delivered according to the agreed work programme.  During this period, the Ministry published 18 analytical/research reports on the tertiary education system. All of the planned research themes were addressed in the package of published reports. All reports are made publicly available on the Ministry of Education's Education Counts website.  <a href="http://www.educationcounts.govt.nz/publications#">http://www.educationcounts.govt.nz/publications#</a>
The research and analysis programme is subject to annual independent review for accuracy, quality and value, and review recommendations are acted on.	100%	Achieved
All research and analysis outputs are externally reviewed by a recognised expert and judged to be of high quality.	100%	Significant outputs are reviewed externally. Outputs prepared by external contractors were all peer reviewed by the Ministry and, where significant, were also peer reviewed externally.
Research is aligned with sector priorities and is used in policy making.	Evidence to be collected	All research, evaluation and monitoring activities are aligned with at least one priority and used to inform policy making.
Reports will be published to specific agreed deadlines.	100%	All reports were published within agreed timeframes other than <i>The Competent Learners at 20</i> report. This report was late because an extension was granted to allow time to facilitate necessary data matching before publication.

### Monitoring the Tertiary System

Twenty monitoring/analysis outputs each year aligned with the Ministry's priority areas, including: <ul style="list-style-type: none"> <li>▲ tertiary profile and trends</li> <li>▲ reports on progress towards achieving the goals of the Tertiary Education Strategy</li> <li>▲ the Student Loan Scheme Annual Report</li> <li>▲ reports on progress against the Government's goals for international education.</li> </ul>	100%	<i>Profile and Trends</i> was published in August 2010.  The <i>Student Loan Scheme Annual Report</i> was tabled in the House and released publicly in October 2010.  The annual report on the monitoring of progress against the goals of the Tertiary Education Strategy was published in December 2010.  The report <i>International Student Enrolments in New Zealand 2004-10</i> was published in April 2011.
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Performance Measures	Budget Standard	Actual Performance
The Tertiary Education Commission's accountability documents are reviewed and assistance provided in their development as required.	100%	The accountability documents were reviewed and support was supplied to the Tertiary Education Commission during the drafting of their accountability documents.
Risk profiling and monitoring reports for the Tertiary Education Commission are prepared every six months and submitted to the Minister for Tertiary Education.	100%	Not achieved. A new methodology for monitoring and reporting on risk has been developed and will be reported on in 2011/12.
The performance of the Tertiary Education Commission and the Government's ownership interest in the Tertiary Education Commission are explicitly measured and monitored through risk profiling reports that are prepared every six months and submitted to the Minister for Tertiary Education.	100%	A new methodology for monitoring and reporting on risks has been developed and will be reported on in 2011/12.
The Minister is satisfied with the advice and briefings provided on the Tertiary Education Commission.	Feedback collected from Minister	No formal feedback has been sought from the Minister in 2010/11.  For 2011/12, the Ministry plans to survey the office of the Minister for Tertiary Education three times a year as an indicator of the quality of work being provided.
The Minister is satisfied that the analytical programme has added a high level of value to their work.	Feedback collected	All components of the analysis programme had explicit links to the Ministry's tertiary education policy work. Feedback will be sought in the next period.
The Tertiary Education Commission board demonstrates best practice self-review and capability assessment processes.	100%	Achieved. A new methodology for monitoring and reporting on governance capability was developed and successfully trialled.
There is an engagement at least every 12 months between the Ministry representative and Tertiary Education Commission where this information is exchanged as appropriate.		
Critical forecasts of demographic trends, network capacity and expenditure are within an average of 3% and a maximum of 5% of actual values up to 12 months after being forecast.	100%	In public tertiary education institutions, enrolments by domestic students in 2010 were 3% below the 2009 forecast.
Analysis of and comment on the performance of the Tertiary Education Commission under its output agreement is provided to the Minister within 30 working days of receipt of reports.	100%	Achieved
The membership of the Tertiary Education Commission board is regularly reviewed and nominations are made for board vacancies prior to terms expiring.	100%	Achieved
Monitoring reports are published annually on agreed dates.	100%	Achieved

Performance Measures	Budget Standard	Actual Performance
<b>Development and Evaluation of Tertiary and International Policy</b>		
Policy will be delivered according to the work programme (and any subsequent amendments) negotiated between the Minister for Tertiary Education and the Secretary for Education.	100%	Achieved. All policy provided during this period was delivered according to the work programme agreed between the Ministry and Ministers, as outlined in the Ministry's Statement of Intent 2010-2015.
The quality of the Ministry's policy advice will be internally assessed from a representative sample of the Ministry's policy advice to Education Ministers and Cabinet committees, showing an improvement from the current third quarter benchmark result of 6.0 out of 10 to a score in excess of 7.5 – as assessed against the Ministry's Criteria for Assessing Policy Papers.	>7.5/10	During 2010/11, the Ministry discontinued its internal assessment of policy advice quality, to focus on external assessments by the New Zealand Institute of Economic Research.
The quality of the Ministry's policy advice will be externally assessed from a representative sample of the Ministry's policy advice to Education Ministers and Cabinet committees, showing an improvement from the current rating of 6.8 out of 10 to a score of over 7.0 – as assessed through the annual New Zealand Institute of Economic Research review.	>7.0/10	<p>The Ministry has commissioned another external assessment from the New Zealand Institute of Economic Research. For this rating, we deliberately over-sampled the number of tertiary papers, in order to provide a separate assessment for the Minister for Tertiary Education. This provided a median rating of 7.3 across the tertiary papers sampled.</p> <p>Policy advice on international education achieved a rating of 7.0.</p>
Ministerial satisfaction with the quality of policy advice provided. This will include performance against quality standards agreed with Ministers.	100%	Satisfaction with policy advice was monitored through informal feedback from the Minister's office during the year. There is currently no formal process to gauge ministerial satisfaction with the quality of policy advice.
Percentage of policy advice that is provided within the agreed timeframes.	100%	Policy advice was provided within key timeframes.
<b>Provision of Tertiary and Other Information</b>		
<p>Information will be provided as follows:</p> <ul style="list-style-type: none"> <li>▲ one report on the performance of the tertiary education sector</li> <li>▲ one report on the Student Loan Scheme</li> <li>▲ one report on progress towards achievement of the goals in the Tertiary Education Strategy</li> <li>▲ further portal development to provide quality information to identified audiences</li> <li>▲ ICT coordination and support services to education agencies</li> <li>▲ publication of strategies, research and other reports as developed, in support of the Tertiary Education Strategy, Tertiary Information and Strategy, the Government's Strategy for International Education, the Tertiary E-Learning Strategy and adult foundation learning (literacy, numeracy and language).</li> </ul>	100%	<p><i>Profile and Trends</i> was published in August 2010.</p> <p>The <i>Student Loan Scheme Annual Report</i> was tabled in the House and released publicly in October 2010.</p> <p>The annual report on the monitoring of progress against the goals of the Tertiary Education Strategy was published in December 2010.</p> <p>The Government Strategy for International Education (the Leadership Statement on International Education) has been revised and is expected to be released in September 2011.</p> <p>The Education Sector Information and Communications Technology Standing Committee met three times during the year.</p>



Performance Measures	Budget Standard	Actual Performance
Ngārimu Board is satisfied with the administration of the scholarship programme.	Feedback collected	The Ngārimu Board has expressed satisfaction with the way the Ministry undertakes its administrative function.
Participants in the scholarship programme are satisfied with the administration of the programme.	Feedback collected	Māori Education Trust (MET) scholarship recipients received scholarship payments on time based on the Ministry's contractual agreement with MET throughout 2010/11.  Ngārimu scholarship recipients and applicants are satisfied with the administration of the scholarship programme.

#### Support for International Education

Number of international students enrolled with education providers.	90,000 - 110,000	Final figures for the 2010 calendar year were 99,880, a 3% increase on the previous year. Despite the impact of the Canterbury earthquakes, data for the first trimester of 2011 showed a 5% increase on the same period in 2010.
Ministers and government agencies are satisfied with the Ministry's roles in representing New Zealand internationally.	Feedback collected	Owing to pending changes in the organisation of international representation (including the establishment of Education New Zealand, a new Crown agency for international education), no systematic data was collected in this year.
Providers comply with the standards set out in the Ministry's Code of Practice for the Pastoral Care of International Students.	100%	99.3% of Code signatory providers were compliant (no non-compliant schools, eight non-compliant tertiary providers).
The Export Education Levy Fund delivers on its stated criteria.	Export Education Levy Annual Report	The Export Education Levy Annual Report for 2010/11 is in preparation and will show appropriate delivery against the approved uses of the Levy.
The contract and performance of Education New Zealand will reflect Government priorities for international education in New Zealand.	100%	The contract was approved by the Secretary for Education. The quarterly reports on performance have been received and approved.

