

REPORT

MINISTRY OF EDUCATION

for the year ended 30 June 2012

ANNUAL REPORT PŪRONGO-Ā-TAU

2012



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

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Minister of Education the Hon Hekia Parata

Minister for Tertiary Education, Skills and Employment the Hon Steven Joyce

Associate Minister of Education the Hon Craig Foss

Associate Minister of Education the Hon Dr Pita Sharples

Associate Minister of Education the Hon John Banks

Parliament Buildings

Report of the Ministry of Education

for the year ended 30 June 2012.

Pursuant to section 44(1) of the Public Finance Act 1989, I am pleased to present the Annual Report of the operation of the Ministry of Education and our audited financial statements for the year ended 30 June 2012.

Lesley Longstone

Secretary for Education

Foreword from the Secretary for Education

He kupu whakataki nā te Hēkeretari mō te Mātauranga

This past year has been one of considerable change in both the education sector and the Ministry itself, particularly with the departure of Karen Sewell as Secretary for Education in November 2011. I'd like to thank Karen for her leadership and dedication to education and to the goal of raising achievement for all learners.

Our goal remains constant, to be a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st-century. Two OECD reports, published in 2012, confirmed that our education system has real strengths internationally. Our top learners are counted among the best in the world, and, on average, our learners perform well. This is the direct result of the commitment and hard work of everyone involved in education.

However, the system is still under-performing for Māori learners and Pasifika learners, and learners from communities with significant social and economic challenges. While our education system continues to under-perform for these learners, we are not entitled to call ourselves world-class. In the current economic and fiscal climate, we need to make sure we are not wasting a single opportunity to generate knowledge, skills, creativity and confidence in New Zealand's young people and its workforce.

Looking back, the education sector has accomplished a lot in the past 12 months. Significant work was undertaken to lift participation in early childhood education, particularly for Māori learners and Pasifika learners and children from communities that need support or access the most, on both a regional and national scale. Part of this work included identifying and addressing those barriers that prevent children from participating. This is in line with our knowledge of the important difference attending early childhood education can make to a child's long-term development.

Good progress has been made in further developing and embedding the National Standards, although there is still more to be achieved in this area. The standards have been praised internationally for the way they clearly outline what is expected of our learners in reading, writing and mathematics, and provide a much clearer basis for judging and keeping parents informed of their children's progress.

For the first time this year, schools with learners in years 1 to 8 were required to report on the progress and achievement of learners, particularly priority groups of learners, in their Annual Reports. Progress was measured against targets in their school charter, which had been set according to the National Standards. The Ministry monitors the quality of all school charters to ensure they set challenging targets to raise learner achievement, and is working with schools to ensure appropriate support is available where it is most needed.

Over the past year, a key Ministry priority continued to be improving the educational experience for Māori learners and Pasifika learners, and we continued to implement Success for All – Every School, Every Child, the special education work programme, that ensures our education system is fully inclusive.

We have continued to invest in schools so they can access broadband. This will see young New Zealanders learning in environments that are compatible with the needs of the 21st-century. We have a commitment to provide most schools with ultra-fast broadband by 2016. This will significantly enhance students' learning and support schools in their delivery of the New Zealand Curriculum.

In the secondary-tertiary area, we have extended the Youth Guarantee by increasing the number of trades academies and service academies, and through the introduction of sector-based vocational pathways. Through these initiatives, we are providing learners with the practical skills and knowledge that are valued by employers across a range of occupations.

People of all ages who have left school without qualifications have the opportunity to learn the foundation skills needed to progress to higher-level study and skilled employment. However, we have refocused foundation-level learning to ensure that we are targeting those with the greatest need. This means that tertiary education will be more effectively directed and deliver better outcomes and value for money.

Improving the skill level of New Zealanders is vital if we want to make sure that we fulfil our priority of ensuring that our education system is a major contributor to economic prosperity and growth. We know that New Zealand's economic future rests on the skills of our workforce and our ability to innovate. New Zealand is a small country,

with a small population. This means that every learner matters and we need to ensure all learners complete their formal education with the skills required to reach their potential in a modern economy.

We need to continue with a system-wide change that increases the achievement of all learners. That is why we are committed to supporting the Government's Better Public Services targets. The targets are: 98% of all school entrants having participated in quality early childhood education in 2016; 85% of 18-year-olds achieving NCEA Level 2 or an equivalent qualification; and 55% of 25- to 34-year-olds with advanced trade qualifications, diplomas and degrees in 2017.

The Better Public Services targets are ambitious and challenging goals for system improvement. It is critical that we have high expectations of our education system, and strengthen accountability for its performance.

The recovery of greater Christchurch following the 2010 and 2011 earthquakes continued to be a key focus. Since the first earthquake a lot of work has been done to minimise disruption to ensure that teaching and learning can continue, and restore services to the community. I would like to acknowledge the commitment of all those people who have worked so tirelessly in early childhood education centres, schools and tertiary institutions. Despite having their own lives equally disrupted, they have continued to support the learners for whom they are responsible.

This past year has seen some other significant challenges including the issue of 'Person A', a convicted sex-offender working as a teacher in a number of schools. A Ministerial Inquiry into the matter has found that, while Person A went to great lengths to conceal his identity, a number of issues with the system also meant that he was not discovered. The inquiry report has made recommendations which will help us strengthen the system so that children are kept safe from harm. We will continue to work with the schools affected to provide whatever support they need, for as long as they need it.

This Annual Report demonstrates how much has been achieved over the past year. We have a lot to be proud of and we will continue to build on this solid foundation to raise achievement for every learner.

Lesley Longstone
Secretary for Education

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1

Wāhanga tuatahi

our
FOCUS

TĀ TĀTOU AROTAHINGA

Summary

Whakarāpopotonga

We started the 2011/12 year knowing that New Zealand's education system continued to face considerable challenges. Our highest-achieving learners compare with the best in the world, but those groups least well served by New Zealand's education system achieve outcomes comparable with the lowest-performing OECD countries.

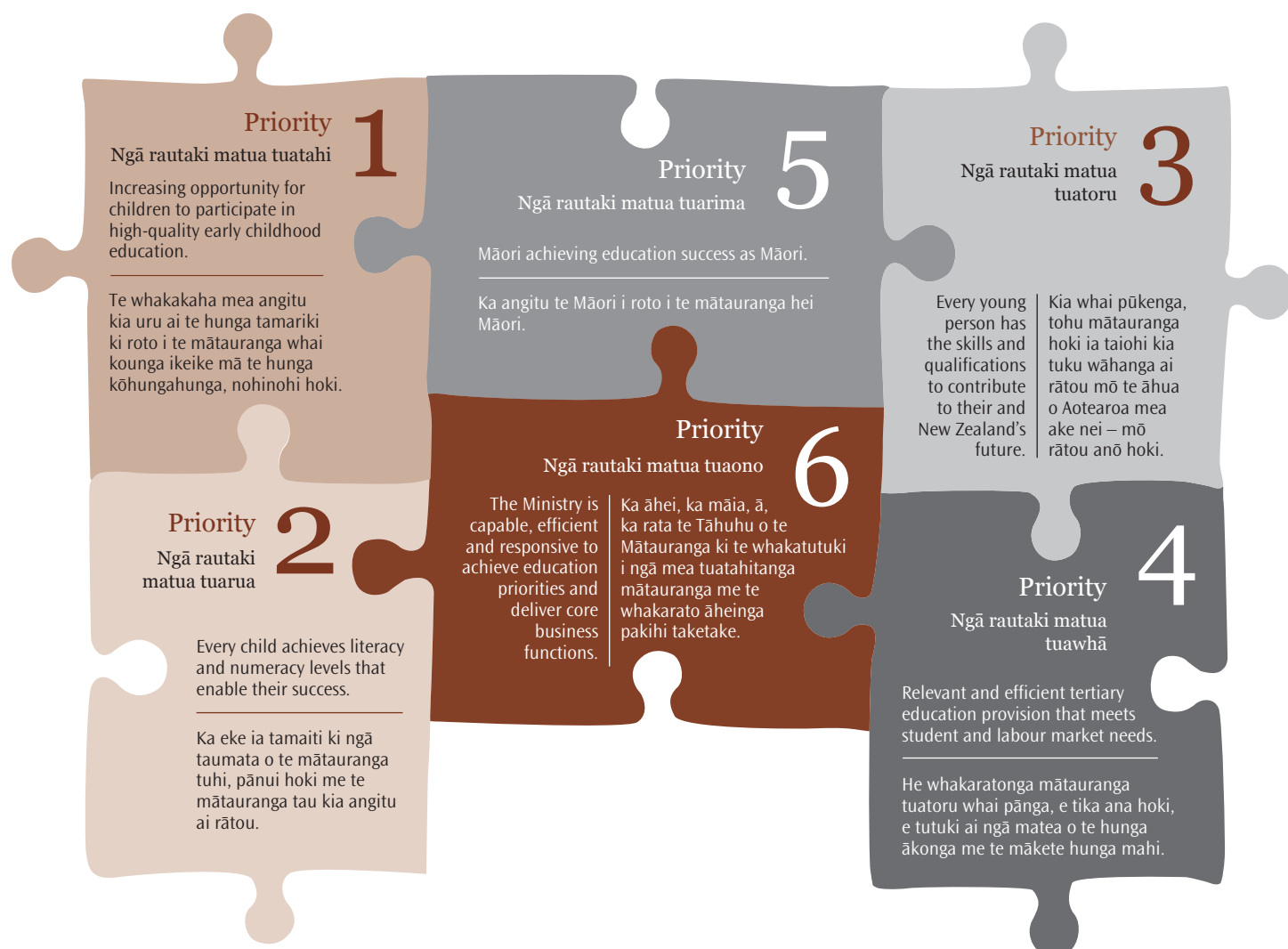
Our Statement of Intent 2011/12-2016/17 reflected our awareness that, while the performance of the education system has lifted over the past 10 years, these improvements need to be accelerated to lift participation and achievement for those most under-served by the education system.

Since we published our Statement of Intent in 2011, much has changed. In response to the Government's expectations of the contributions the education system should make, we have sharpened our focus from 2012 onwards, changed the way we work, and reorganised our business around just three key Ministry priorities:

- ▲ significantly raising attainment for Māori, Pasifika, learners from low socio-economic groups and those with special needs
- ▲ ensuring our education system is a major contributor to economic prosperity and growth
- ▲ building leadership capacity within the Ministry and across the education sector.

The Ministry's six priorities

During 2011/12, we arranged our work across areas to improve quality of teaching, learning and leading, and to raise learner achievement. We provided policy advice and managed the education system settings to deliver on Government priorities, and provided high-quality services to children and young people, their families and whānau, communities, educators and education providers. The report highlights the activity over 2011/12 under these six priorities.



Achieving more equitable outcomes for all learners

Our aim was a broad programme of change that focused on the strengths, needs, values and aspirations of each learner as they move through the education system. In a context of tighter budgets our goal was to ensure that the available funding was used well to meet the needs of all learners, not just some.

We targeted early childhood education to:

- ▲ address participation challenges through targeted support and funding
- ▲ bring about change through our policy settings, the teaching and learning framework and the way we fund services.

We enrolled 1,785 more children in early childhood education as a result of implementing participation programmes. These children would not have attended early childhood education without this targeted support. We also funded the creation of an additional 2,033 child places. While these were strong gains, and prior participation rates at school entry grew at a much higher rate than in the recent past, those rates were still below the target for 2011/12.

We supported the teaching profession to:

- ▲ improve the effectiveness of teaching foundation literacy and numeracy skills
- ▲ ensure learners got the most out of what modern technology can offer.

We implemented National Standards and worked to align National Standards and Ngā Whanaketanga Rumaki Māori. There are good examples of schools and other places of learning catering well for learners of all backgrounds, engaging with their families and communities and supporting learners to achieve excellent outcomes. The examples we see need to become common practice.

We supported schools to:

- ▲ ensure learners gained useful qualifications through effective and culturally responsive teaching
- ▲ be more responsive to learners' needs and the overall investment in education.

We implemented the Student Achievement Function and the Youth Guarantee. We are starting to see signs of a positive impact on participation and achievement rates, particularly for Māori learners and Pasifika learners, through this work.

We continued to achieve a more responsive education system by:

- ▲ strengthening the tertiary and international education contributions to economic growth priorities
- ▲ developing a New Zealand strategy for international education.

We implemented key Government priorities including establishing a new Crown agency for international education, providing a clear direction for the future of investment in international education and support for international learners.

We supported achievement of Māori learners by:

- ▲ continuing to invest in partnerships and relationships with those that are critical to Māori learners success
- ▲ including identity, language and culture in all major Ministry programmes, policies and activities.

We worked with iwi partners and made sure our existing programmes were tailored to meet the needs of Māori learners to ensure that those learners who will benefit most are receiving the right level of support.

We set the direction for education policy by:

- ▲ providing greater value for money in our service delivery
- ▲ strengthening the sector leadership role and responsibility for improved sector performance.