#### Support for the Tertiary Minister

Ministerial services will be provided in the following ranges:

▲ Select Committee questions and enquiries.	150 - 250	Eight select committee enquiries were received in this period. Financial review questions are included in the total outputs for Minister of Education on page 98.
▲ Parliamentary questions and petitions.	100 - 150	87
▲ Statutory information.	20 - 30	53
▲ General ministerial correspondence.	600 - 800	1,782  This includes both ministerial correspondence and briefing notes. This metric has been revised for 2011/12 to take the additional volume into account.

Performance Measures	Budget Standard	Actual Performance
The content of all ministerial services provided will be factually accurate and appropriate in style and content for the individual Minister, consistent with the Ministry's Ministerial Guidelines.	100%	88%. There continued to be a high rate of draft replies returned for re-draft.
All responses and provision of information to the Minister for Tertiary Education and Parliament, and its committees, will be responded to within agreed and/or statutory timeframes.	100%	80%  Delays resulted from a combination of: <ul style="list-style-type: none"> <li>▲ the continued need for greater quality assurance</li> <li>▲ high rate of re-drafts required by the Minister's Office</li> <li>▲ short timeframes in which to provide responses requested (excluding those subject to statutory response times)</li> <li>▲ a continued increase in the volume of requests over that of previous periods.</li> </ul>

### Cost of output expense: Strategic Leadership in the Tertiary System

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
From the Crown	15,045	16,284	13,882	15,074
Other	216	8	8	270
<b>Total revenue</b>	<b>15,261</b>	<b>16,292</b>	<b>13,890</b>	<b>15,344</b>
<b>Expenditure</b>				
Personnel	10,287			9,779
Operating	1,643			1,491
Depreciation	737			616
Capital charge	243			220
Other expenses	2,351			2,027
<b>Total expenditure</b>	<b>15,261</b>	<b>16,292</b>	<b>13,890</b>	<b>14,133</b>
Surplus/(deficit)	-	-	-	1,211

The decrease in the 2010/11 appropriation compared with 2009/10 was mainly owing to decisions from Budget 2009, including reducing two Counsellor positions for international education, reducing policy advice expenditure, and reducing general operating expenditure.

This appropriation was increased during 2010/11 mainly owing to:

- ▲ changes to cost allocations between departmental output expense appropriations
- ▲ transfer of policy advice activities from the Tertiary Education Commission to the Ministry of Education.

Expenditure was below budget at 30 June 2011 mainly from:

- ▲ lower than expected costs related to the transfer of the Tertiary Education Commission policy activities
- ▲ lower than budgeted costs for pastoral care of international students.

## Support and Resources for Education Providers

### Portfolio Minister – Minister of Education

#### Scope of appropriation

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

#### Output performance measures and standards

Performance Measures	Budget Standard	Actual Performance
<b>Development and Evaluation of Provider Policy</b>		
Refer to the Development and Evaluation of Student Intervention Policy section on page 82 of this report for information on the Ministry's policy performance.		
<b>Regulation of Providers</b>		
New enrolment schemes (state schools).	0 - 15	22 new enrolment schemes
Supplementary integration agreements.	30 - 50	69
Integration of private schools.	0 - 10	7
Approval of attendance dues.	4 - 6	None. Proprietors are awaiting the outcome of the attendance dues review.
New early childhood education services licensed.	150 - 250	180 new services.
Early childhood education services re-licensed.	500 - 750	747 re-licensed services.
Playgroups certified.	200 - 300	187 playgroups certificated. This number is lower than expected because regional teams have prioritised the establishment of the participation programme over playgroup certification.
Provider licensing is completed to agreed timeframes.	100%	100%
Early childhood education providers are satisfied with Ministry licensing actions.	Feedback collected	83% of respondents were either satisfied or very satisfied with the overall quality of service delivery.
New early childhood education licences and certificates are granted within 30 working days.	100%	Achieved
Provider licensing is completed to agreed timeframes.	100%	Achieved

Performance Measures	Budget Standard	Actual Performance						
<b>Resourcing Education Providers</b>								
Percentage of education providers subject to resource allocation audits (including repeat audits and special reviews).	12% - 17%	<p>Achieved</p> <p>15% of providers received resource allocation audits over the year from July 2010 to June 2011.</p> <table> <tr> <th>Total No</th><th>Audited</th><th>%</th></tr> <tr> <td>6,700</td><td>980</td><td>15</td></tr> </table>	Total No	Audited	%	6,700	980	15
Total No	Audited	%						
6,700	980	15						
<p>Accuracy of all resourcing payments, calculated and delivered, in respect of:</p> <ul style="list-style-type: none"> <li>▲ the amounts of the payments</li> <li>▲ the schedules advised to public education service providers, or the agreements agreed with those providers</li> <li>▲ the timeframes notified to payees</li> <li>▲ funding delivered to the correct provider</li> <li>▲ fulfilling all statutory requirements.</li> </ul>	100%	<p>16,268 payments, totalling \$1,347 million (GST inclusive), were made in the period 1 July 2010 to 30 June 2011.</p> <p>Funding notices were provided to education service providers for each of these payments. Each payment included a letter explaining policy changes around funding/staffing entitlements. A resourcing circular was also provided in September 2010 which explained resourcing changes for 2011.</p> <p>All timeframes were notified to payees and met.</p> <p>All funding payments were delivered to the correct provider.</p> <p>All statutory requirements were met.</p>						
Services are provided within the terms of the contracts.	100%	<p>Achieved</p> <p>The Ministry reviewed the transport operator self-monitoring reports over 2010/11. All self-monitoring showed contract compliance. In addition the Ministry, through the New Zealand Transport Agency, completed a random vehicle safety review of 10% of the school bus and special education school transport fleets – records confirmed that safety standards are being maintained.</p> <p>A small number of directly resourced schools have failed to provide monitoring responses. No new agreement will be offered until the Ministry is satisfied that the non-responsive directly resourced schools comply with these agreements.</p>						

Performance Measures	Budget Standard	Actual Performance
All eligible students are delivered to school safely and on time by the contracted transport provider.	Information to be sought from service providers	<p>There have been no reports of students failing to arrive at school safely on Ministry contracted services in 2010/11.</p> <p>There have been a small number of incidents (28 incidents out of the 2,700 daily school bus routes) where a vehicle has been involved in an accident requiring alternative vehicles to be despatched. In all cases the alternative vehicle has been contract compliant and has delivered the children safely to school.</p> <p>The Ministry has been advised that all accidents and incidents involving Ministry-funded vehicles (Ministry contracted and directly resourced) were investigated by police as necessary. No Ministry contracted provider has been identified as being “at fault” at any time.</p>
Agreements will be signed prior to the commencement date, for the delivery of goods and services in the period to which the agreements relate.	100%	All existing Ministry contracted transport services are compliant with procurement guidelines.
<b>Provision of Services</b>		
All eligible payees paid in each pay period (all permanent and temporary employees).	100%	<p>Achieved</p> <p>All eligible payees were paid in each pay period.</p> <p>On average, 85,095 payees were paid in each pay period over 2010/11.</p>
All school sector and kindergarten industrial relations services provided to all appropriate standards.	100%	<p>Bargaining was undertaken in line with parameters approved by the Secretary for Education, and in line with strategies agreed to by the Committee of Ministers on State Sector Employment Relations, the State Services Commission and the New Zealand School Trustees Association (or other employer representatives). Bargaining outcomes supported the Government Expectations on Pay and Employment Conditions in the State Sector.</p> <p>Eleven education sector collective agreements were settled, including all six teacher and principal collective agreements. Seven remain unsettled.</p>
Employees paid the correct amount each fortnight.	100%	<p>On average, 99.8% of employees were paid the correct amount each fortnight.</p> <p>Payroll accuracy remained consistent throughout the year, including the periods immediately after the Canterbury earthquakes. This is a significant achievement.</p>
Percentage of contestable/targeted funding pools processed within the agreed timeframe.	95%	All TeachNZ study award and scholarship selection processes were completed to the timelines agreed, with payments to each recipient achieved in advance of agreed target dates.

Performance Measures	Budget Standard	Actual Performance
Payroll payments will be made on or before advised pay dates.	100%	Achieved. This includes additional payments to at-risk staff (timesheet employees) following the February 2011 earthquake.
The Risk Management Scheme's content deed will be updated and available from the Ministry's website by 30 July each year.	100%	Achieved
<b>At-Risk Provider Interventions</b>		
Where interventions are required, appropriate action under section 78 of the Education Act 1989 is taken.	100%	Achieved
Providers receiving interventions are returned to full self-governance within 24 months of intervention.	95%	64%  18 out of 51 providers were not returned to full governance within 24 months of the intervention.  This was a new performance measure in 2010/11. The Ministry will be adjusting processes in 2011/12 to improve this.
Decisions on whether or not an intervention under section 78 of the Education Act is necessary will be made within three months of the confirmed Education Review Office report, a request from the Board of Trustees or a determination by the Ministry.	100%	87%  Four out of 30 interventions did not meet the timeliness scale. This was due to a variety of reasons including staff capacity issues and delays in selecting appointees.