Our response to the impacts of the 2010 and 2011 earthquakes in Canterbury continued with a significant programme of repairs for schools, targeted assistance for early childhood education services, and provision of wellbeing programmes for education sector staff and learners. We are focused on finalising the options for wider education renewal across Christchurch City and its surrounding districts of Waimakariri and Selwyn.

Lifting participation in early childhood education and achievement in schools will not happen without strong parental, whānau and community engagement. We need to understand and focus on levers that lift achievement outside of school as well as those within it. We will look at ways to strengthen this engagement, particularly in areas of high need and high potential, and will identify local champions who can drive the changes necessary to lift achievement.

As a Ministry, we have made significant progress with putting in place mechanisms to ensure the system performs more effectively in a tight fiscal environment. This has meant changing the way we invest resources to improve quality education experiences for all learners. Overall, we must do more with less to generate savings, and focus more on areas that need support the most to improve our efficiency and effectiveness.

What works for learners in our system

Our actions for priority groups of learners support and cut across all our work. Ka Hikitia¹ continued to enable us to take a view on what Māori enjoying and achieving education success as Māori looks like for Māori learners. The Pasifika Education Plan is setting more ambitious targets to raise achievement across the board, increase participation and engagement, and improve results for Pasifika learners. The special education work programme continued its focus on greater equity in outcomes and education experiences for learners with special education needs.

High-quality information leads to better decision-making, so that we can target our investments to where they are needed most and to achieve the outcomes for learners we seek. It is at the heart of everything we do. We know that, to make changes in the participation and achievement levels of priority groups, we must focus on supporting best practice teaching and learning that are based on evidence of what works. Targeting our investments more effectively across the system will result in the improvements we need.

Future focus for education

The Government set a number of priorities to shape and guide our activities over late 2011 and early 2012. Our work and the work of the wider education sector have been framed by the Government's four priorities:

- ▲ responsibly managing the Government's finances
- ▲ building a more competitive and productive economy
- ▲ delivering better public services
- ▲ rebuilding Christchurch.

Our focus will include rolling out a small number of Partnership Schools over the next two years in areas with significant educational challenges and underachievement. These schools will increase schooling options available to parents and learners. We will also raise achievement through a Ministerial Cross-Sector Forum.

Alongside our education sector partners, we have particular contributions to make to achieve the ambitious Better Public Services targets set by the Government. These targets will require us to stretch beyond immediately deliverable results, and find new ways to work across the education sector.

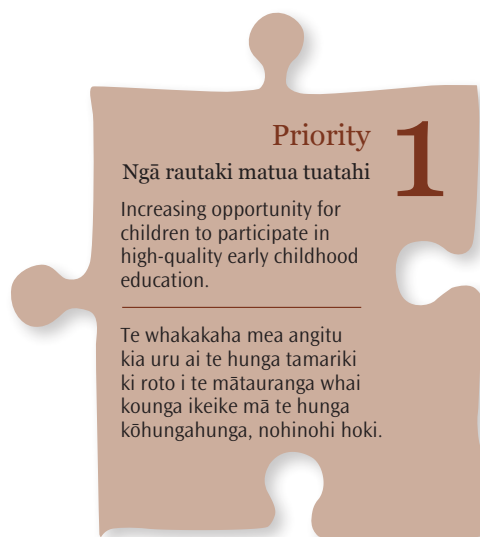
There are three Better Public Services results areas for which we will have key accountabilities, with support from other agencies, as we move into the future:

- ▲ In 2016, 98% of children starting school will have participated in quality early childhood education.
- ▲ 85% of 18-year-olds will have achieved NCEA Level 2 or an equivalent qualification in 2017.
- ▲ 55% of 25- to 34-year-olds will have a qualification at level 4 or above in 2017.

Our activities will need to be guided by our contributions to the Government's Business Growth Agenda. This large-scale programme of work will support New Zealand businesses to grow, to create jobs and improve New Zealanders' standards of living. It will deliver innovative initiatives and policy reforms that will help create a more productive and competitive economy. Our future work will contribute to three education-related key areas:

- ▲ building innovation to grow New Zealand's economy by encouraging and enabling investment in research and development, and lifting the value of public investments in science and research
- ▲ building skilled and safe workplaces to lift New Zealanders' skills and qualifications, reduce long-term unemployment, and improve workplace health and safety
- ▲ building export markets to increase exports by New Zealand businesses, which is necessary to lift New Zealand's economic growth and living standards.

¹ Ka Hikitia – Managing for Success: the Māori Education Strategy 2008-2012 is in the process of being refreshed.



Regular participation in high-quality early childhood education significantly increases a child's likelihood of future success in education, particularly for children from vulnerable families.

What we set out to achieve

We said we would provide targeted support and funding to address specific participation challenges and bring about change through policy settings, the teaching and learning framework, and the way we fund services. Our goal was to have an additional 3,500 children participating in early childhood education by 2014. This will contribute to the overall shift in participation rates for Māori children and Pasifika children we are looking for.

Investment

- ▲ \$1,325 million spent on subsidies for early childhood education
- ▲ \$31 million spent on targeted participation initiatives to fund the creation of new child places in targeted communities and enrol additional children not previously engaged in early childhood education
- ▲ \$28 million spent on extending early intervention service support for children with special education needs

Activity

- ▲ Implemented early childhood education participation projects in targeted communities
- ▲ Provided early intervention services to children with identified special education needs
- ▲ Implemented initiatives to support the workforce to become more responsive and high-quality
- ▲ Continued to license and re-license early childhood education services
- ▲ Implemented the redesigned professional learning and development model
- ▲ Began revising the early childhood education information and funding systems
- ▲ Responded to the recommendations from the Early Childhood Education Taskforce

Results

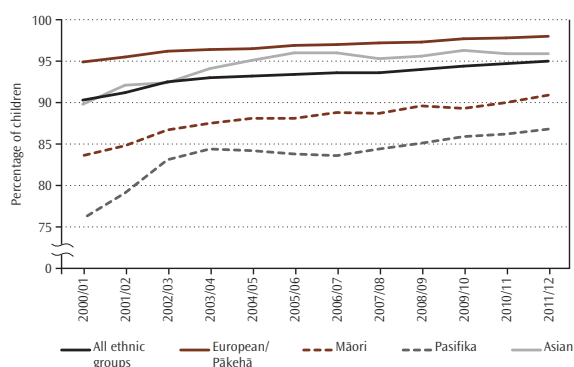
| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 |
|---|-------|---|----------------|----------------|----------------|
| More children participating in early childhood education overall, and particularly in areas with currently low participation rates (targeted participation groups include Māori children, Pasifika children and children from low socio-economic communities) | | | | | |
| INCREASE the percentage of children who have attended early childhood education prior to starting school | · | Total | 94.7% | 95.0% | 95.6% |
| | · | Māori | 90.0% | 90.9% | 92.0% |
| | · | Pasifika | 86.2% | 86.8% | 87.7% |
| INCREASE the number of children accessing early childhood education as a result of targeted participation projects | ↑ | Total number of new participants (cumulative numbers) | 639 | 1,785 | 1,720 |
| High-quality provision of early childhood education | | | | | |
| RE-LICENSE early childhood education services that meet new licensing quality standards | ↑ | Early childhood education services | 41% | 63% | At least 50% |

| MEASURE | TREND | METRIC | ACTUAL 2009/10 | ACTUAL 2010/11 ² | TARGET 2010/11 |
|--|-------|----------|----------------|-----------------------------|----------------|
| Improved cultural responsiveness | | | | | |
| INCREASE the number of qualified Māori and Pasifika early childhood education teachers | ↑ | Māori | 948 | 1,095 | 1,012 |
| | ↑ | Pasifika | 1,007 | 1,124 | 1,026 |

KEY ↑ Improved, target met/exceeded ⬆ Improved, target not met ⬇ Worsened ■ No change

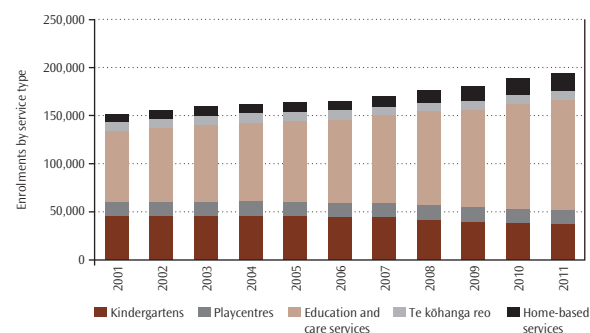
What our indicators are telling us

Percentage of children who have attended early childhood education prior to starting school



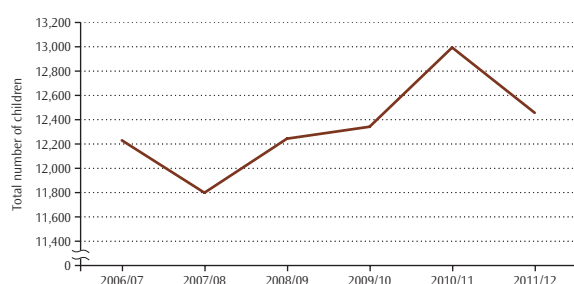
The overall percentage of children who have attended early childhood education prior to starting school has increased slightly. The percentage of European/Pākehā, Māori and Pasifika children participating has increased incrementally while the percentage of Asian and other children participating has decreased slightly.

Enrolments in licensed early childhood education services, by service type



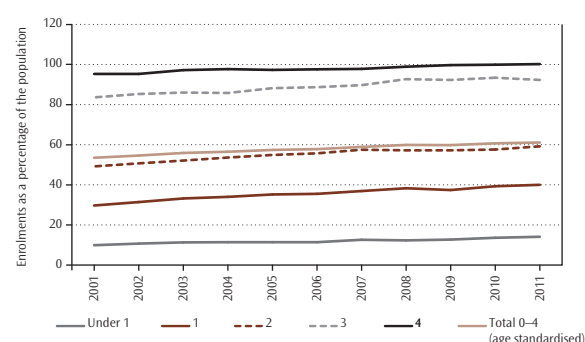
There has been steady growth in the overall number of enrolments in licensed early childhood education services, particularly in education and care and home-based services. The growth in these types of services may, in part, reflect demand for services that provide longer hours, which supports greater labour market participation.

Number of children receiving early intervention services



We continue to experience high demand for early intervention services, delivering to more children than annually funded through the appropriation.

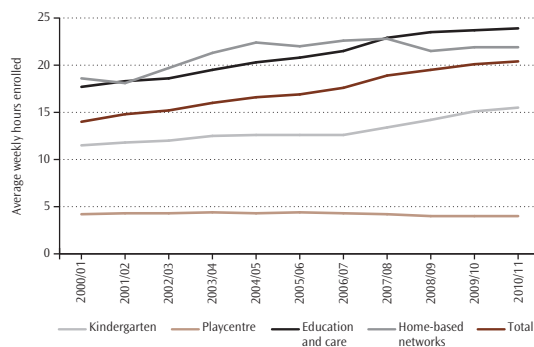
Enrolments in licensed early childhood education services, by age



The age-standardised early childhood education enrolment rate increased in 2011 to 61.1%, up from 60.7% in 2010. The greatest growth was in enrolments of two-year-olds, which increased 1.6 percentage points in 2011.

² 2010/11 data is the latest available for this measure.

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



The time that children spend in early childhood education per week has been increasing. The average number of hours per enrolment rose by 46.0% from 14 hours in 2001 to 20 hours in 2011. From 2010, the rising trend has levelled off at 20 hours a week for both younger and older children.

Snapshot

As at 1 July 2011, there were:

- ▲ 5,258 early childhood education services:
 - ▲ 4,439 licensed services
 - ▲ 819 licence-exempt or certified playgroups
- ▲ 215,510 enrolments in licensed and licence-exempt services. Of these:
 - ▲ 43,416 (20%) were identified as Māori
 - ▲ 14,407 (7%) were identified as Pasifika
- ▲ 20,644 teaching staff at teacher-led licensed services. Of these:
 - ▲ 1,882 (9%) identified as Māori teachers
 - ▲ 1,716 (8%) identified as Pasifika teachers

What we did

Implemented early childhood education participation projects in targeted communities

We continued to implement the Early Childhood Education Participation Programme. We took a targeted geographical approach to identify communities with the highest rates of children who were not currently participating in early childhood education, particularly Māori children and Pasifika children.

We enrolled an additional 1,785 children not previously engaged in early childhood education. As a result of the Participation Programme, a total of 2,446 children have enrolled in early childhood education to date, including particularly high numbers of Māori children and Pasifika children.

Overall, participation numbers are improving, with a good level of enrolments in some programmes, but sustaining that engagement is challenging. There is a range of circumstances that can influence whether children, families and whānau engage in early childhood education. Our early findings suggest that lack of transport, costs to attend services, family poverty, transience or instability in living arrangements, and a general lack of knowledge about services are common reasons for poor participation in early childhood education from target communities.