### Cost of output expense: Support and Resources for Education Providers

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
From the Crown	66,840	72,751	83,668	75,257
Other	1,582	2,001	2,001	1,826
<b>Total revenue</b>	<b>68,422</b>	<b>74,752</b>	<b>85,669</b>	<b>77,083</b>
<b>Expenditure</b>				
Personnel	31,910			32,294
Operating	6,601			7,348
Depreciation	4,645			4,596
Capital charge	1,981			1,329
Other expenses	23,285			28,291
<b>Total expenditure</b>	<b>68,422</b>	<b>74,752</b>	<b>85,669</b>	<b>73,858</b>
Surplus/(deficit)	-	-	-	3,225

The increase in the appropriation for 2010/11 compared with 2009/10 funding was mainly due to:

- ▲ ongoing work on replacement of the schools' payroll project
- ▲ modifying early childhood education funding systems
- ▲ reductions in general operating expenditure as agreed in Budget 2009
- ▲ reduced provision for the long-term work programme related to settlement of teacher collective agreements
- ▲ one-off funding for actions to boost participation in early childhood education.

This appropriation was reduced during 2010/11 mainly owing to a combination of:

- ▲ a transfer to 2011/12 as a result of delays in the schools' payroll project
- ▲ changes to cost allocations between departmental output expense appropriations
- ▲ a transfer to departmental output expense Support and Resources for Teachers to develop the Student Achievement Function
- ▲ a transfer to 2011/12 as a result of delays in the long-term work programme
- ▲ additional programme management costs related to ultra-fast broadband in schools.

Under-expenditure for the year mainly relates to:

- ▲ delays with the ultra-fast broadband in schools programme. Some additional funding may be transferred to 2011/12
- ▲ delays in development of the schools' payroll system. This may result in further funding being transferred to 2011/12
- ▲ lower than expected costs related to other programmes including development and evaluation of provider policy programmes and work toward a National Education Network.

## Support and Resources for Teachers

### Portfolio Minister – Minister of Education

#### Scope of appropriation

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

#### Output performance measures and standards

Performance Measures	Budget Standard	Actual Performance
<b>Development and Evaluation of Teaching Policy</b>		
Refer to the Development and Evaluation of Student Intervention Policy section on page 82 of this report for information on the Ministry's policy performance.		
<b>Provision of Teaching and Learning Resources</b>		
Learning, teaching and assessment resources will be provided in print or online in both English and te reo Māori.	Printed: 146 -164	English-medium print resources: 95 Māori-medium print resources: 54  Numbers of print resources are lower than originally planned for the year due to delays in the delivery of a suite of publications.
	Online: 18,000 - 20,000	English-medium online resources: 30,383 Māori-medium online resources: 15  Numbers of online resources to support learning, teaching and assessment have increased to support Government priorities, including focus on increased achievement in literacy and numeracy.  A panel of nine publishers for all Māori-medium hard-copy and online resources has been established and will replace the existing publication structure.

Performance Measures	Budget Standard	Actual Performance
	Publish online 310 draft assessment resources for level 1 assessment standards	<p>All draft assessment resources were published by the end of August 2010 with the exception of Technology Specific Knowledge and Skills. These were developed in a separate project.</p> <p>Annotated exemplars of student work, or expected responses, for all new or significantly changed standards were published on the New Zealand Qualifications Authority website by 31 December 2010.</p> <p>All quality assured, fit-for-purpose final assessment resources were published by the end of March 2011.</p>
	Publish online 310 draft assessment resources for level 2 assessment standards	Draft assessment resources were published by 31 May 2011 for new or significantly changed standards, with a few exceptions. An additional 13 resources require further work where standards have been amended.
Ultra-fast broadband in schools (National Education Network trial extension)	Connect up to 102 schools to a National Education Network trial extension	77 schools had been connected by the end of June 2011. The remaining 25 schools were connected by the beginning of September 2011.
Resources are subjected to appropriate quality development processes (this could include trialling, peer review and focus groups, for example) to ensure they are aligned with the latest educational research.	100%	<p>All NCEA assessment resources have been developed with quality assurance processes provided by New Zealand Qualifications Authority moderators.</p> <p>During the development process, all English-medium resources have been developed to ensure they align with the latest educational research.</p> <p>All resources have met Ministry of Education approval and passed through the quality assurance process, which included advice from subject-specific experts and advisory groups.</p> <p>Efforts have been focused on ensuring all resources provided in te reo Māori, for teachers and leaders, have gone through stringent quality assurance processes to ensure that the language used is appropriate and of the highest quality for the targeted audience.</p> <p>The development of a quality assurance panel, made up of four groups, will ensure this focus remains a priority for all te reo Māori print and online resources produced.</p>
Teachers and early childhood education providers are satisfied with the level of support provided and the usefulness of resources.	Feedback collected	<p>The Ministry has responded to feedback and made changes as appropriate.</p> <p>Anecdotal feedback indicates general satisfaction with resources. Website statistics show increasing use of and access to new information and new resources.</p>
Parents and caregivers are satisfied with the provision of information about curriculum teaching and learning.	Feedback collected	The Ministry has responded to feedback and made changes as appropriate.



Performance Measures	Budget Standard	Actual Performance
Users are consulted during the development of significant resources.	100%	<p>Users have been consulted in the development of significant resources and in line with the quality assurance process.</p> <p>Consultation during the design, development and trialling of all significant resources has been implemented throughout this period. Regular communication with the sector is a priority to ensure resources are positioned correctly and reflect the needs of the intended audience.</p>
Learning, teaching and assessment resources will be provided according to the individually agreed deadlines.	100%	<p>There have been reductions in the planned delivery volumes and these were all managed through contractual variations. All agreed deadlines have been met in accordance with the individual contracts.</p> <p>All priority resources have been provided within the agreed timeframes for publication and distribution. Negotiations for the delayed delivery of resources that are being produced, but are not a priority, are completed in a timely manner to ensure the change does not detrimentally affect the sector.</p>
<b>Provision of Services to Support Professional Leadership and Learning</b>		
Professional development resources are targeted at areas of Government priority and identified need.	100%	<p>All professional learning and development was targeted at Government priorities.</p> <p>Phase 1 of the procurement process is complete with contracts commencing early this year. Phase 2 is now underway, which will signal a significant acceleration in the pace of change to make the professional learning and development system more responsive and targeted to the needs of students.</p> <p>All TeachNZ Scholarships are now awarded against eligibility and selection criteria that reflect Government priorities, following developments introduced in the 2011 academic year to expand and refine merit-based criteria. All Study Awards are awarded against criteria that require applicants to demonstrate how their study will reflect Government priorities.</p>
All significant professional development programmes are evaluated or reviewed for effectiveness.	100%	<p>The Ministry has established a Leadership and Effectiveness Team to evaluate the performance of professional learning and development programmes.</p> <p>The Ministry is also developing detailed evaluation and monitoring plans to determine the effectiveness of all of the key programmes focused on raising student achievement.</p> <p>TeachNZ is to conduct a review of Study Awards in the new financial year.</p>

Performance Measures	Budget Standard	Actual Performance
Contracts for professional development programmes and other resources will be managed according to the Ministry's Contracting Guidelines policy.	100%	<p>Contract management teams have been set up to manage all professional learning and development contracts in line with Ministry guidelines.</p> <p>TeachNZ administers contracts with providers to support rural and isolated practicums. These are standard contracts for service and are due for review in 2012.</p>
The number of schools/kura that have had an intervention by a student achievement advisor.	100 schools/kura	As at 30 June 2011, 40 schools were working with Student Achievement Practitioners. The number of schools working with practitioners increased to 184 at the end of September 2011.
Teachers are satisfied with the professional development provided.	Feedback from providers	<p>All new contracts for professional learning and development require providers to gauge teacher satisfaction and report this to the Ministry. The next milestone reports were due with the Ministry at the end of July 2011, and will be analysed by the end of August 2011.</p>
<p>Scholarships and awards will be:</p> <ul style="list-style-type: none"> <li>▲ awarded in line with Government policies and published criteria</li> <li>▲ calculated accurately</li> <li>▲ paid to the correct payee and within the timeframes notified.</li> </ul>	100%	<p>Achieved</p> <p>All TeachNZ Scholarships and Study Awards are now awarded against eligibility and selection criteria that reflect Government priorities.</p> <p>Payments have been made correctly and within agreed timelines with an information technology upgrade process completed to reduce the risk of error. A further project has been completed to increase the accuracy of Study Award payments claimed by schools.</p>
The performance of contracted providers is monitored and reviewed annually.	100%	Achieved

**Cost of output expense: Support and Resources for Teachers**

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
From the Crown	56,974	62,885	59,363	59,682
Other	451	165	165	503
<b>Total revenue</b>	<b>57,425</b>	<b>63,050</b>	<b>59,528</b>	<b>60,185</b>
<b>Expenditure</b>				
Personnel	16,064			14,526
Operating	3,010			2,734
Depreciation	2,965			2,645
Capital charge	981			1,895
Other expenses	34,405			33,950
<b>Total expenditure</b>	<b>57,425</b>	<b>63,050</b>	<b>59,528</b>	<b>55,750</b>
Surplus/(deficit)	-	-	-	4,435

The increase in this appropriation for 2010/11 compared with 2009/10 expenditure was mainly due to:

- ▲ rationalising of resources and focusing on fewer support programmes as agreed in Budget 2009
- ▲ costs related to broadband initiatives and the trial of the National Education Network
- ▲ provision for development of assessment tools to support the National Standards
- ▲ a contribution to the State Services Commission Identity Verification Service in 2009/10 only.