The Participation Programme also reinforced recommendations since made by the independent Early Childhood Education Taskforce on funding and targeting. The Taskforce was set up to consider ways to improve efficiency and effectiveness of government spending in early childhood education.

Intensive Community Participation Project

We worked with communities through the Intensive Community Participation Project in Papakura, Hastings and Christchurch to identify the barriers to accessing quality early childhood education. We delivered community-based initiatives including community play days and a caravan park playgroup. The Tamaki Learning Champions website was also set up as an information tool for families in the area. There are now six community participation projects in place, each lasting three years.

Targeted Assistance for Participation

The Targeted Assistance for Participation fund, designed to stimulate provision in communities with the highest rates of non-participation, funded the creation of 2,033 new child places across 45 communities. These child places were created at a much lower cost compared with the average cost under the previous Discretionary Grants Scheme.

Supported Playgroups

Supported playgroups provide an option for communities that have large numbers of children who don't participate because parents want to stay with their children or where there are significant barriers to the establishment and ongoing viability of an early childhood education service.

In 2011/12, we set up 10 playgroups in the Ranui, Glen Eden, Waitomo, Taita-Delaney, Elsdon-Takapuwahia and Aranui communities. A total of 35 supported playgroups now offer up to 1,173 children access to early childhood education. Of these children, 144 have transitioned to school or another early childhood education service.

Engaging Priority Families

The Engaging Priority Families initiative provides intensive early learning support to families and whānau of three- and four-year-olds who are currently not participating in early childhood education. In 2011/12, we established the initiative in Porirua, Hutt Valley, Waitara, Levin and Turangi for families and whānau in the most vulnerable situations whose children, without intensive support, are unlikely to engage in early childhood education.

All providers have either met, or are close to meeting, targets set for their caseloads. Of the 1,281 children ever registered in this initiative, 756 children successfully moved into early childhood education services. Fifty-seven of those children also transitioned into school and an additional 19 children enrolled directly into school. A further 298 children enrolled are currently working toward participation in early childhood education.

Flexible and Responsive Home-based Solutions

We set up 12 Flexible and Responsive Home-based Solutions in the Tamaki, Papakura, Waitomo, Rotorua, Gisborne, Wairoa, Takanini and East Coast district communities. Thirty-six more children are participating in early childhood education as a result of this initiative. The Manukau initiative did not go ahead as there were other participation initiatives already operating there and the impact on participation rates of these initiatives has yet to be evaluated.

Identity, Language and Culture and Community Engagement

We provided professional development to teachers in 15 early childhood education services across the Kaikohe and Waikato communities to strengthen the responsiveness to identity, language and culture in the teaching practices of the services. We supported 236 more children to enrol in quality early childhood education through this initiative.

Provided early intervention services to children with identified special education needs

Early intervention services support children aged zero to five years with special education needs to build foundations for future learning. We provided early intervention service support for learners with special education needs, including the funding of six specialist service providers to provide early intervention services to 446 children across seven districts.

We worked with Māori, Pasifika, health and community organisations, early childhood services and Crown agencies to increase awareness of the specialist early intervention services available. Early reports suggest we

have identified more Māori children and Pasifika children with special education needs so they can access appropriate early intervention services. We also provided cultural training and support for all 875 frontline staff including:

- ▲ cultural training on improving responsiveness to Pasifika children
- ▲ cultural supervision to support both whānau and practitioners when working with Māori children
- ▲ a professional practice website providing information and guidance to develop knowledge of Māori perspectives.

Implemented initiatives to support the workforce to become more responsive and high-quality

We invested \$375,000 into te reo Māori and Pasifika language scholarships in early childhood education to lift the supply of teachers and achieve targets set in Ka Hikitia and the Pasifika Education Plan. In 2011/12, we awarded 12 te reo Māori scholarships and 64 Pasifika scholarships to early childhood education teaching students.

We developed a recruitment and retention strategy to support an increase in the number of high-achieving Māori and Pasifika in teaching, and men in teaching, and a lift in the status of teaching as a career in the early childhood education and schooling sectors. We also developed the content for a promotion strategy that showcases teaching as a career of choice, specifically focused on teaching Māori children, Pasifika children, and children with special education needs.

We started developing a professional learning and development model that will allow more closely matched demand and supply for teachers, to guide decision-making for the next five to 10 years. This model will be ready by June 2013.

Continued to license and re-license early childhood education services

We re-licensed 964 early childhood education services to meet the new 2008 regulatory framework. Licensing and re-licensing early childhood education services increases the focus on high-quality provision and provides assurance that all services are meeting requirements set out by education legislation. It ensures that services appropriately reflect children's identity, language and culture.

On 1 July 2011, we implemented changes to centre size regulations that raised the maximum size that early childhood education services could be licensed for from 50 to 150 licensed child places. Under previous regulations, services that catered for the needs of more than 50 children had to hold multiple licences. A total of 350 services amended their licences to take advantage of these changes.

Implemented the redesigned professional learning and development model

The early childhood education professional learning and development programme supported the provision of quality early childhood education and culturally responsive teaching by targeting services in communities that show low rates of participation.

We targeted services that were likely to enrol children with the greatest potential to benefit from participating in early childhood education. This approach aligned with the Early Childhood Education Taskforce recommendations of improved services for Māori children and Pasifika children.

Began revising the early childhood education information and funding systems

The Sector Advisory Group on Early Childhood Education Funding was established in June 2012 to advise on the funding review process. Decisions are expected to be made by early 2013 on the review of the funding system.

We increased Equity Funding to encourage early childhood education services to work more with families from communities of high need and to enrol, engage and retain Māori children and Pasifika children, children from communities with significant social and economic challenges, and children with special education needs. The funding increase will be applied in November 2012.

20 Hours ECE funding continues to support affordable early childhood education for all families. Following changes to funding rates in February 2011, there was a small impact on overall affordability. Early childhood education, however, remains 32% more affordable than in June 2007.

Responded to the recommendations from the Early Childhood Education Taskforce

Two sector advisory groups were established in February 2012 in response to the Early Childhood Education Taskforce recommendations on quality in early childhood education. The advisory groups focused on improving quality for children aged under two years and improving early childhood education quality across the sector. We expect to implement recommendations made by June 2013.

Responded to Waitangi Tribunal claim 2336

In July 2011, a claim was lodged by Board members of Te Kōhanga Reo National Trust Board, stating the Government's application of regulations, policies and practices breached the Treaty of Waitangi and has resulted in declining enrolments in kōhanga reo. The claim was heard under urgency in February 2012. We responded to the claim alongside Te Puni Kōkiri, the Education Review Office and the New Zealand Teachers Council. The Tribunal's report is expected in late 2012.

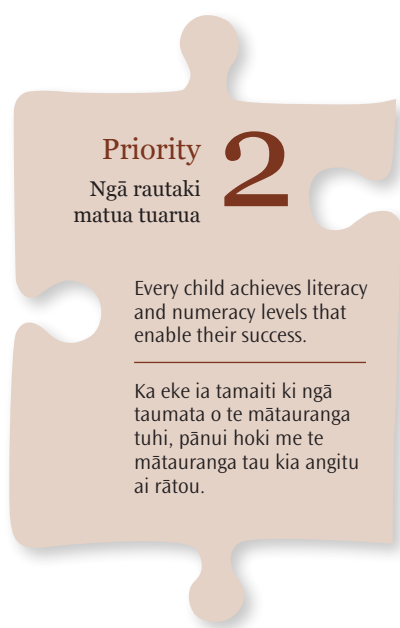
Future focus

To achieve our targets for Better Public Services, we will work on significant systems changes that contribute to the achievement of the 98% early childhood education participation target:

- ▲ The Early Learning Information system will better track participation. This will be rolled out to the early childhood education sector by mid-2014. Improved information will be provided to parents and caregivers progressively from 2013. Local information will be used to identify barriers and opportunities.
- ▲ Funding will be adjusted to encourage enrolment and support children to stay in early childhood education.

Alongside these developments, we will:

- ▲ work closely with other agencies on cross-sector initiatives to increase the participation in early childhood education of vulnerable children
- ▲ change the demand for early childhood education through community engagement and leadership. Summits will be held and partnerships established with Māori (including iwi partners) and Pasifika communities to understand and work together on solutions to low participation in early childhood education
- ▲ work with low-decile schools to identify families where children are not participating in early childhood education, to actively encourage improved participation
- ▲ scale up existing initiatives and develop new initiatives to increase the rate of change. Local solutions will be implemented and existing initiatives that show promise will be extended, such as Engaging Priority Families and Supported Playgroups. Large and experienced service providers will be contracted to increase participation in the communities where they operate.



Priority 2

Ngā rautaki
matua tuarua

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

Ka eke ia tamaiti ki ngā taumata o te mātauranga tuhi, pānui hoki me te mātauranga tau kia angitu ai rātou.

The first three years of school are important for future educational success. Learners require quality teaching and learning opportunities and support at school and at home, especially between the ages of five and eight. Successful learning in the early school years builds self-reliance and engagement, reducing the need for later interventions.

What we set out to achieve

We said we would support the teaching profession to improve their effectiveness in teaching foundation literacy and numeracy skills for all learners. We said we would make the most of opportunities offered by modern technologies.

Investment

- ▲ \$85 million spent on professional learning and development
- ▲ \$17 million spent on study awards for teachers
- ▲ \$8 million spent on implementing the Student Achievement Function

Activity

- ▲ Implemented the National Standards and Ngā Whanaketanga Rumaki Māori
- ▲ Supported and increased effective teaching and learning of literacy and numeracy
- ▲ Implemented the Student Achievement Function
- ▲ Supported ongoing sector engagement to guide implementation of the National Standards
- ▲ Provided support to lift leadership quality within schools
- ▲ Supported learners with special education needs and disabilities

Results

| MEASURE | TREND | METRIC | ACTUAL 2011/12 | TARGET 2012/13 | TARGET 2013/14 |
|---|-------------|---|---|--|---|
| Reduced disparity gap between our top-achieving learners and lower-achieving learners | | | | | |
| Proportion of learners ACHIEVING the National Standards or Ngā Whanaketanga Rumaki Māori | New measure | Assessment of performance for learners in years 1 to 8 | Data available late 2012 | Evidence of increasing proportions of learners achieving 'at' or 'above' 2011/12 benchmarks (National Standards) | Evidence of increasing proportions of learners achieving 'at' or 'above' 2012/13 benchmarks (Ngā Whanaketanga Rumaki Māori) |
| National monitoring information for literacy and numeracy ACHIEVEMENT | New measure | Assessment of performance for learners in years 4 and 8 | A National Monitoring Study of Student Achievement is in place. Data will be available in 2013/14 | | |

| MEASURE | TREND | METRIC | ACTUAL 2011/12 | | TARGET 2011/12 |
|--|-------------|---|--|---|---|
| Improved support for teachers, principals and schools to lift learner literacy and numeracy achievement through the Student Achievement Function | | | | | |
| STUDENT ACHIEVEMENT PRACTITIONERS will work with selected schools | New measure | Number of practitioners | 45 | | 50 |
| | New measure | Number of schools | 373 | | 600 |
| The successful implementation of sustainable solutions for learners will see an ACCELERATED RATE OF PROGRESS | New measure | Evidence of improved outcomes | Many learners that were achieving below the standards are now achieving at standard | | Evidence of improved learner outcomes measured through identified local measurement processes as measured against valued social, cultural and academic learner outcomes |
| Teachers, parents and whānau working collaboratively to support child achievement | | | | | |
| Participants receiving the parents and whānau programmes report that they are more CONFIDENT AND BETTER EQUIPPED to support their children, as a result of the programme | New measure | Percentage of participants showing a rating of 'positive' or higher | 91% | | At least 95% |
| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 |
| Schools demonstrate inclusive practice | | | | | |
| Schools will demonstrate INCLUSIVE PRACTICE for learners with special education needs ³ | ↑ | Percentage of schools demonstrating inclusive practices through Education Review Office assessments | Half of schools reported mostly inclusive practices 30% of schools reported some inclusive practices 20% of schools reported few inclusive practices | 88% of schools reported mostly inclusive practices 12% of schools reported some inclusive practices 1 school reported few inclusive practices | 80% demonstrate highly inclusive practices and 20% demonstrate inclusive practices by the end of 2014 |

³ This measure was revised to target 100% of schools demonstrating inclusive practice by 2014.

| MEASURE | TREND | METRIC | ACTUAL 2005/06 ⁴ | TARGET |
|--|-------|---|-----------------------------|--|
| Improved learner literacy and numeracy achievement compared with other countries | | | | |
| IMPROVE year 5 New Zealand learners' achievement in the PIRLS and TIMSS international studies | ■ | Mean reading score | 532 | PIRLS (2015 study – results released in 2017): Improved mean score |
| | | Mean mathematics score | 492 | TIMSS (2014 study – results released in 2016): Improved mean score |
| REDUCE the proportion of year 5 learners who do not reach the lowest level of proficiency in the PIRLS and TIMSS international studies | ■ | Reading | 8% | PIRLS (2015 study – results released in 2017): Lower proportions overall |
| | | Mathematics | 15% | TIMSS (2014 study – results released in 2016): Lower proportions overall |
| MEASURE | TREND | METRIC | ACTUAL 2009 ⁵ | TARGET |
| IMPROVE achievement in the PISA international reading and mathematics for 15-year-old New Zealand learners | ■ | Mean reading score (OECD average 493) | 521 | 2012 study – results released in 2013: Improved mean score |
| | | Mean mathematics score (OECD average 496) | 519 | |
| REDUCE the proportion of 15-year-old learners who do not reach the lowest level of proficiency in the PISA international studies | ■ | Reading | 14% | 2012 study – results released in 2013: Lower proportions overall |
| | | Mathematics | 15% | |

KEY ↑ Improved, target met/exceeded ⬆ Improved, target not met ⬇ Worsened ■ No change

What we did

Implemented the National Standards (English-medium) and Ngā Whanaketanga Rumaki Māori (Māori-medium)

National Standards and Ngā Whanaketanga Rumaki Māori provide a consistent framework for learner achievement in years 1 to 8, to enable learners to meet the requirements set out in the New Zealand Curriculum and Te Marautanga o Aotearoa. The frameworks outline standards for reading, writing and mathematics, and for Te Reo Matatini and pāngarau.⁶

We have implemented significant changes in the way we design and deliver our resources, programmes and services with a focus on prioritising and targeting our work for the learners who need it most. We are strengthening our relationships with the sector and with parents, families and communities to ensure we know about and can respond in a timely way to the needs of learners.

National Standards (English-medium)

For the first time, schools with learners in years 1 to 8 set targets for the National Standards in their annual charter updates. In May 2012, we received the first reports on learner achievement in 2011 school annual reports.

We continued a three-year monitoring and evaluation project to give a broad overview of the implementation of National Standards. Overall findings to date:

- ▲ Most teachers moderated overall teaching judgements for writing in school-wide processes. Approximately half of the teachers surveyed were involved in school-wide moderation of overall teaching judgements for reading and mathematics. Informal discussions on moderation were more common for reading and mathematics than for writing.

⁴ 2005/06 data is the latest available for these measures.

⁵ 2009 data is the latest available for these measures.

⁶ English and mathematics.

- ▲ Asian and European/Pākehā learners had the largest proportions of learners rated as at or above the standards for reading, writing and mathematics. This was followed by Māori learners, then Pasifika learners.
- ▲ Eighty per cent of families received an end-of-year report that referred directly to the standards. Of these, just over one-third contained sufficient and clear information about the standards.
- ▲ Principals' views on the levels of support remained low, with high levels of concern about unintended consequences of the standards. Although boards share these concerns, most boards were reasonably confident in their school's ability to understand and implement the standards.

We implemented Programmes for Learners, a pilot intervention in reading, writing and mathematics to accelerate the progress and achievement of learners to meet the expectations of National Standards in 2011. The Accelerating Learning in Mathematics programme was implemented in 264 schools in 2012, up from 143 in 2011. The Accelerating Learning in Literacy programme was implemented in 321 schools in 2012, up from 156 in 2011. Early results show that learners in both programmes made accelerated progress. The evaluation of these pilot projects will be released in October 2012.

For English language learners, we developed integrated units based on English for speakers of other languages for the New Zealand Qualifications Authority levels 2 and 3 unit standards. The units link into NCEA Level 1 and the science and social sciences curricula. They also align with the unit standards review, and include annotated exemplars and listening transcripts.

Ngā Whanaketanga Rumaki Māori (Māori-medium)

Kura and schools using Ngā Whanaketanga Rumaki Māori set literacy and numeracy targets for the first time in their 2012 annual plans. These will be reported against in 2013.

For learners in years 1 to 8 learning in and through the medium of the Māori language, we established two major programmes to support meeting the National Standards and Ngā Whanaketanga Rumaki Māori:

- ▲ Mātaiako – supports the development of assessment tools and capability for Māori-medium settings to support the implementation of Ngā Whanaketanga Rumaki Māori. The programme will help to ensure that there are quality assessment tools available to inform overall teaching judgements in the assessment process.
- ▲ Māori-medium professional learning and development – supports the development of culturally responsive learning programmes. The programmes align with graduate profiles established collaboratively with communities to lift learner achievement.

We developed an aromatawai, an assessment explicitly reflecting Māori language contexts of learning. Aromatawai ensures that kura and Māori-medium settings can assess learners' progress and achievement from an authentic perspective.

We completed a review of all literacy and numeracy assessment tools available to kura and Māori-medium settings. All current tools are in the process of being redeveloped and refreshed to align with the expected outcomes set out in Te Marautanga o Aotearoa and Ngā Whanaketanga Rumaki Māori.

We reviewed all current learner management systems to identify opportunities for use of these tools to collect progress and achievement data. We found that our current systems are not able to collect what matters to support kura and Māori-medium learners and used this as the basis to develop alternative, but aligned and connected, online data collection tools.

Supported and increased effective teaching and learning of literacy and numeracy

We undertook a major redesign of the procurement process to make Māori-medium and English-medium professional learning and development to be more culturally responsive. This included implementing contracts with new providers from December 2011.

We introduced a Ministry-led system to allocate professional learning and development support to schools with more targeted decision-making in 2012. This ensures professional learning and development opportunities are allocated to those schools and teachers of learners who will benefit the most. Evidence will be available in 2013.

Tātaiako – Cultural Competencies for Teachers of Māori Learners was integrated into professional learning and development contracts to help raise the level of cultural responsiveness within English-medium settings for Māori learners. The Secondary Student Achievement Professional Learning and Development contract is continuing to provide development focused on the potential and success of Māori learners and Pasifika learners, and learners with special needs.

We piloted seven learning and change networks and these will be implemented across the sector in October 2012. Communities will have autonomy to shape their membership and structure to reflect the cultural preferences of that community.

A total of 533 schools are engaged in the Books in Homes programme, reaching 88,777 learners. The programme improves engagement in literacy and achievement for children who may have limited reading material at home by providing books to children in low-decile schools, and to their pre-school siblings.

We also supported quality teaching and learning by assisting teachers to lift their language proficiency in and through te reo Māori. We delivered a Māori language learning programme that helps teachers lift their knowledge, understanding and use of te reo Māori in English-medium schools. All of these provisions supported the increased literacy and numeracy of year 1 to 8 learners.

English-medium settings

We initiated a programme to strengthen support for teachers into e-learning and science community engagement. We updated resources for teachers and delivered professional learning and development for teachers in 94 primary and secondary schools. We also supported two case studies to explore and identify examples of practices that are sustainable and scalable.

To support teachers in making consistent judgements against the National Standards we:

- ▲ refreshed the literacy and numeracy assessment website
- ▲ developed an online moderation tool
- ▲ continued the development of the Progress and Consistency Tool, due for release in 2014 (the tool maps learner progress over time)
- ▲ started reviewing the Ready to Read materials, publishing further illustrations of the standards and facilitating additional moderation workshops for teachers.

We supported a range of professional learning and development opportunities for teachers of years 1 to 8 learners in literacy and numeracy. This included:

- ▲ supporting 1,484 teachers of literacy learners and 2,324 teachers of mathematics learners
- ▲ providing professional development for 507 Reading Recovery teachers, of whom 274 are still training. Reading Recovery supported 10,768 six-year-olds
- ▲ completing the first phase of the Reading Together programme
- ▲ supporting 205 schools with high numbers of Māori learners to run Reading Together workshops.

We reviewed how best to integrate key competencies across all eight learning areas to support schools and teachers. This review provided exemplars as a basis to develop indicators for schools and teachers. The indicators, being developed in 2012/13, will describe learner progress and development, at different levels of the curriculum.

We provided targeted support for English language learners including:

- ▲ professional development for 604 teachers of primary school English language learners
- ▲ professional development for 440 teachers of secondary school English language learners
- ▲ support to 136 teachers of English language learners across primary and secondary schools who accessed the online English Language Learning Progressions
- ▲ 270 scholarships for teachers completing graduate and postgraduate programmes for teaching of English language learners
- ▲ delivery of three programmes to 270 teacher aides working with English language learners:
 - ▲ Working with English Language Learners Handbook and DVD
 - ▲ Pasifika Teacher Aide Programme
 - ▲ English Language Assistants Programme.

Māori-medium settings

Over the last two years, the number of TeachNZ scholarships targeted at prospective teachers of te reo Māori or in Māori-medium education has lifted significantly. They now account for \$6.7 million annually across the primary and secondary sectors.

We provided in-depth professional learning and development in kōrero, pānui, tuhituhi⁷ and pāngarau to teachers using Ngā Whanaketanga Rumaki Māori, and Whakapiki i Te Reo Māori:

- ▲ 471 teachers accessed professional support in kōrero, pānui and tuhituhi.
- ▲ 275 teachers accessed professional support in pāngarau.
- ▲ 152 teachers accessed professional support in Whakapiki i Te Reo Māori.
- ▲ 121 English-medium teachers accessed professional support in te reo Māori.

⁷ Oral language, reading and writing.

Although each of these provisions used Te Marautanga o Aotearoa as the foundation for their support, an additional 387 teachers received professional support focused on the New Zealand Curriculum.

We finalised contracts to assist kura and Māori-medium settings to identify and address the priority needs set out in their school charters in 2012. Each priority area has been developed with kura and Māori-medium settings and, while it aligns with professional learning and development provision for English-medium schools, the focus explicitly reflects Māori language perspectives in their learning.

Implemented the Student Achievement Function

The Student Achievement Function allocates advisors to work directly with schools to ensure every learner is on track to achieve at least NCEA Level 2. This gives us the capacity to put a greater emphasis on supporting schools through timely, targeted and effective intervention. It also means we have a much tighter focus on improving achievement levels for Māori learners, Pasifika learners, and learners with special education needs.

Student Achievement Practitioners worked with 336 English-medium schools, 35 Māori-medium schools and two combined-medium schools to progress achievement for all learners. The original targets set for the number of schools and kura practitioners receiving support will be realigned in 2012/13 to reflect the programme's focus on high-quality, evidence-based reporting to influence shifts in the system.

Data from individual schools and kura demonstrates accelerated achievement has occurred for individual Māori and Pasifika learners. In some instances, there has been significant improvement for individual learners.

Achieving success through facilitating quality engagements between schools and kura, the families and whānau of learners and their communities was a significantly different approach for the Ministry. The approach to achieve better education outcomes for learners has proven popular, with many schools and kura requesting to work with a practitioner.

Supported ongoing sector engagement to guide implementation of the National Standards

National Standards (English-medium)

We continued to provide secretariat support to the National Standards Sector Advisory Group, providing opportunities for the sector to contribute feedback and advice to the Minister of Education on the continuous improvement of the National Standards. We used feedback to refine communications and align literacy resources.

The National Standards Sector Advisory Group replaced the work of the National Standards Independent Advisory Group. The independent advisory group provided the technical focus required in the early stages of the implementation of the standards.

Ngā Whanaketanga Rumaki Māori (Māori-medium)

We completed three reports that analysed how the sector engaged with the standards of Ngā Whanaketanga Rumaki Māori and helped to identify where we should focus further attention. The reports found that:

- ▲ overall the level of confidence in using the standards is medium to high; 55% of kaiako⁸ were either confident or very confident, and 35% were either not very confident or not at all confident. Kaiako with high levels of confidence indicated that this resulted from receiving professional development and support in understanding of how to implement the standards within Māori-medium settings
- ▲ 50% of kaiako indicated that they had already made overall teaching judgements, and 27% had plans to. The level of confidence in making overall teaching judgements was high. Almost 60% were very confident or confident in making overall teaching judgements and 27% of kaiako were not very confident or not at all confident
- ▲ the level of confidence in moderating overall teaching judgements was also medium to high; 57% of kaiako reported that they were very confident or confident in moderating, and 27% said they were not very confident or not at all confident.

A requirement of Ngā Whanaketanga Rumaki Māori was that schools must report on learner progress and achievement to whānau at least twice a year. Eighty per cent of kaiako indicated that they had reported to whānau twice or more during the past year or had reported once during the year and planned to do so again before the end of the year. Of the 15 kaiako who had not reported to whānau during the year, two of these planned to do so before the end of 2012.

⁸ Teacher.

Provided support to lift leadership quality within schools

When leaders and teachers engage in culturally intelligent teaching practices, this has a significant effect on the extent to which Māori learners set and achieve their own goals and aspirations. We offered leadership development programmes to principals and middle leaders to lift leadership quality within schools.

A total of 283 schools accessed leadership and assessment professional learning and development. The support provided to school leaders and teachers continued to build assessment capability in literacy and numeracy, and to develop more cohesion in assessment practice.

The National Aspiring Principals Programme is available to Assistant Principals, Deputy Principals and Heads of Department or other leaders. The programme enrolls a maximum of 230 participants per year. In February 2011, there were 229 enrolments. Of those:

- ▲ 221 stayed on the course for the year
- ▲ 197 completed the entire programme.