This appropriation increased during 2010/11 owing to a combination of:

- ▲ transfers from other appropriations to develop the Student Achievement Function in order to continue to raise student achievement by directly working with schools and kura
- ▲ changes to cost allocations between departmental output expense appropriations.

The underspend against budget for the year is mainly owing to:

- ▲ establishment of the Student Achievement Function taking longer than expected
- ▲ delays with development of Māori language publications.

## Support and Resources for the Community

### Portfolio Minister – Minister of Education

#### Scope of appropriation

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

#### Output performance measures and standards

Performance Measures	Budget Standard	Actual Performance
<b>Development and Evaluation of Community Policy</b>		
Refer to the Development and Evaluation of Student Intervention Policy section on page 82 of this report for information on the Ministry's policy performance.		
<b>Engagement and Provision of Information to the Community – Community Based</b>		
Community-based support programmes for parents, families and whānau are operating in communities that have been identified as priority by Government.	100%	<p>Achieved</p> <p>The Ministry is working with 52 iwi to develop shared investment work programmes that are focused on raising achievement for and with Māori learners, their families, whānau and iwi. A number of iwi have agreed work programmes in place; others are either in negotiation or have not yet identified activity with the Ministry.</p> <p>Pouwhakataki held:</p> <ul style="list-style-type: none"> <li>▲ 66 hui on literacy and numeracy in the home</li> <li>▲ 97 hui on early childhood education engagement</li> <li>▲ 117 hui on National Standards</li> <li>▲ 92 hui on NCEA/Youth Guarantee.</li> </ul> <p>Each of the four regions (Northern, Central North, Central South and Southern) meet regularly with community groups and schools to ensure that Ministry policy is well understood and initiatives are being implemented effectively.</p> <p><i>Talanoa Ako</i> (Pacific Education Talk) and contracted radio programmes were used as a key way of reaching Pasifika.</p>
Programmes are delivered and administered by the Ministry as per the agreed work programme.	100%	100% for most areas of work.

Performance Measures	Budget Standard	Actual Performance
Priority communities are satisfied with quality of engagement in community-based support programmes.	Feedback collected	<p>Feedback from Pouwhakataki hui is as follows:</p> <p>Literacy/Numeracy: 87% better informed, 87% confident and better equipped to help their child.</p> <p>Early childhood education engagement: 97% better informed, 98% confident and better equipped to help their child.</p> <p>National Standards/Ngā Whanaketanga: 95% better informed, 94% confident and better equipped to help their child.</p> <p>NCEA/Youth Guarantee: 98% better informed, 94% confident and better equipped to help their child.</p> <p>Fono participants are satisfied with the information and engagement provided and the follow-up of key actions arising from fono and engagement. This has translated into progress against the targets of the Pasifika Education Plan.</p> <p>Pasifika groups are satisfied with <i>Talanoa Ako</i> (Pacific Education Talk) news magazine and our provision of radio air time to Pasifika audiences. Combined, these have raised awareness about the Ministry's work and the Pasifika Education Plan. A survey has been developed for the next edition of <i>Talanoa Ako</i> for more feedback.</p> <p>Milestone reports received from our radio contracts and feedback from the community about the radio programmes are positive.</p>

Performance Measures	Budget Standard	Actual Performance																		
<b>Engagement and Provision of Information to the Community – Target Groups</b>																				
Māori communities have access to advice and support for improving Māori achievement.	100%	Investment continues in: <ul style="list-style-type: none"> <li>▲ iwi relationships</li> <li>▲ Māori organisation relationships</li> <li>▲ research and evaluation initiatives to engage, support and provide appropriate information for whānau and iwi.</li> </ul>																		
Fono participants are satisfied with the information and engagement provided and the follow-up of key actions arising from the fono.	Feedback collected	<p>Fono participants were given the opportunity to evaluate the fono by rating structure, content, presentations and discussion sessions. Of the 430 participants, 161 evaluation forms were completed in the Northern Region and Central South.</p> <table> <tr> <th>%</th><th>Fono structure and content</th><th>Presentations and discussions</th></tr> <tr> <td>Excellent</td><td>39</td><td>44</td></tr> <tr> <td>Very good</td><td>33</td><td>38</td></tr> <tr> <td>Good</td><td>14</td><td>11</td></tr> <tr> <td>Satisfactory</td><td>11</td><td>4</td></tr> <tr> <td>Poor</td><td>3</td><td>3</td></tr> </table> <p>The majority of participants rated the fono structure and content highly and only three per cent rated it as unsatisfactory. The same results were reflected with presentations and discussions.</p>	%	Fono structure and content	Presentations and discussions	Excellent	39	44	Very good	33	38	Good	14	11	Satisfactory	11	4	Poor	3	3
%	Fono structure and content	Presentations and discussions																		
Excellent	39	44																		
Very good	33	38																		
Good	14	11																		
Satisfactory	11	4																		
Poor	3	3																		
Contracts for service and agreements between the Ministry and iwi align with Ka Hikitia – Managing for Success and meet the required contract management standards of the Ministry and the respective iwi and meet programme objectives.	100%	All contracts are aligned with Ka Hikitia – Managing for Success and meet the required contract management standards of the Ministry.																		
Activities occur at the time agreed between the Ministry of Education and iwi organisations and/or community providers.	100%	All activities between the Ministry and service providers occurred within agreed timeframes.																		
<b>Provision of Services to the Community</b>																				
Programmes are delivered and administered by the Ministry as per the agreed work programme.	100%	<p>Pouwhakataki programmes were delivered as planned.</p> <ul style="list-style-type: none"> <li>▲ Reading together – 36 hui.</li> <li>▲ Whānau Plan Initiation – 33 hui.</li> </ul> <p>Each of the four regions (Northern, Central North, Central South and Southern) meet regularly with community groups and schools to ensure that Ministry policy is well understood and initiatives are being implemented effectively.</p> <p>The Atawhaingia Te Pā Harakeke programme has not been delivered as per the agreed work programme. Weeks two to four of intake training programme number 21 in Dunedin were completed. Intake training number 22 did not eventuate.</p>																		

Performance Measures	Budget Standard	Actual Performance
Provider groups, families and whānau are satisfied with training and assistance provided.	Feedback collected	Feedback from Pouwhakataki programmes is as follows:  Reading Together: 99% better informed, 99% confident and better equipped to help their child's reading.  Whānau Plan Initiation: 93% satisfied the plan was helpful, 93% confident to use in future.  Fono participants are satisfied with the information and engagement provided and the follow-up of key actions arising from fono and engagement.
Activities occur at the time agreed between the Ministry of Education and iwi organisations and/or community providers	100%	Achieved

**Cost of output expense: Support and Resources for the Community**

	30/06/2011 Actual	30/06/2011 Supplementary Estimates	30/06/2011 Budget	30/06/2010 Actual
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
From the Crown	11,103	13,415	14,228	11,842
Other	129	150	150	133
<b>Total revenue</b>	<b>11,232</b>	<b>13,565</b>	<b>14,378</b>	<b>11,975</b>
<b>Expenditure</b>				
Personnel	7,339			6,614
Operating	2,439			2,168
Depreciation	508			415
Capital charge	166			152
Other expenses	780			781
<b>Total expenditure</b>	<b>11,232</b>	<b>13,565</b>	<b>14,378</b>	<b>10,130</b>
Surplus/(deficit)	-	-	-	1,845

The increase in the 2010/11 appropriation compared with 2009/10 expenditure was mainly due to delays in programmes for parents, families and whānau during the previous year, which had been undergoing changes to align with the implementation of National Standards.

This appropriation was reduced during 2010/11 owing to a combination of:

- ▲ a transfer to departmental output expense Support and Resources for Teachers for the Student Achievement Function
- ▲ changes to cost allocations between departmental output expense appropriations
- ▲ a transfer of funding from the previous financial year after a delay in developing support material on the National Standards for parents, family and whānau.