We developed the Ruia online tools to provide resources and practical strategies about teacher appraisal, and to establish more effective school-whānau partnerships for principals and boards.

In March 2012, we published *Leading from the Middle: Educational Leadership for Middle and Senior Leaders*. A key part of the resource clarifies what makes middle and senior leadership different from principal leadership. Leaders are using this resource as a development tool to reflect on what it means to be a leader in the 21st-century.

Supported learners with special education needs and disabilities

We developed and implemented the Language and Learning Intervention as part of our communications service. This intervention provided intensive individualised support for 622 five- to eight-year-olds who have high communication needs but do not qualify for Ongoing Resourcing Scheme funding. A further \$6.4 million annually was allocated to extend the communication service to an additional 1,000 children.

This service supports a smoother transition to school for children who may not have had their needs identified before they started school, including many Māori children and Pasifika children. Evaluation of how well schools demonstrate inclusive practices for learners with special education needs will be available in 2012/13.

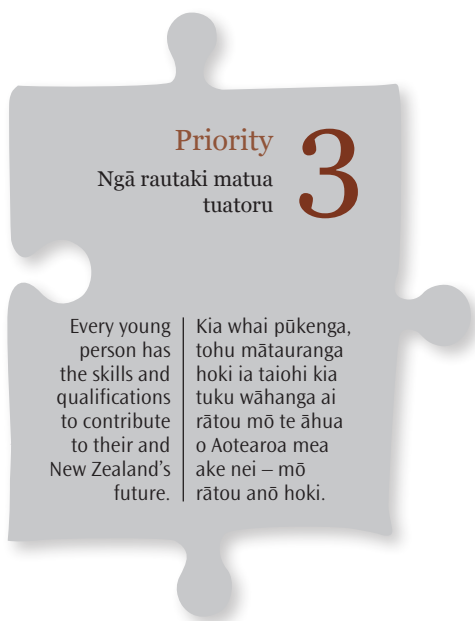
Future focus

In the area of schooling, we will improve performance through:

- ▲ quality learning, teaching and leadership. The quality of teaching is the biggest school influence on education outcomes. We will identify schools that require priority attention, and work with them to put in place school-based action plans to improve the quality of teaching and leadership
- ▲ strengthened accountability through the provision of transparent and useful performance information. We will enable parents and communities to hold early childhood centres, schools, and Government to account.

Over the medium term, we are moving to strengthen the education workforce through changes to the initial stages of teacher education, leadership in schools and the profession, and to career pathways for teachers.

In addition, we will place an explicit focus on strengthening the use, knowledge and understanding of te reo Māori for learners receiving education in and through the language. This focus will be targeted and will ensure that learners have the appropriate skills to successfully engage with all learning areas of Te Marautanga o Aotearoa through literacy and numeracy.



Gaining foundation literacy and numeracy skills and knowledge is the platform on which young people base their next steps into employment, further training and higher-level education. Learning through modern technology and outside of the classroom allows schools and learners to become more active and contributing members of the global community. Developing a workforce that can meet the needs of employers is critical to economic growth.

What we set out to achieve

We said we would change the policy settings to support more effective and culturally responsive teaching that enables all learners to gain useful qualifications. We also said we would improve the support we provide to schools, as they strive to be more responsive to the needs of all learners and improve the value of government's investment in education.

Investment

- ▲ \$11 million spent across the schooling and tertiary sectors on expanding trades and service academies, and developing sector-based vocational pathways as part of the Youth Guarantee
- ▲ \$8 million spent on te reo Māori scholarships for teaching students in Māori-medium education to lift the supply of teachers in primary and secondary schools
- ▲ \$21 million implementing the Positive Behaviour for Learning Action Plan
- ▲ \$8 million spent on improving learner attendance and reducing truancy in schools

Activity

- ▲ Continued to implement the Youth Guarantee
- ▲ Implemented NCEA standards aligned with the New Zealand Curriculum
- ▲ Improved culturally responsive professional development for teachers
- ▲ Implemented a targeted learner engagement programme
- ▲ Implemented the Positive Behaviour for Learning Action Plan
- ▲ Implemented Success for All – Every School, Every Child
- ▲ Supported schools and providers to use modern technologies and provided access to ultra-fast broadband to enable lifts in learner achievement

Results

| MEASURE | TREND | METRIC | ACTUAL 2010 | ACTUAL 2011 | TARGET 2011 |
|---|-------|----------|-------------|-------------|-------------|
| More learners with high-level qualifications, with accelerated achievement for Māori learners and Pasifika learners | | | | | |
| INCREASE the percentage of school leavers with NCEA Level 2 or above | ↑ | Total | 74.5% | 78.5% | 74.0% |
| | ↑ | Māori | 55.5% | 60.9% | 53.0% |
| | ↑ | Pasifika | 68.0% | 71.8% | 64.0% |

| MEASURE | TREND | METRIC | ACTUAL 2010 | ACTUAL 2011 | TARGET 2011 |
|---|-------|----------|-------------|-------------|--------------|
| INCREASE the percentage of school leavers with university entrance | ↑ | Total | 46.7% | 50.8% | 48.0% |
| | ↑ | Māori | 23.9% | 28.7% | 22.0% |
| | ↑ | Pasifika | 30.5% | 34.4% | 28.0% |
| Improved learner engagement and retention | | | | | |
| INCREASE the percentage of learners staying on in education to age 17 ⁹ | ↑ | Total | 83.7% | 84.6% | 84.0% |
| | ↑ | Māori | 70.3% | 72.9% | 68.0% |
| | ⋮ | Pasifika | 87.0% | 87.1% | 88.0% |
| REDUCE truancy rates for years 9 and 10 – per day per 100 learners ¹⁰ | ↑ | Total | 1.3 | 1.1 | 1.1 |
| | ↑ | Māori | 2.8 | 2.3 | 2.6 |
| | ↑ | Pasifika | 1.8 | 1.3 | 1.6 |
| REDUCE suspension rates (removed from school until the board of trustees makes a decision) – per 1,000 learners | ⋮ | Total | 5.9 | 5.2 | 5.0 |
| | ↑ | Māori | 12.6 | 11.4 | 12.0 |
| | ↑ | Pasifika | 6.6 | 5.4 | 7.0 |
| Improved transitions between secondary school, further study and work | | | | | |
| INCREASE the percentage of 18-year-olds who have achieved NCEA Level 2 or an equivalent qualification ¹¹ | - | Total | 67.0% | 74.3% | 85.0% (2017) |
| | - | Māori | - | 57.1% | - |
| | - | Pasifika | - | 65.5% | - |
| REDUCE the proportion of young New Zealanders aged 15 to 19 years not in education, employment or training | ↑ | Total | 8.6% | 8.5% | 9.7% |
| | ↑ | Māori | 16.7% | 14.4% | 15.6% |
| | ↑ | Pasifika | 11.4% | 10.6% | 10.7% |
| MEASURE | TREND | METRIC | ACTUAL 2011 | ACTUAL 2012 | TARGET 2012 |
| Improved cultural responsiveness of teaching | | | | | |
| INCREASE the number of registered Māori and Pasifika school teachers ¹² | ⋮ | Māori | 5,090 | 5,140 | 5,600 |
| | ⋮ | Pasifika | 1,393 | 1,385 | 1,520 |

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

⁹ 2011 figures are provisional.

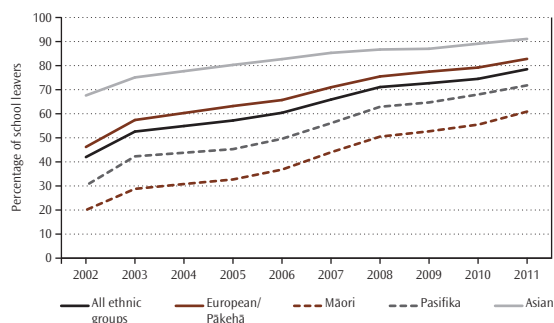
¹⁰ Figures shown under 'Actual 2010' for this measure are 2009 figures. The survey was not run in 2010.

¹¹ In the Statement of Intent 2011/12-2016/17, this measure was related to 19-year-olds. In June 2012, the Government's Better Public Services targets were announced, which included the amended measure of the percentage of 18-year-olds who have achieved NCEA Level 2 or an equivalent qualification. 2010 data is an estimate (data on ethnic groups in 2010 is not available).

¹² Figures show headcount as at April of the specified year.

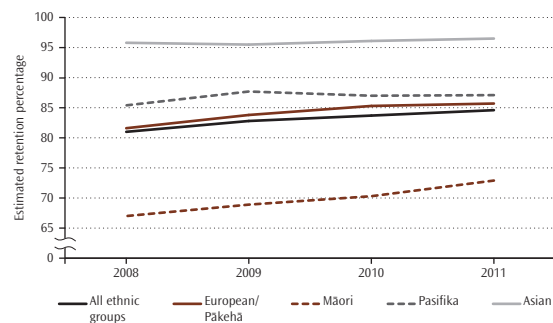
What our indicators are telling us

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



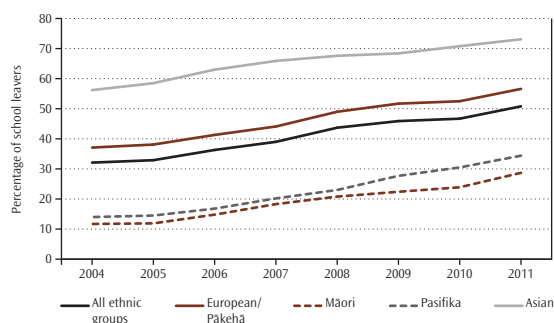
The percentage of school leavers with NCEA Level 2 has continued to increase, with 78.5% of learners leaving school with this qualification in 2011. NCEA Level 2 is considered an essential qualification for further engagement in education, and for successful participation in the workforce.

Percentage of school leavers who stayed to age 17, by ethnic group¹³



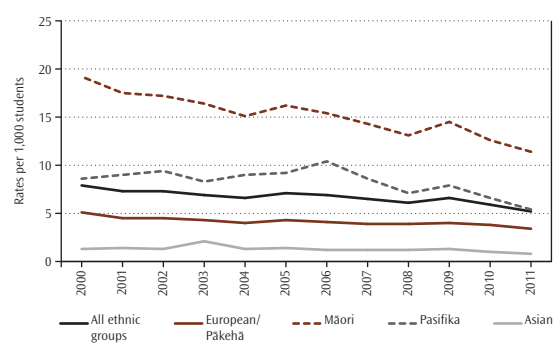
The overall percentage of learners staying on at school to the age of 17 increased again in 2011. This is likely to be due to a tighter labour market with fewer job opportunities for younger and unskilled workers.

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



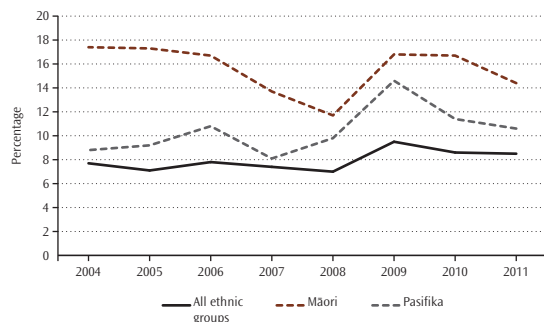
The percentage of school leavers qualified to attend university has continued to increase, up to 50.8% in 2011. The largest increase was in the percentage of Māori learners, which increased 4.8 percentage points in 2011 to 28.7%, although this is still significantly lower than for all other ethnic groups.

Age-standardised suspension rates, by ethnic group



Age-standardised suspension rates continued to fall in 2011 for all ethnic groups. While the rate for Māori learners remains much higher than for learners of other ethnic groups, that rate has now fallen for two consecutive years.

Proportion of young New Zealanders aged 15 to 19 years not in education, employment or training



The overall percentage of young people not in education, employment or training remained relatively stable in 2011 compared with 2010, after a large increase between 2008 and 2009.

Graph from Statistics New Zealand data.

¹³ 2011 figures are provisional.

What we did

Continued to implement the Youth Guarantee

Designed new funding models to support the Youth Guarantee

The Youth Guarantee is designed to reduce the number of young New Zealanders who leave education without the qualifications they need to succeed. In 2011/12, we worked with the Tertiary Education Commission to fund 7,345 fees-free places in tertiary institutions. These places are available to 16- and 17-year-olds studying at levels 1 to 3 on the New Zealand Qualifications Framework.

In addition, 2,270 places were allocated across 17 trades academies offering secondary-tertiary programmes in 2012. Representation of Māori learners was 36% and 9% were Pasifika learners. Twenty-two trades academies are scheduled to be operating by the end of 2012. An additional 558 places were allocated across 24 service academies in 2012.

Improved accountability and tracking of learners

Secondary-tertiary programmes allow learners to be enrolled both in senior secondary school and with a tertiary provider to complete NCEA Level 2 while gaining credits towards a nationally transferable trades or technical tertiary qualification. By December 2011, 65% of learners had completed an NCEA qualification, while 55% had completed a tertiary qualification.