Expenditure at 30 June 2011 was less than budget mainly owing to:

- ▲ delays in finalising contracts related to programmes for parents, families and whānau, and for collaboration between early childhood education services and other health, education and social services
- ▲ lower than expected costs for community information programmes.

## Departmental Other Expense

### Recovery from February 2011 Christchurch Earthquake

#### Portfolio Minister – Minister of Education

#### Scope of appropriation

This appropriation is limited to writing off, or making good damage to, departmental assets and re-establishing school operations in Christchurch following the 22 February 2011 earthquake.

#### Expected results

Performance Measures	Budget Standard	Actual Performance
Estimated value of emergency repairs – including temporary sewerage solutions (\$000)	4,720	5,597
Estimated value of assets to be written off (\$000)	10,000	8,729
		Being the value of school buildings that have been demolished or ordered demolished as a consequence of the 22 February 2011 earthquake.

#### Cost of other expense: Recovery from February 2011 Christchurch Earthquake

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Other	-	14,720	-	-
<b>Total revenue</b>	-	<b>14,720</b>	-	-
<b>Expenditure</b>				
Other expenses	14,326			-
<b>Total expenditure</b>	<b>14,326</b>	<b>14,720</b>	-	-
Surplus/(deficit)	(14,326)	-	-	-

The other expense appropriation was established in response to the 22 February 2011 earthquake. Details of the insurance claims for these damages are still being worked out resulting in a deficit for the year.



## Financial statements and schedules – non-departmental for the year ended 30 June 2011

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

The Ministry administered \$9,536.1 million of non-departmental payments, \$101.0 million of non-departmental revenue and receipts, \$122.6 million of assets and \$536.8 million of liabilities on behalf of the Crown for the year ended 30 June 2011. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output Performance sections of this report (page 79).

### Statement of Expenditure and Appropriations for the year ended 30 June 2011

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

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
<b>Non-departmental output expenses</b>				
Centres of Research Excellence	33,339	33,488	33,488	34,559
Curriculum Support	62,351	63,835	65,207	65,721
Education Research Initiatives	3,008	3,008	2,980	3,130
International Education Programmes	6,005	6,006	6,006	5,789
Managing the Government's Investment in the Tertiary Education Sector	36,080	36,080	34,530	41,871
Ownership Monitoring of Tertiary Education Institutions	2,567	2,567	2,567	2,567
Professional Development and Support	90,204	91,385	91,385	95,372
Provision of Information and Advisory Services	22,221	22,547	22,342	22,064
Qualifications Support Structures	6,062	6,062	6,049	6,070
Quality Assurance	4,370	4,370	4,370	7,700
School Transport	161,803	162,178	160,272	158,763
Secondary School Assessments	26,480	26,480	26,480	23,760
Service Academies	1,437	1,440	1,440	360
Supporting Parenting	3,508	3,768	5,258	4,422
Tertiary Education and Training Policy Advice	4,546	4,546	5,637	5,737
Tertiary Education: Student Achievement Component	1,833,736	1,834,868	1,827,487	1,614,950
Training for Designated Groups	255,544	268,507	304,407	285,806
<b>Total non-departmental output expenses</b>	<b>2,553,261</b>	<b>2,571,135</b>	<b>2,599,905</b>	<b>2,378,641</b>

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
<b>Benefits and other unrequited expenses</b>				
Boarding Allowances and Bursaries	6,665	8,069	8,069	6,838
Home Schooling Allowances	5,007	5,550	5,550	5,672
International Student Scholarship Scheme	1,757	2,200	2,200	3,077
Māori and Pacific Island Scholarships and Bursaries	865	1,037	1,037	876
Māpihi Pounamu	3,115	3,250	3,250	3,802
National Study Awards	18,478	24,681	24,646	20,462
Queen Elizabeth II Study Awards	76	100	100	100
Scholarships for Students to Attend Private Schools	2,369	2,914	2,914	1,003
Study Abroad Awards	1,041	1,290	1,290	1,771
Targeted Education and Training Grants	40	40	40	10
Teacher Trainee Scholarships	60	4,027	7,027	583
Tertiary Scholarships	12,846	16,259	16,915	16,763
Tertiary Teaching Awards	200	200	200	200
United World Scholarships	50	50	50	50
<b>Total benefits and other unrequited expenses</b>	<b>52,569</b>	<b>69,667</b>	<b>73,288</b>	<b>61,207</b>
<b>Non-departmental other expenses</b>				
Adult and Community Education	69,047	69,071	69,653	79,431
Early Childhood Education	1,325,710	1,385,394	1,263,908	1,166,112
Early Childhood Grants	-	-	13,783	13,842
Integrated Schools Property	49,062	55,051	49,255	46,557
Interest Subsidy for Schools	210	220	440	296
New Zealand Teachers Council	178	178	178	178
Performance-Based Research Fund	250,000	250,000	250,000	244,294
Primary Education	2,659,081	2,700,264	2,606,700	2,547,694
Remission of Fees	1,288	1,288	1,288	1,288
School Transport	817	817	839	892
Schooling Improvement	7,972	9,263	13,572	10,627
Secondary Education	1,974,326	1,992,109	1,948,932	1,896,229
Special Needs Support	310,103	312,384	308,288	297,406
Support for Early Childhood Education Providers	10,590	12,000	-	-

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Actual	Supplementary Estimates	Budget	Actual
	\$000	\$000	\$000	\$000
Support for International Students	380	2,000	-	-
Tertiary Education Grants and Other Funding	25,974	26,440	21,231	60,033
Tertiary Education Institutions Merger Support	5,000	5,000	-	-
Tertiary Education Organisation Component – Capability Fund	195,449	195,456	194,326	418,103
UNESCO <sup>4</sup>	1,842	2,083	2,083	2,033
University of Auckland Starpath Project	1,210	1,210	5,650	-
<b>Total non-departmental other expenses</b>	<b>6,888,239</b>	<b>7,020,228</b>	<b>6,750,126</b>	<b>6,785,015</b>

**Non-departmental capital expenditure**

College of Education Mergers	-	-	-	5,000
Institutes of Technology and Polytechnics Distinctive Contributions	-	-	-	2,600
Investment in Te Wānanga o Aotearoa	-	-	-	5,000
National Assessment Tool for Adult Literacy, Numeracy and Language	-	-	-	600
National Centre of Excellence in Wood Processing	-	-	-	1,000
Nelson Marlborough Institute of Technology Visual Arts and Media Block	-	-	-	8,132
NZQA Technology	-	-	-	200
Property Disposal Incentives Scheme	2,799	4,375	5,397	3,777
Quality Reinvestment Programme	2,696	2,696	1,075	3,328
Redevelopment of Whitireia Community Polytechnic Porirua Campus	668	669	1,080	-
School Support Project	-	1,880	1,880	-
Schools Furniture and Equipment	21,357	23,571	17,610	24,603
Te Whare Wānanga o Awanuiārangī Treaty Settlement	14,500	14,500	-	-
University of Auckland Institute for Innovation in Biotechnology	-	-	-	3,000
Wānanga and Institutes of Technology and Polytechnics Infrastructure Fund	-	-	-	1,683
WelTec Financial Assistance	-	-	-	4,150
<b>Total non-departmental capital expenditure</b>	<b>42,020</b>	<b>47,691</b>	<b>27,042</b>	<b>63,073</b>
<b>Total non-departmental expenditure and appropriations</b>	<b>9,536,089</b>	<b>9,708,721</b>	<b>9,450,361</b>	<b>9,287,936</b>

(All figures are GST exclusive where applicable)

For full details of the appropriations that were exceeded refer to the Statement of Unappropriated Expenditure (page 128).

<sup>4</sup> United Nations Educational, Scientific and Cultural Organization

Reasons for significant variances from the Supplementary Estimates included:

### **Output expenses**

- ▲ *Curriculum Support* – (\$1.484 million decrease) due to lower than expected uptake of some programmes and some unanticipated delays
- ▲ *Professional Development and Support* – (\$1.181 million decrease) mainly due to lower than expected uptake of some programmes
- ▲ *Supporting Parenting* – (\$0.260 million decrease) mainly due to additional delays with the Engaging Priority Families programme
- ▲ *Tertiary Education: Student Achievement Component* – (\$1.132 million decrease) due to lower than expected demand
- ▲ *Training for Designated Groups* – (\$12.963 million decrease) mainly due to lower than anticipated demand for Modern Apprenticeships and the Industry Training Fund following the recession, plus reduced demand for Gateway grants and Youth Training programmes.