High levels of learner engagement are being reported in secondary-tertiary programmes, with 78% of learners maintaining attendance rates at 80% or better. Where learners have left a secondary-tertiary programme before completing their programme, 75% have moved into employment or further education and training.

An information-sharing process was developed and is being implemented with the Ministry of Social Development. Work was undertaken on a new funding system for secondary-tertiary programmes.

Provided clear vocational pathways and guidance

We developed five draft vocational pathways that show learners the skills they will need to enter the manufacturing and technology, construction and infrastructure, primary industries, social and community services, and service industries. The draft pathways support more learners to achieve NCEA Level 2 or an equivalent tertiary qualification, and improve transitions between secondary and tertiary education and work.

They bring together the standards and skills recommended by the five broad industries, and link study and employment possibilities.

Improved the quality of careers guidance and pastoral care

We reviewed Career Information Advice and Guidance for young people to ensure that young people and their parents, whānau and family are able to make well-informed decisions about what they study and where they learn. The review included:

- ▲ a literature review covering New Zealand and international provision
- ▲ surveys of schools and tertiary providers to find out what services are provided, and to gain a better understanding of how resources are used
- ▲ an Education Review Office review of Career Information Advice and Guidance provision in schools, to update findings from the 2006 review
- ▲ informal discussions with key sector groups and informants, government agencies and other stakeholders to gather information and identify issues.

We also published a discussion paper to gain a better understanding of current practice, test our understanding of the problems and barriers to the delivery of high-quality career information advice and guidance, and seek ideas for improvement. Submissions on the public discussion paper closed in mid-June 2012 and results of the review will be available late-2012.

Began developing professional networks to support the Youth Guarantee

We are planning networks to support the Youth Guarantee that connect at both local and regional levels, to enhance the coordination between secondary and tertiary education and employment. We are initially focusing on developing these networks in high-priority areas. The networks will deliver new learning opportunities and pathways that offer learners more choice for successful transitions into further education or employment. The networks will also be tailored to support Māori and Pasifika learners, and learners with special education needs.

Implemented NCEA standards aligned with the New Zealand Curriculum

We continued the development and publication of the online Senior Secondary Teaching and Learning Guides for all eight learning areas. Up to 35 subjects within those learning areas support teachers in their planning for the alignment of standards with the New Zealand Curriculum. This includes the curriculum values, principles and key competencies, and will foster innovative teaching practice in secondary schools.

We established a work programme to align NCEA standards with Te Marautanga o Aotearoa that supports learning and assessment of senior secondary school learners in Māori-medium settings. As Te Marautanga o Aotearoa is no longer a translation of the New Zealand Curriculum, a realigned suite of achievement standards and associated resources is being developed.

The work is a parallel strand to the standards alignment project, where we:

- ▲ appointed National Coordinators in Technology, Science and Mathematics to develop teacher abilities to improve outcomes for learners, as part of the alignment process
- ▲ aligned 257 of the NCEA Level 1 standards and 281 of the NCEA Level 2 standards, as well as associated resources and best practice examples of learners' work, with the National Curriculum
- ▲ developed additional NCEA Level 1, Level 2 and Level 3 standards in the technology learning area to assess skills and knowledge
- ▲ drafted 93 achievement standards at level 1 and aligned them with Te Marautanga o Aotearoa
- ▲ began quality assurance checks in preparation for trial and consultation with the sector in 2013.

Improved culturally responsive professional development for teachers

All professional learning and development contracts support engagement and specific provision to address literacy and numeracy, the Secondary Literacy Project, Te Kōtahitanga and He Kākano and leadership contracts. For example, the professional development programme for Te Kōtahitanga examines the relationship between teacher and learner from a Māori view.

We completed the final year of the Secondary Literacy Project professional development intervention for teachers. The project focused on raising learner achievement in literacy in years 9 and 10 across 30 participating schools, particularly for Māori and Pasifika learners. Data from the schools indicates positive shifts in learner achievement.

Māori learners and Pasifika learners made progress at the same rate as other ethnicities. Year 9 Māori learners and Pasifika learners and year 10 Māori learners in the focus classes made significant gains. This project has since informed the literacy and language focus across all learning areas in the 2012/13 Secondary Student Achievement professional learning and development programmes offered nationally.

We improved and shared our knowledge with the sector on practice that better reflects the cultural perspectives of Māori learners and Pasifika learners, and learners with special education needs. Culturally inclusive practice ensures providers deliver effective professional development options that accelerate achievement for those learners.

We awarded 233 scholarships to students studying for teaching qualifications in te reo Māori or Pasifika languages. Investment into scholarships in primary education and immersion settings contributes to targets set in Ka Hikitia and the Pasifika Education Plan.

Implemented a targeted learner engagement programme

Attendance pilots

We piloted two versions of an integrated attendance service, in South Auckland and Gisborne-East Coast. The integrated service will replace the District Truancy Service and the Non-Enrolled Truancy Service from 2013. We monitored and evaluated the pilots over the 18 months to June 2012 to determine the effectiveness, and inform the redesign of, an integrated national service. The two pilots successfully met their intended purpose. Our approach:

- ▲ is more responsive to the needs of Māori learners and Pasifika learners, their whānau and communities
- ▲ identifies root causes of unjustified absence, and strategies to address these, so that rates of time taken to return learners to education are reduced
- ▲ ensures strong collaboration between the Attendance Service, schools, the community, iwi, Pasifika groups, central and local government agencies, and community organisations

- ▲ develops a more proactive early intervention service
- ▲ strengthens data collection and analysis to identify trends early to inform practice
- ▲ builds on, and develops new, effective practices from the current services
- ▲ contributes to the goals and actions of Ka Hikitia and the Pasifika Education Plan.

Teen Parent Units

The Teen Parent Education work programme was expanded in 2011/12 to recognise the special education needs of teen parents in accessing and engaging in education. The units provide education that supports teen parents in their roles as both learners and parents. Twenty units are operating across New Zealand, and will contribute to increasing the proportion of 18-year-olds achieving NCEA Level 2 or equivalent.

Implemented the Positive Behaviour for Learning Action Plan

The Positive Behaviour for Learning Action Plan provides:

- ▲ programmes and initiatives for schools, teachers and parents to promote positive behaviour in children and young people
- ▲ practical strategies to improve learners' behaviour and increase confidence in dealing with behaviour issues
- ▲ a long-term approach to ensure that changes in behaviour and improved educational outcomes are sustainable.

Eighty-nine schools started to implement the Positive Behaviour for Learning School-Wide programme, bringing the overall total to 288 schools now participating. Early data suggests a reduction in stand-downs and suspensions; however, this will be monitored over time.

The Positive Behaviour for Learning Intensive Behaviour Service provided 146 year 3 to 8 learners with severe behaviour difficulties with a comprehensive wraparound intervention. This reduced difficult behaviour, built skills and supported family and schools to improve learner engagement. Attendance at school for these learners has increased to almost 90%. Prior to involvement in the behaviour service, attendance averaged 40%. Teachers and parents have reported that the interventions and support have exceeded their expectations, and teachers have reported increases in class participation from these learners.

Positive Behaviour for Learning Incredible Years is a suite of programmes that helps reduce challenging behaviours in children and increase their social and self-control skills. In 2011/12, 2,277 teachers participated in the teacher programme and 3,997 parents or caregivers participated in the parent programme. Research on the programme's impact on 150 families and whānau will be completed by the end of 2012.

We began working on a Restorative Practice model and toolkit to trial in 24 secondary schools in 2013. We developed two Kaupapa Māori behaviour programmes:

- ▲ Te Mana Tikitiki will be available in 2013
- ▲ Huakina Mai will be piloted in schools in 2013.

We released Wellbeing@School, a self-review and planning process, to support school communities to consider how school social and emotional climates might be enhanced and bullying behaviours reduced. In May 2012, the website and toolkit were rolled out to all schools throughout New Zealand.

We developed PB4Online for early childhood education centres and schools. The website provides practical support for responding to behaviour incidents and encouraging positive behaviour. This website went live in May 2012.

Implemented Success for All – Every School, Every Child

Success for All – Every School, Every Child is the work programme to achieve a fully inclusive education system. In 2011/12, we continued to improve special education systems and support. This included:

- ▲ requiring schools to report on the support they provide to learners with special education needs
- ▲ providing guidance on school charter requirements to help schools develop strong planning and reporting processes
- ▲ establishing a clear process to respond to parents' complaints about school support
- ▲ publishing National Transition Guidelines to provide evidence-based best practice information that supports effective planning for transition from school
- ▲ implementing our provisional model of practice, which provides professional guidance to all specialist outreach teachers. The model enables a consistent level of practice across the services

- ▲ streamlining the application process for the Ongoing Resourcing Scheme for learners with very high levels of need who clearly meet the eligibility criteria for the scheme
- ▲ removing the reviewable component from the Ongoing Resourcing Scheme, to give parents and schools certainty about ongoing funding
- ▲ publishing the Collaborating for Success guidelines to support the Individual Education Plan process. This followed a review of the literature on personalised education planning for learners with special education needs and input from parents and educators.

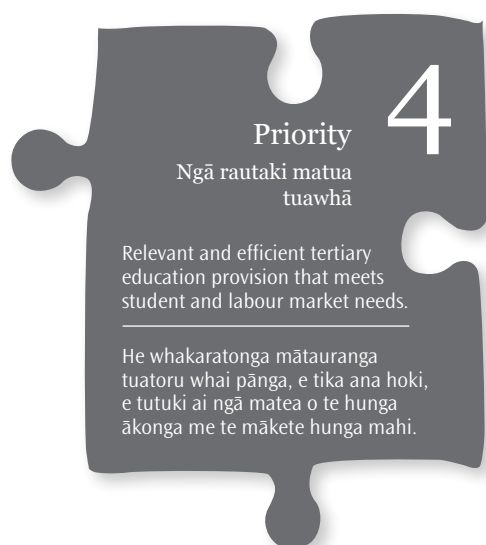
Supported schools and providers to use modern technologies and provided access to ultra-fast broadband to enable lifts in learner achievement

A range of tools, content and services will soon be accessible via the Network for Learning. Prior to the establishment of the Network for Learning we are producing tools, such as Te Pataka Matahiko, designed to support curriculum learning from early childhood through to secondary education. This will further enhance the educational experiences for all learners, and increase the ability of teachers to learn from each other.

Future focus

In the area of schooling, we will improve performance through:

- ▲ improved data and information systems enabling better targeting of Government interventions. For example, the Early Learning Information system will, by the end of 2014, drive better targeting of activity to improve early childhood education participation and accountability for the enrolment and retention of priority learners. In schools, the use of quality data and information enables teachers and school leaders to make good decisions about interventions to improve individual learners' achievement. We will ensure that parents and learners have good information about their achievement through the use of Individual Education Plans for all
- ▲ Modern Learning Environments. Learning environments need to be fit for purpose and allow choice in how learning is accessed. We will create 21st-century learning environments by developing digital technology within schools, expanding secondary-tertiary partnerships such as trades academies, and increase the use of new technologies to support distance learning.



Gaining better value for money from tertiary spending through a stronger alignment of tertiary education with the skills that employers require, and maximising the contribution of international education to the New Zealand economy will make a significant contribution to the Government's Business Growth Agenda.

What we set out to achieve

We said we would strengthen the contribution of tertiary and international education to the Government's economic growth priorities, and develop a New Zealand strategy for international education. We also said we would achieve a more responsive tertiary education system that delivers better value for money and contributes more to the economy, and includes a stronger contribution from international education.