### **Benefit expenses**

- ▲ *Boarding Allowances and Bursaries* – (\$1.404 million decrease) mainly due to lower than expected demand
- ▲ *Home Schooling Allowances* – (\$0.543 million decrease) mainly due to lower than expected demand
- ▲ *International Student Scholarship Scheme* – (\$0.443 million decrease) due to fewer students engaged in international doctoral studies than anticipated
- ▲ *Māori and Pacific Island Scholarships and Bursaries* – (\$0.172 million decrease) lower than expected demand for some programmes
- ▲ *National Study Awards* – (\$6.203 million decrease) as schools did not require their full entitlement for teacher reliever costs (\$3.927 million) and there was lower than expected uptake in several grant programmes (\$2.734 million)
- ▲ *Scholarships for Students to Attend Private Schools* – (\$0.545 million decrease) mainly due to some cancellations and not all students requiring the full amount of the scholarship available
- ▲ *Study Abroad Awards* – (\$0.249 million decrease) due to fewer participants than anticipated
- ▲ *Teacher Trainee Scholarships* – (\$3.967 million decrease) mainly due to lower than expected demand
- ▲ *Tertiary Scholarships* – (\$3.413 million decrease) mainly due to some costs being carried over to 2011/12 for medical intern grants and extensions provided to some Canterbury scholars affected by the earthquakes.

### **Other expenses**

- ▲ *Early Childhood Education* – (\$59.684 million decrease) mainly due to lower participation than expected for both under twos and over twos, lower than expected claims for 20 hours funding as a consequence of the lower than expected participation of over twos, and slower take-up of 20 hours funding for playcentres and kōhanga reo than expected
- ▲ *Integrated Schools Property* – (\$5.989 million decrease) mainly due to delays with aspects of the school network upgrade project and fewer than expected applications for grants to support new construction that met the required criteria
- ▲ *Primary Education* – (\$41.183 million decrease) mainly due to lower than expected teacher numbers and lower than expected student rolls
- ▲ *Schooling Improvement* – (\$1.291 million decrease) mainly due to lower than expected demand for some programmes and changes to the process for allocating some funding
- ▲ *Secondary Education* – (\$17.783 million decrease) mainly due to lower than expected teacher numbers and lower than expected student rolls, partly offset by higher average teacher salary rates after settlement of the secondary teachers' collective agreement
- ▲ *Special Needs Support* – (\$2.281 million decrease) mainly due to slower than expected delivery of Positive Behaviour for Learning Action Plan programmes and lower than expected demand for earthquake-related support programmes
- ▲ *Support for Early Childhood Education Providers* – (\$1.410 million decrease) mainly due to implementation of new programmes affected by the Canterbury earthquakes taking longer than expected. The rest of the programmes are expected to occur in 2011/12
- ▲ *Support for International Students* – (\$1.620 million decrease) due to most families of international students being adequately supported through other mechanisms such as ACC
- ▲ *UNESCO* – (\$0.241 million decrease) due to better than expected exchange rates on levies to the international organisation.

**Capital expenditure**

- ▲ *Property Disposal Incentives Scheme* – (\$1.576 million decrease) due to fewer than expected sales of surplus properties requiring payment of incentives to schools
- ▲ *School Support Project* – (\$1.880 million decrease) due to schools not requiring this financial assistance during the year
- ▲ *Schools Furniture and Equipment* – (\$2.214 million decrease) mainly due to delays with some aspects of the school network upgrade project.

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 1988:

- ▲ Output expense appropriations Curriculum Support, Professional Development and Support, School Transport, Supporting Parenting, and International Education Programmes
- ▲ Other expense appropriations Early Childhood Education, Early Childhood Grants, 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 are also reported in the *New Zealand Schools: Ngā Kura o Aotearoa* report.

For a brief explanation of key movements in non-departmental appropriations during 2010/11 refer to Changes to non-departmental appropriations (page 134).

**Schedule of Expenses for the year ended 30 June 2011**

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 (page 119).

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000
Non-departmental output expenses	2,553,261	2,571,135	2,599,905	2,378,641
Benefits and other unrequited expenses	52,569	69,667	73,288	61,207
Non-departmental other expenses	6,888,239	7,020,228	6,750,126	6,785,015
Non-departmental capital expenditure	24,156	29,826	24,887	28,380
Teacher sick leave adjustment	-	-	-	(2,662)
Foreign exchange gains/(losses)	-	-	-	(176)
<b>Total non-departmental expenses</b>	<b>9,518,225</b>	<b>9,690,856</b>	<b>9,448,206</b>	<b>9,250,405</b>

The capital expenditure recorded in the Schedule of Expenses above (\$24.156 million) comprises the Property Disposal Incentives Scheme, Schools Furniture and Equipment, and School Support Project appropriations. The remaining capital contributions in the Statement of Expenditure and Appropriations (\$17.864 million) are treated as investments.

**Statement of Revenue and Receipts for the year ended 30 June 2011**

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.

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000
<b>Operational revenue</b>				
Crown entity recoveries	14,441	12,576	-	45,198
Export education levies	3,311	3,521	3,521	3,019
Miscellaneous receipts	1,784	592	650	1,734
Overseas students' fees	3,536	3,757	3,757	6,102
Payroll receipts	-	25	25	-
Roll audit and staffing recoveries	57	110	110	1,101
State Sector Retirement Savings Scheme recoveries	76,264	61,998	61,385	55,179
<b>Total operational revenue</b>	<b>99,393</b>	<b>82,579</b>	<b>69,448</b>	<b>112,333</b>
<b>Interest</b>				
Tertiary investments interest	41	122	122	46
<b>Total interest</b>	<b>41</b>	<b>122</b>	<b>122</b>	<b>46</b>
<b>Total current non-tax revenue</b>	<b>99,434</b>	<b>82,701</b>	<b>69,570</b>	<b>112,379</b>
<b>Capital revenue</b>				
Asset sales	1,554	669	1,080	2,338
Tertiary investments repayments	-	-	-	1,000
<b>Total capital revenue</b>	<b>1,554</b>	<b>669</b>	<b>1,080</b>	<b>3,338</b>
<b>Total revenue and receipts</b>	<b>100,988</b>	<b>83,370</b>	<b>70,650</b>	<b>115,717</b>

(All figures are GST exclusive where applicable)

## Schedule of Assets for the year ended 30 June 2011

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

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000
Cash and bank balances	75,702	94,494	39,950	95,116
Accounts receivable	32,540	15,524	32,746	15,524
Prepayments	3,363	13,578	7,556	14,639
Physical assets <sup>5</sup>	11,000	16,000	16,000	16,000
<b>Total non-departmental assets</b>	<b>122,605</b>	<b>139,596</b>	<b>96,252</b>	<b>141,279</b>

In addition, the Ministry monitors several Crown entities. These are Careers New Zealand, the New Zealand Qualifications Authority, the New Zealand Teachers Council and the Tertiary Education Commission.

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

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

## Schedule of Liabilities for the year ended 30 June 2011

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

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Supplementary Estimates</b>	<b>Budget</b>	<b>Actual</b>
	\$000	\$000	\$000	\$000
Accounts payable	101,449	136,851	133,452	145,291
Accruals and provisions	235,940	208,788	142,009	160,812
Provision for teacher entitlements	199,439	198,284	162,157	143,374
<b>Total non-departmental liabilities</b>	<b>536,828</b>	<b>543,923</b>	<b>437,618</b>	<b>449,477</b>

<sup>5</sup> Physical assets include the former Central Institute of Technology campus at Heretaunga.

**Statement of Commitments for the year ended 30 June 2011**

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.

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
<b>Curriculum development projects:</b>		
▲ Not later than one year	135,475	109,835
▲ Later than one year and not later than two years	71,034	42,599
▲ Later than two years and not later than five years	20,812	13,403
UNESCO (United Nations Educational, Scientific and Cultural Organization)	2,083	2,083
Property maintenance	4,290	252
<b>School bus contracts:</b>		
▲ Not later than one year	92,650	92,650
▲ Later than one year and not later than two years	82,000	82,000
▲ Later than two years and not later than five years	205,000	246,000
▲ Not later than five years	-	41,000
<b>Total commitments</b>	<b>613,344</b>	<b>629,822</b>

**School bus contracts**

The Crown has a number of non-cancellable multi-year contracts with bus operators and other transport providers for transporting students to and from school. Most daily and technology route contracts expire at the end of December 2014. Most special education contracts expire at the end of December 2011.

**Statement of Contingent Liabilities for the year ended 30 June 2011**

The Statement of Contingent Liabilities discloses situations that exist at 30 June 2011, 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.

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
<b>Legal proceedings:</b>		
Personal grievance claims	3,400	3,562
Claims related to Treaty of Waitangi issues	265	265
<b>Total contingent liabilities</b>	<b>3,665</b>	<b>3,827</b>

**Personal grievance claims**

Personal grievances relate to historical abuse claims.

**Claims related to Treaty of Waitangi issues**

Costs related to a claim taken to the Tribunal by the Aotearoa Institute.

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



**Statement of Contingent Assets for the year ended 30 June 2011**

The Statement of Contingent Assets discloses situations that exist at 30 June 2011, 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.

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Suspensory loans – private and integrated schools	52,985	61,019
<b>Total contingent assets</b>	<b>52,985</b>	<b>61,019</b>

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

**Statement of Trust Monies for the year ended 30 June 2011**

Account	<b>As at 1/07/2010</b>	Contribution	Distribution	Revenue	Expenses	<b>As at 30/06/2011</b>
	\$000	\$000	\$000	\$000	\$000	\$000
Export Education Levy	2,484	-	-	3,497	(4,057)	1,924
UNESCO ASPAC Conference	2	-	-	-	-	2
<b>Total trust monies</b>	<b>2,486</b>	<b>-</b>	<b>-</b>	<b>3,497</b>	<b>(4,057)</b>	<b>1,926</b>

The Export Education Levy was established in accordance with section 238H of the Education (Tertiary Reform) Amendment Act 2002 and replaced the Code of Practice annual fee. 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) 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 2011**

In terms of section 26 of the Public Finance Act 1989, no expenses were incurred in excess of appropriation for the year ended 30 June 2011 (\$10.662 million for the year ended 30 June 2010).

	30/06/2011	30/06/2011	30/06/2011	30/06/2010
	Expenditure	Appropriation	Unappropriated expenditure	Unappropriated expenditure
	\$000	\$000	\$000	\$000
<b>Non-departmental output expenses:</b>				
School Transport	-	-	-	1,009
<b>Benefits and other unrequited expenses:</b>				
Home Schooling Allowances	-	-	-	135
International Student Scholarships	-	-	-	27
<b>Non-departmental other expenses:</b>				
Early Childhood Education	-	-	-	9,491
<b>Total unappropriated expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,662</b>

**Expenditure outside the scope of an appropriation****Māpihi Pounamu**

In June 2009, the Minister of Education changed the eligibility criteria for Māpihi Pounamu from “secondary school aged students aged 14 and above” to “students enrolled in school year level 9 and above”. This effectively allows grants to be made to some 13-year-olds. But this change was not reflected in the scope statement for the appropriation, which specifies assistance for “secondary school-aged students aged 14 and above”. Consequently expenditure on students under 14 years was outside the scope of the appropriation.

Expenditure that was outside the scope of the appropriation in 2010/11 totalled \$0.156 million.

**Notes to the non-departmental financial statements****1 Statement of accounting policies for the year ended 30 June 2011****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 also 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 2011 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:

<b>Useful lives are:</b>	<b>Years</b>
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 off-sets 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.

**2 Debtors and other receivables**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Accrued revenue	25,190	5,967
Less provision for doubtful debts	(1,598)	(1,646)
Other receivables	6,739	9,264
<b>Total debtors and other receivables</b>	<b>30,331</b>	<b>13,585</b>

**Represented by:**

Current	20,731	3,985
Non-current	9,600	9,600

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

As at 30 June 2010 and 2011, all debtors and other receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	30/06/2011			30/06/2010		
	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	20,198	-	20,198	2,030	-	2,030
Past due 1 - 90 days	253	-	253	447	-	447
Past due 90 - 180 days	368	48	320	396	40	356
Past due 180 - 360 days	658	272	386	1,063	288	775
Past due > 360 days	3,713	1,278	2,435	2,031	1,318	713
<b>Total</b>	<b>25,190</b>	<b>1,598</b>	<b>23,592</b>	<b>5,967</b>	<b>1,646</b>	<b>4,321</b>

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:

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Balance at 1 July	1,646	1,697
Increase/(release) of provisions during the year	(48)	(51)
<b>Balance at 30 June</b>	<b>1,598</b>	<b>1,646</b>

**3 Creditors and other payables**

	30/06/2011	30/06/2010
	<b>Actual</b>	<b>Actual</b>
	\$000	\$000
Creditors	101,449	145,291
Accrued expenses	235,940	160,812
<b>Total creditors and other payables</b>	<b>337,389</b>	<b>306,103</b>

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.

**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 Runanga o Ngāti Porou, in which a Deputy Secretary's brother is the Deputy Chairman. These services cost \$904,570 (2009: \$322,159) and were supplied on normal commercial terms. There was a balance of \$46,000 (2010: \$242,606) outstanding at year end.
- ▲ Te Matatini Society, in which a Deputy Secretary's brother is the Chairman. These services cost \$143,750 (2010: \$56,250) and were supplied on normal commercial terms. No balance was outstanding at year end (2010: Nil).
- ▲ Te Whare Wānanga o Awanuiārangi, in which a Deputy Secretary's brother-in-law is a Board member. These services cost \$343,466<sup>6</sup> (2010: \$335,999). No balance was outstanding at year end (2010: \$168,000).
- ▲ Montessori-at-Otari Playgroup, in which a senior manager's wife is the Chair of the Playgroup. These services cost \$3,723 (2010: \$6,199). No balance was outstanding at year end (2010: Nil).
- ▲ Te Aute Trust Board, in which a Deputy Secretary's brother-in-law is a Board member. These services cost \$105,301 (2010: \$99,013). No balance was outstanding at year end (2010: Nil).
- ▲ Evaluation Associates, in which a senior manager's partner is a director and major shareholder. These services cost \$877,006 (2010: \$1,051,707) and were supplied on normal commercial terms. There was a balance of \$12,512 (2010: \$201,340) outstanding at year end.
- ▲ Educational Leadership Project Ltd, in which a senior manager's sister-in-law is a director of the company. These services cost \$845,515 (2010: \$802,120) and were supplied on normal commercial terms. No balance was outstanding at year end (2010: Nil).

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

**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 McLarens Young 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.

<sup>6</sup> Figure excludes a Treaty settlement to Te Whare Wānanga o Awanuiārangi of \$14,500 million.

Excess begins at \$500, increasing to a maximum of \$1,500. 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 2011.

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 2011 this was \$4,353. The average claim rate was 0.416 claims per day and the average delay was 29 days.
- ▲ The outstanding claims reserve at 30 June 2011 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.

	30/06/2011 <b>Actual</b> \$000	30/06/2010 <b>Actual</b> \$000
Opening claims liability	304	894
Plus premiums received	1,979	2,315
(Less) re-insurance premiums paid	(1,055)	(1,326)
(Less) claims paid	(2,428)	(1,216)
Plus/(less) claims liability adjustment from valuation	3,132	(363)
<b>Insurance profit/(loss)</b>	<b>1,628</b>	<b>(590)</b>
<b>Closing claims liability</b>	<b>1,932</b>	<b>304</b>

## Changes to non-departmental appropriations

Non-departmental appropriations for 2010/11 increased by \$258.4 million (GST exclusive) (refer table on pages 136 to 137). The major reasons for the increase were:

### Cabinet and other decisions

Specific government decisions resulted in a \$55.3 million increase to appropriations. The major changes included:

- ▲ provision for settlement of teachers' and principals' collective agreements (\$42.6 million)
- ▲ provision for additional costs arising from the February 2011 Canterbury earthquake (\$18.7 million)
- ▲ provision for completion of the capital works that will bring Te Whare Wānanga o Awanuiārangī buildings and equipment to a standard comparable with other tertiary institutions in settlement of a Treaty of Waitangi claim (\$14.5 million)
- ▲ support for the costs of merging Tairāwhiti Polytechnic and the Eastern Institute of Technology (\$5.0 million)
- ▲ additional funding for the School Network Upgrade Project (\$6.5 million)
- ▲ further funding for trades academies and service academies (\$4.1 million)
- ▲ transfers from non-departmental other expenses Early Childhood Grants and Early Childhood Education to fund targeted assistance for participation in the early childhood education sector in 2010/11 and 2011/12 (\$7.8 million)
- ▲ reprioritisation of Industry Training Fund funding for additional undergraduate university places and associated costs in other Votes (\$28.5 million).

### Revised forecasts and other changes in demand

Revised forecasts and demand changes resulted in a \$210.1 million increase in appropriations.

Significant forecast changes during the year included:

- ▲ increased costs for school transport services mainly owing to:
  - ▲ provisions for increased road user charges (\$1.0 million)
  - ▲ higher costs for index-based adjustments almost entirely offset by other adjustments, including the impact of lower than expected primary school rolls and lower levels of other claims.
- ▲ increased costs of early childhood education mainly owing to:
  - ▲ increased average weekly hours attended and a higher proportion of hours being claimed by children receiving 20 Hours Early Childhood Education (\$91.7 million)
  - ▲ higher than expected participation and an increase in average weekly hours attended by under-two-year-olds (\$25.0 million)
  - ▲ increased average weekly hours attended by over-two-year-olds (\$7.0 million).
- ▲ increased costs of schooling across Primary Education, Secondary Education and Special Needs Support appropriations mainly owing to:
  - ▲ an update to the accounting methodology of calculating primary holiday pay to reflect the collective agreement (\$34.9 million)
  - ▲ higher than expected staffing rolls (\$24.8 million)
  - ▲ higher than expected salary rates (\$11.9 million)
  - ▲ higher rates for retirement scheme subsidies and a higher uptake of KiwiSaver (\$8.8 million).