Investment

- ▲ \$2,005 million spent on the Student Achievement Component
- ▲ \$250 million spent on the Performance-Based Research Fund
- ▲ \$238 million spent on training for designated groups including Industry Training, Modern Apprenticeships, Youth Guarantee and Gateway
- ▲ Establishment of Education New Zealand from 1 September 2011 – the new Crown agent for international education programmes and provision for additional promotions to raise the profile of New Zealand education overseas

Activity

- ▲ Improved foundation and vocational education
- ▲ Improved funding and information systems in tertiary education
- ▲ Achieved better value for money from student support expenditure
- ▲ Supported high-quality research to drive innovation
- ▲ Supported access for learners with special education needs and disabilities
- ▲ Developed and monitored the Government's strategy for international education
- ▲ Established and monitored the performance of a new Crown agent for international education
- ▲ Developed policy to guide New Zealand's bilateral and multilateral education relationships

Results

| MEASURE | TREND | METRIC | ACTUAL 2010 | ACTUAL 2011 | TARGET 2011 |
|--|-------|--------------|-------------|-------------|-------------|
| More young people gaining qualifications at higher levels | | | | | |
| INCREASE the number of domestic learners aged 18 to 24 completing NZQF qualifications at level 4 and above ¹⁴ | ↑ | Total | 33,600 | 36,200 | 32,800 |
| | ↑ | Māori | 4,350 | 4,860 | 4,750 |
| | ↑ | Pasifika | 2,670 | 2,970 | 2,750 |
| Higher course and qualification completion rates | | | | | |
| HIGHER course completion rates | ↑ | Level 3 to 4 | 74% | 76% | 72% |
| | ↑ | Level 5 to 6 | 75% | 76% | 71% |
| | ⋮ | Level 7 to 8 | 83% | 84% | 86% |

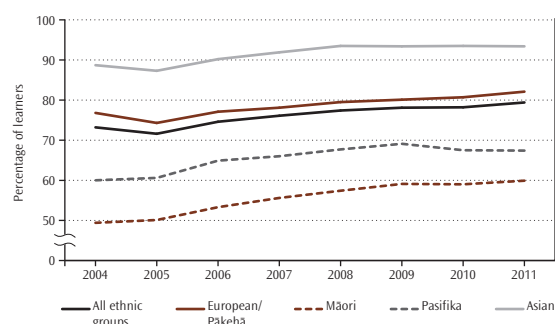
¹⁴ The definition of this measure has been amended to cover domestic learners only.

| MEASURE | TREND | METRIC | ACTUAL 2010 | ACTUAL 2011 | TARGET 2011 |
|--|-------|---------------------------------------|-----------------|------------------------------|-----------------|
| A more highly qualified population | | | | | |
| INCREASE the proportion of the New Zealand population aged 25 to 34 holding a qualification at degree level or higher ¹⁵ | ↑ | Total | 29% | 30% | 30% |
| Greater transfer of knowledge between universities and businesses | | | | | |
| GREATER research in universities funded by businesses ¹⁶ | - | Research contracts funded by business | \$41 million | - | - |
| International education benefits for New Zealand | | | | | |
| INCREASE the number of international learners studying to degree level in New Zealand | ↑ | Total | 39,754 | 42,374 | 42,100 |
| INCREASE fee revenue to New Zealand education providers | ↑ | Total | \$708 million | \$732 million | \$700 million |
| INCREASE total economic returns for New Zealand from international education ¹⁷ | ⋮ | Total | \$2,074 million | \$2,324 million | \$2,500 million |
| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 ¹⁸ | TARGET 2011/12 |
| Greater value for money in the Student Loan Scheme | | | | | |
| REDUCE the cost of lending under the Student Loan Scheme | ⋮ | Cost (cents in the dollar lent) | 45.3 | 44.6 | 43.6 |
| MEASURE | TREND | METRIC | ACTUAL 2009 | ACTUAL 2010 ¹⁹ | TARGET 2010 |
| More learners progressing to higher-level qualifications | | | | | |
| INCREASE the percentage of domestic learners studying level 1 to 3 certificates who have gone on to study at higher levels within two years ²⁰ | ↑ | Total | 24% | 25% | 25% |
| | ■ | Māori | 25% | 25% | 28% |
| | ⋮ | Pasifika | 27% | 26% | 29% |

KEY ↑ Improved, target met/exceeded ⋮ Improved, target not met ⋮ Worsened ■ No change

What our indicators are telling us

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



The overall percentage of learners aged 18 to 24 years in tertiary education studying at level 4 and above increased in 2011. The percentage of European/Pakeha learners and Maori learners increased, while the percentage of Pasifika learners and Asian learners decreased slightly. Learners studying earlier at higher levels in tertiary education support better labour market outcomes, and consequently higher standards of living, higher incomes and better social outcomes.

¹⁵ Data is for the June quarter and is sourced from Statistics New Zealand (2012) Household Labour Force Survey.

¹⁶ Data is sourced from Statistics New Zealand's biennial Research and Development Survey. Data for 2012 will be available in 2013.

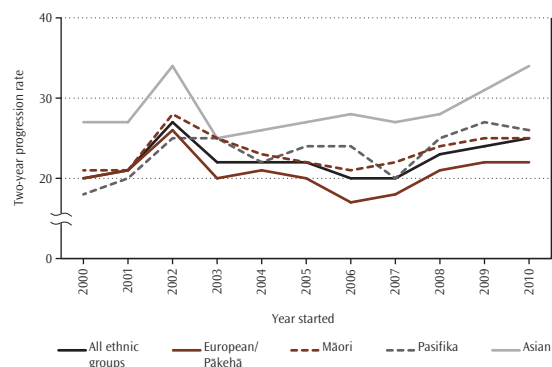
¹⁷ The figure shown under 'Actual 2010' is 2008 survey data. The figure was taken from a survey that was not repeated in subsequent years. The 2011 figure is taken from an infometrics update for Education New Zealand.

¹⁸ Data for this measure shows cost for the year ended 30 June 2012.

¹⁹ 2010 is the latest data available for this measure.

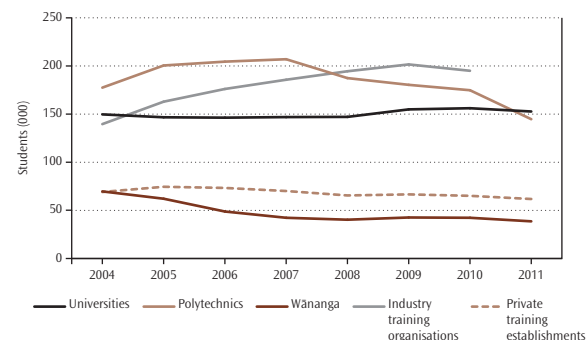
²⁰ The definition of this measure has been amended to cover domestic learners only.

Percentage of domestic learners studying level 1 to 3 certificates who have gone on to study at higher levels within two years



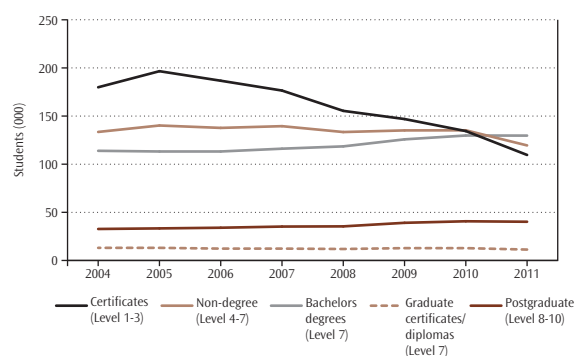
The percentage of domestic learners studying level 1 to 3 certificates that have gone on to study at higher levels within two years remained relatively stable. The percentage of Asian learners increased slightly, while all other ethnic groups remained relatively stable.

Domestic learners in formal tertiary education of more than one week duration, by sub-sector



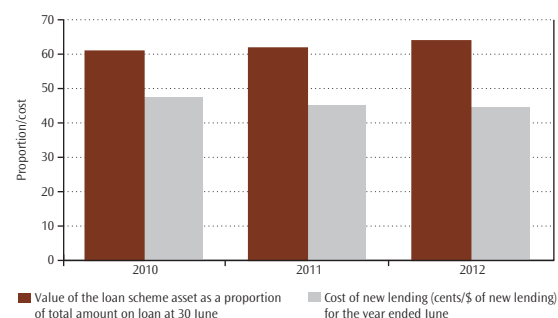
The number of enrolments in all forms of formal tertiary education decreased in 2011. The largest decrease was the number of enrolments in polytechnics. The decrease has been in older learners and learners returning to study after more than two years.

Number of domestic learners participating in tertiary education, by qualification



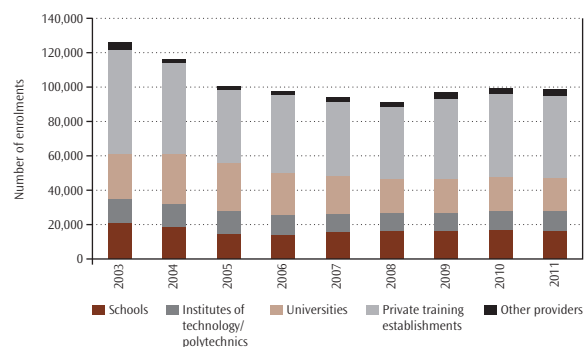
The number of learners studying qualifications at certificate and non-degree levels decreased in 2011, while the other qualification levels remained relatively stable.

Return on the student loan asset



The value of the Student Loan Scheme continues to increase. The cost of new lending continues to decrease due to lower interest rates and the introduction of performance-based student loan entitlements.

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



The Canterbury earthquake of 22 February 2011 resulted in an overall 37% decline in international enrolments in the Canterbury region, during the 2011 calendar year. Nationwide, international enrolments declined by 0.5% during 2011, with 98,930 enrolments recorded overall in schools, private training establishments, and public tertiary education institutions.

Snapshot

Tertiary education

In 2011, there were:

- ▲ 432,000 learners enrolled in formal study programmes with tertiary education providers
- Of these enrolments:
 - ▲ 79,500 (21%) were Māori learners
 - ▲ 33,200 (9%) were Pasifika learners
 - ▲ 48,100 (11%) were international learners
 - ▲ 20,500 (5%) were learners with disabilities
- ▲ 76% of all domestic learners studying at level 4 and above
- ▲ 62% of New Zealanders aged 25 to 64 years holding a tertiary qualification and 23% with a bachelors or higher qualification
- ▲ 8 universities, 18 polytechnics, 3 wānanga, 33 industry training organisations, 16 other tertiary education providers and 329 private training establishments

International education

In 2011:

- ▲ 16,140 international learners were enrolled in primary and secondary schools, a two per cent decrease from 2010
- ▲ income for tertiary education institutions from international fees was \$383 million
- ▲ the largest contingent of international learners in New Zealand education institutions came from China (24%), followed by South Korea (13%) and India (13%)

What we did

Improved foundation and vocational education

Foundation education at levels 1 and 2 on the New Zealand Qualifications Framework provides people of all ages who left school without qualifications opportunities to learn foundation skills needed to progress to higher-level study and skilled employment.

Industry training review

The industry training review considered how well the industry training system delivered the skills needed for workplace-based learners, and how employers can get the most out of the employment and earnings of its workforce. As part of the review, a discussion document was released in November 2011. The review is expected to inform advice on possible directions for change and to improve the value of government's investment in industry training late-2012.

Improved funding and information systems

We improved tertiary system performance and efficiency by funding higher-value study and research. This included spending more on engineering and science provision, and on the Performance-Based Research Fund. There is evidence of skills shortages for engineering technicians, technologists and professional engineers. Over the next few years, increasing the supply of engineers in the New Zealand labour market is important to meet ongoing employer demand, and to support the rebuild of Christchurch.

This funding was largely reallocated from operating savings in various student support initiatives. Our focus on improving the effectiveness and efficiency of the tertiary education system included:

- ▲ making policy changes to study at levels 1 and 2 of the New Zealand Qualifications Framework, and changes to improve the outcomes of this study
- ▲ increasing the tuition subsidy rates for science and engineering
- ▲ improving the funding of pilot training to better align the outcomes for learners with the high costs of the training
- ▲ restructuring the Student Achievement Component funding by two levels, rather than by sub-sector. This makes funding within investment plan allocations more flexible, while providing sufficient certainty on the level of funding sub-sectors receive.

We developed a competitive allocation approach for levels 1 and 2 foundation education, to better reveal the price of provision. Up to one-third of the level 1 and 2 funding pool, \$115 million, will be allocated competitively to providers who successfully apply to offer fees-free places. The Tertiary Education Commission will consider cost as a factor alongside the quality and location of the provision.

We announced that participation in the New Zealand Benchmarking Tool would become mandatory for all tertiary education institutions from the beginning of 2013. The tool gives tertiary providers comparable and relevant data to ensure a much stronger information base for future tertiary funding decisions. We also worked across agencies to develop advice on the future state of tertiary education information. The Tertiary Learner Event Collection programme is on track to roll out in 2013.

Achieved better value for money from student support expenditure

We improved the performance of student loans and allowances by increasing the contribution from those most able to pay, and value for money from student support enabling government to reinvest in quality tertiary education. We are:

- ▲ increasing the repayment rate for all New Zealand-based borrowers over the repayment threshold from 10 cents to 12 cents in the dollar from 1 April 2013
- ▲ broadening the definition of income for student loan repayment purposes. This will ensure that from 1 April 2014, repayment obligations are determined on a fair and equitable basis for all borrowers who earn different types of income
- ▲ removing the voluntary repayment bonus from 1 April 2013
- ▲ assisting compliance with debt repayment for borrowers who have lost touch with Inland Revenue by introducing a new data match between Customs and Inland Revenue for borrowers in serious default. The new data match will operate in the same way and use the same systems as the existing child support data match
- ▲ setting individual borrowing limits by limiting the amount of loan-supported study a learner can undertake in a year to 2.0 EFTS from 1 January 2013
- ▲ targeting student allowances to those in initial qualifications (eg the first undergraduate degree) by removing eligibility for student allowances for postgraduate study except bachelors with honours, and removing long programmes and most other exemptions from the 200-week lifetime limit (limit on the total allowance received) for allowances from 1 January 2013
- ▲ maintaining the student allowance parental income threshold without Consumer Price Index adjustment until 31 March 2016.

This will result in operational savings of \$518 million and capital savings of \$387 million over the next five years.

Supported high-quality research to drive innovation

As part of the Government's Business Growth Agenda, we contributed to the planning of, and advice on skills and innovation to ensure research-based knowledge and skills play a central role in growing the economy.

The Performance-Based Research Fund additional funding starts in 2013, and will increase to \$300 million in 2016. The fund plays a central role in:

- ▲ supporting world-class research
- ▲ building New Zealand's research capability
- ▲ keeping our institutions internationally competitive
- ▲ maintaining the quality of many educational qualifications which supports our goal of attracting international learners.

Supported access for learners with special education needs and disabilities

We worked with the Ministry of Social Development to plan implementation of the Going Places: Effective Transitions trial in Christchurch. The project is for young people with special education needs and involves using Ongoing Resourcing Scheme funding more flexibly to ensure young people have a single, integrated transition plan.

Ministry of Social Development Transition Service Programme provider contracts will also support better transitions from school, particularly into tertiary education, training and employment options.

International education

Developed and monitored the Government's strategy for international education

Doubling the economic value of international education to New Zealand is at the heart of the Government's new strategy for the sector. We developed a Leadership Statement for International Education, which sets bold aspirations for the growth we want to achieve over the next 15 years.

Established and monitored the performance of a new Crown agent for international education

In September 2011, we established Education New Zealand to undertake promotions, offshore education representation, sector development and information provision for providers. Responsibility for managing bilateral relationships also moved to Education New Zealand.

Our work with Education New Zealand continued to increase the economic contribution of international education through supporting bilateral and multilateral education relationships, and through our provision of strategic policy advice, management of the export education levy, and pastoral care regulation.

Developed policy to guide New Zealand's bilateral and multilateral education relationships

There was an increase in requests from other countries for education relationship activities. We developed criteria and processes for prioritising our bilateral and multilateral education relationships. We participated in a programme of bilateral and multilateral meetings, and received positive feedback from other agencies involved. This included signing an education cooperation agreement with Oman, renewing our cooperation arrangements with Vietnam, and participating in the APEC Education Network.

We commissioned research that confirmed tertiary international learners are more satisfied than their counterparts in other overseas jurisdictions with most aspects of their study and living experience. We initiated a review of the overall framework for support provided to international learners.

Future focus

In the tertiary sector, we will continue to improve the management of demand and student support costs in the system and will have a stronger focus on performance and improved value for money. Priority areas of work in the tertiary system include:

- ▲ continuing to seek more efficiency and effectiveness from the system. We are improving information about employment opportunities and outcomes, and information about costs in the tertiary sector
- ▲ continuing to improve pathways between the compulsory, foundation education and tertiary education systems for young people, in particular through the Youth Guarantee and development of vocational pathways
- ▲ reorienting the system to better meet the needs of business through increasing the number of New Zealanders with qualifications at level 4 on the New Zealand Qualifications Framework or higher, implementing the targeted review of qualifications to improve the links between qualifications and the needs of businesses and industries, reforming the policy framework for the industry training and apprenticeship system, and funding additional trades skills to support the Christchurch rebuild
- ▲ strengthening the sector's contribution to the economy by reviewing governance arrangements for universities and tertiary research funding to ensure it contributes to Government's wider goals and priorities
- ▲ continuing to improve the value of student loans by focusing on identifying further areas of low-value lending and opportunities to increase repayments.

We will also continue to align our international education policy, education relationships and regulatory settings to support economic growth.



Success in education is critical to the wellbeing of Māori learners and their whānau, as well as to New Zealand's future economy and productivity. Improving system performance for Māori learners supports greater value for money from government spending on education.

What we set out to achieve

The education system must recognise, value, foster and invest in multiple partnerships and relationships with

those who are critical to supporting Māori learners to lead their own learning, particularly iwi and whānau. We said we would focus on areas where we can make the greatest difference for Māori, and we will work to include identity, language and culture in all major programmes, policies and activities we lead. In addition to the activity across early childhood education, schooling and tertiary sectors in 2011/12, we undertook specific activity to support Māori achieving education success as Māori.

Investment

- ▲ \$21 million spent on curriculum support including teaching resources in early childhood education and schooling
- ▲ \$7 million spent in targeted participation programmes

Activity

- ▲ Ministry-wide implementation of Ka Hikitia
- ▲ Continued supporting the monitoring and reporting of progress for Māori learners
- ▲ Increased capability and capacity of the Ministry and education agencies to deliver improved results for Māori learners
- ▲ Began implementing Whakapūmautia, Papakōwhaitia, Tau Ana – Grasp, Embrace, Realise, the framework for excellent education relationships with iwi
- ▲ Began developing a framework for our relationships with Māori education organisations
- ▲ Began implementing Tau Mai Te Reo – the Māori Language in Education strategy

Results

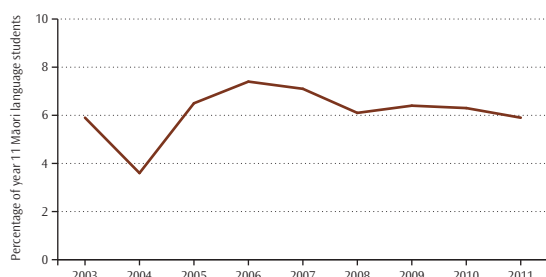
| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 |
|---|-------------|--|---|---|----------------|
| Success in learning of, and through, te reo Māori | | | | | |
| INCREASE the proportion of school leavers from Māori immersion and bilingual schools with university entrance or above to be equal to or better than the current rate for non-Māori English-medium learners | ↑ | Total | 54.9% (Non-Māori English-medium 52.0%) | 63.7% (Non-Māori English-medium 56.0%) | 52.0% |
| Effective relationships with iwi, whānau and education organisations | | | | | |
| Participants in community and whānau programmes report that they are MORE CONFIDENT AND BETTER EQUIPPED to support their children, as a result of the programme | New measure | Participant surveys on completion of the programme | - | 95% | At least 95% |

| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 |
|--|-------------|--|----------------|------------------------------|----------------------------|
| All community-based programmes align with the goals of Ka Hikitia, the Pasifika Education Plan, and Success for All – Every School, Every Child, to IMPROVE OUTCOMES for Māori and Pasifika and learners with special education needs | New measure | Ministry evaluation of programme contracts prior to commencement | - | 100% | Evaluation shows alignment |
| MEASURE | TREND | METRIC | ACTUAL 2009/10 | ACTUAL 2010/11 ²¹ | TARGET 2010/11 |
| Success in learning of, and through, te reo Māori | | | | | |
| INCREASE the participation rate of all primary and secondary learners (not exclusively Māori learners) engaged in Māori language education | ↑ | Total | 19.5% | 19.8% | 20.3% |

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

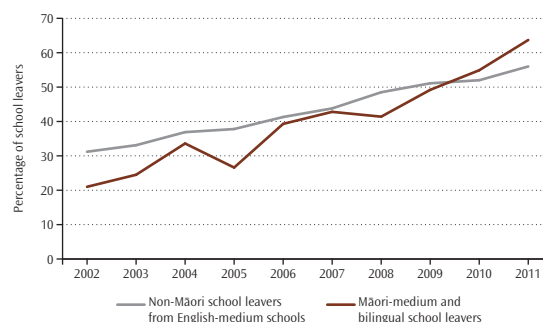
What our indicators are telling us

Percentage of year 11 Māori language learners studying to reo Rangatira



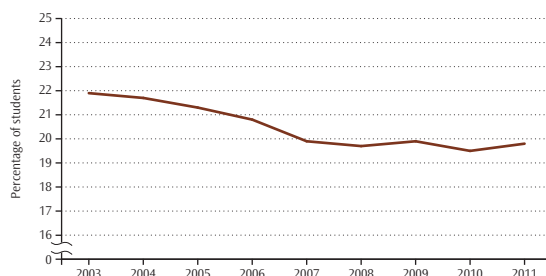
The percentage of year 11 Māori language learners studying to reo Rangatira has decreased slightly between 2010 and 2011, from 6.3% to 5.9%.

Percentage of school leavers from Māori-medium and bilingual schools qualified to attend university



The percentage of school leavers from Māori-medium and bilingual schools qualified to attend university continued to increase, and was 64% in 2011, up from 55% in 2010. In comparison, the percentage of non-Māori school leavers from English-medium schools qualified to attend university was 56% in 2011, up from 52% in 2010.

Percentage of school learners engaged in Māori language education



The percentage of all learners engaged in some form of Māori language education has remained steady since 2007. As at 1 July 2011, 19.8% of learners were engaged in Māori language education, short of our target of 20.3%.

²¹ 2010/11 data is the latest available for this measure.

Snapshot

In 2011, there were:

- ▲ 40,941 enrolments in early childhood education that were identified as Māori (21% of all enrolments)
- ▲ 171,796 learners in compulsory schooling that were identified as Māori (23% of all domestic learners)
- ▲ 150,903 learners participating in Māori language education (20% of all learners)
- ▲ 16,686 learners participating in Māori-medium education for more than half of their time, 15,905 (95%) of whom identified as Māori
- ▲ 79,490 (21%) of domestic enrolments in tertiary education that identified as Māori learners
- ▲ 57 iwi that the Ministry had formal relationships with

What we did

Ministry-wide implementation of Ka Hikitia

Ka Hikitia prioritises Māori Language in Education as an essential contributor to increase Māori learner success in education. We completed and presented to Cabinet the mid-term review of progress on implementing Ka Hikitia.

The overall finding from the review was that implementation had been too slow. To accelerate progress, we:

- ▲ targeted flagship programmes by tailoring Māori learner needs into the design and implementation phases of the programmes such as the Early Childhood Education Participation Programme and the Positive Behaviour for Learning Action Plan
- ▲ improved coherence and coordination across education sector agencies
- ▲ capitalised on education relationships with iwi.

To leverage the impact whānau can have on learner outcomes we intensified implementation through an action plan with education sector agencies. The actions focus on supporting an education system that:

- ▲ has a relentless focus on, and accountability for, raising Māori learner achievement
- ▲ holds high expectations for Māori learner achievement and a system that delivers
- ▲ holds the system accountable for performance
- ▲ can support professional knowledge and practice that works for and with Māori
- ▲ is flexible and responsive to and with Māori, and engages whānau, hapū and iwi in education and the learning process.

Parents, Families and Whānau programme

The Parents, Families and Whānau programme approach is aligned with the intent of Ka Hikitia, and is underpinned by the Māori Potential Approach in education.²² The programme advocates investing in strengths, opportunities, and the potential capability of whānau to support, nurture and champion the educational achievement of their children.

We focused on initiatives with the greatest impact on learner education success that created greater alignment between home and school learning environments. We supported whānau to become more informed about, and demanding of, their children's education so that parents and whānau can experience effective partnerships with schools to improve the learning and achievement of Māori children. The programme's targeted approach means we can work with whānau in high-risk communities identified as high-potential and who have the most to gain from our support.

We provided information to 254 whānau, supported 166 whānau to actively engage in and champion their children's learning, and assisted 54 whānau and their children to participate in early childhood education.

Whānau reported positive changes toward education, including increased confidence to talk with their children's schools and teachers and pursue learning opportunities to better support their children's learning. More evidence will be available in 2013.

²² <http://www.minedu.govt.nz/theMinistry/PolicyAndStrategy/KaHikitia/StrategyOverview/StrategyApproach/MaoriPotentialApproach>.

Continued supporting the monitoring and reporting of progress for Māori learners

Tools for the Measurable Gains Framework were developed that measure progress against Ka Hikitia goals. The tools support more targeted planning for learner outcomes in the sector such as culturally responsive teaching, and where Ministry policies and programmes can influence change. An evaluation of Ka Hikitia will be completed in 2012/13.

We know that, overall, Māori boys are not performing as well as Māori girls in education, and years 9 and 10 learners are particularly vulnerable within the system. A particular strand of work in the Positive Behaviour for Learning Action Plan is focused on parents and teachers of Māori children and schools that have more Māori learners.

The Ngā Haeata Mātauranga report monitors the achievement of government's key priorities for the education success of Māori learners. Given the considerable overlap between Ka Hikitia and Ngā Haeata Mātauranga objectives, we did not complete this report, and will be focusing our efforts on the evaluation of Ka Hikitia.

Increased capability and capacity of the Ministry and education agencies to deliver improved results for Māori learners

In August 2011, we provided Cabinet with a coordinated plan from all education sector agencies to increase education system performance for and with Māori learners, their families and whānau. Oversight of this plan, and holding agencies to account for results, is provided by the Education Sector Leadership Board. The Tertiary Education Commission also monitors tertiary provider performance for Māori. Overall, education sector agencies are working in a more joined-up way.

Tātaiako – Cultural Competencies for Teachers of Māori Learners was embedded into all major work programmes. It focuses on growing teachers' abilities to work more effectively with Māori. Evidence will be available in 2013.

A total of 268 employees participated in Ka Hikitia online e-workshops, at one or more levels, in 2011/12. The four workshops focused on prompting changes in behaviour through building capability in, and understanding of, te ao