### Fiscally neutral adjustments

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

- ▲ a transfer from non-departmental other expense Tertiary Education Organisation Component: Capability Fund, which ceased at the end of 2010, related to capability programmes that continue in 2011 under Tertiary Education Grants and Other Funding (\$1.4 million)
- ▲ an increase in the interim response fund to support Christchurch students under non-departmental other expense Special Needs Support (\$1.4 million) after transfers from Schooling Improvement, Primary Education, Secondary Education and Supporting Parenting
- ▲ transfers between non-departmental other expenses Primary Education, Secondary Education and Special Needs Support resulting in increases to:
  - ▲ Secondary Education for Correspondence School funding (\$1.2 million)
  - ▲ Primary Education for revised allocations (\$1.6 million)
- ▲ a transfer from non-departmental output expense Professional Development and Support to non-departmental other expense Special Needs Support for Alternative Education programmes (\$1.0 million).



**Expense and capital transfers**

Transfers between financial years (from 2009/10 to 2010/11 and from 2010/11 to 2011/12 and subsequent years) resulted in a net decrease of \$3.9 million. Significant transfers included:

- ▲ a transfer from 2009/10 for performance benchmarking of tertiary education institutions as a consequence of delays in the programme (\$1.3 million)
- ▲ delays in the Engaging Priority Families programme and a consequential transfer of funds to outyears (\$1.4 million)
- ▲ delays in the Positive Behaviour for Learning programme shifting costs to subsequent years (\$1.2 million)
- ▲ transfer of funding from the previous year following delays in some Tertiary Education Organisation Component – Capability Fund programmes (\$2.5 million)
- ▲ delays in the University of Auckland Starpath Project (\$4.4 million)
- ▲ a transfer of unspent funding from 2009/10 owing to delays for Quality Reinvestment Programme (\$1.6 million)
- ▲ a transfer to 2011/12 for Property Disposal Incentives Scheme owing to changes in the expected timing of property sales (\$1.0 million).

**Other adjustments**

Other adjustments resulted in a decrease of \$3.1 million. These changes mainly included:

- ▲ transfers to departmental output expense Support and Resources for Teachers to develop the Student Achievement Function (\$4 million)
- ▲ transfers to Vote Social Development to enable StudyLink to continue to make scholarship payments to recipients and providers (\$3 million)
- ▲ the Tertiary Education Commission's policy function was transferred to the Ministry of Education (\$0.8 million)
- ▲ funding for the School Network Upgrade Project (\$4.8 million) transferred from Ministry capital.

<b>Non-Departmental Appropriations 2010/11</b>	<b>Budget 2010</b>	<b>Cabinet &amp; Ministerial Decisions</b>	<b>Demand Changes</b>	<b>Transfers Between Years</b>	<b>Fiscally Neutral Adjustments</b>	<b>Other Changes</b>	<b>Total</b>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Non-departmental output expenses</b>							
Centres of Research Excellence	33,488	-	-	-	-	-	33,488
Curriculum Support	65,207	-	-	-	(765)	(607)	63,835
Education Research Initiatives	2,980	-	-	-	-	28	3,008
International Education Programmes	6,006	-	-	-	-	-	6,006
Managing the Government's Investment in the Tertiary Education Sector	34,530	300	-	1,250	-	-	36,080
Ownership Monitoring of Tertiary Education Institutions	2,567	-	-	-	-	-	2,567
Professional Development and Support	91,385	-	-	-	-	-	91,385
Provision of Information and Advisory Services	22,342	205	-	-	-	-	22,547
Qualifications Support Structures	6,049	13	-	-	-	-	6,062
Quality Assurance	4,370	-	-	-	-	-	4,370
School Transport	160,272	890	1,016	-	-	-	162,178
Secondary School Assessments	26,480	-	-	-	-	-	26,480
Service Academies	1,440	-	-	-	-	-	1,440
Supporting Parenting	5,258	-	-	(1,400)	(90)	-	3,768
Tertiary Education and Training Policy Advice	5,637	(303)	-	-	-	(788)	4,546
Tertiary Education: Student Achievement Component	1,827,487	7,381	-	-	-	-	1,834,868
Training for Designated Groups	304,407	(35,900)	-	-	-	-	268,507
<b>Total non-departmental output expenses</b>	<b>2,599,905</b>	<b>(27,414)</b>	<b>1,016</b>	<b>(150)</b>	<b>(855)</b>	<b>(1,367)</b>	<b>2,571,135</b>
<b>Benefits and other unrequited expenses</b>							
Boarding Allowances and Bursaries	8,069	-	-	-	-	-	8,069
Home Schooling Allowances	5,550	-	-	-	-	-	5,550
International Student Scholarship Scheme	2,200	-	-	-	-	-	2,200
Māori and Pacific Island Scholarships and Bursaries	1,037	-	-	-	-	-	1,037
Māpihi Pounamu	3,250	-	-	-	-	-	3,250
National Study Awards	24,646	35	-	-	-	-	24,681
Queen Elizabeth II Study Awards	100	-	-	-	-	-	100
Scholarships for Students to Attend Private Schools	2,914	-	-	-	-	-	2,914
Study Abroad Awards	1,290	-	-	-	-	-	1,290
Targeted Education and Training Grants	40	-	-	-	-	-	40
Teacher Trainee Scholarships	7,027	-	-	-	-	(3,000)	4,027
Tertiary Scholarships	16,915	-	-	-	-	(656)	16,259
Tertiary Teaching Awards	200	-	-	-	-	-	200
United World Scholarships	50	-	-	-	-	-	50
<b>Total benefits and other unrequited expenses</b>	<b>73,288</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,656)</b>	<b>69,667</b>

<b>Non-Departmental Appropriations 2010/11</b>	<b>Budget 2010 \$000</b>	<b>Cabinet &amp; Ministerial Decisions \$000</b>	<b>Demand Changes \$000</b>	<b>Transfers Between Years \$000</b>	<b>Fiscally Neutral Adjustments \$000</b>	<b>Other Changes \$000</b>	<b>Total \$000</b>
<b>Non-departmental other expenses</b>							
Adult and Community Education	69,653	-	-	(582)	-	-	69,071
Early Childhood Education	1,263,908	(3,226)	125,439	(727)	-	-	1,385,394
Early Childhood Grants	13,783	(13,783)	-	-	-	-	-
Integrated Schools Property	49,255	2,820	446	-	-	2,530	55,051
Interest Subsidy for Schools	440	-	(220)	-	-	-	220
New Zealand Teachers Council	178	-	-	-	-	-	178
Performance-Based Research Fund	250,000	-	-	-	-	-	250,000
Primary Education	2,606,700	45,296	46,767	-	1,501	-	2,700,264
Remission of Fees	1,288	-	-	-	-	-	1,288
School Transport	839	-	(22)	-	-	-	817
Schooling Improvement	13,572	-	-	-	(850)	(3,459)	9,263
Secondary Education	1,948,932	8,456	34,231	-	490	-	1,992,109
Special Needs Support	308,288	3,080	2,482	(1,180)	(286)	-	312,384
Support for Early Childhood Education Providers	-	12,000	-	-	-	-	12,000
Support for International Students	-	2,000	-	-	-	-	2,000
Tertiary Education Grants and Other Funding	21,231	3,235	-	-	1,404	570	26,440
Tertiary Education Institutions Merger Support	-	5,000	-	-	-	-	5,000
Tertiary Education Organisation Component - Capability Fund	194,326	-	-	2,534	(1,404)	-	195,456
UNESCO	2,083	-	-	-	-	-	2,083
University of Auckland Starpath Project	5,650	-	-	(4,440)	-	-	1,210
<b>Total non-departmental other expenses</b>	<b>6,750,126</b>	<b>64,878</b>	<b>209,123</b>	<b>(4,395)</b>	<b>855</b>	<b>(359)</b>	<b>7,020,228</b>
<b>Non-departmental capital expenditure</b>							
Property Disposal Incentives Scheme	5,397	-	-	(1,022)	-	-	4,375
Quality Reinvestment Programme	1,075	-	-	1,621	-	-	2,696
Redevelopment of Whitireia Community Polytechnic Porirua Campus	1,080	(411)	-	-	-	-	669
School Support Project	1,880	-	-	-	-	-	1,880
Schools Furniture and Equipment	17,610	3,720	-	-	-	2,241	23,571
Te Whare Wānanga o Awanuiārangī Treaty Settlement	-	14,500	-	-	-	-	14,500
<b>Total non-departmental capital expenditure</b>	<b>27,042</b>	<b>17,809</b>	<b>-</b>	<b>599</b>	<b>-</b>	<b>2,241</b>	<b>47,691</b>
<b>Total non-departmental appropriations</b>	<b>9,450,361</b>	<b>55,308</b>	<b>210,139</b>	<b>(3,946)</b>	<b>-</b>	<b>(3,141)</b>	<b>9,708,721</b>

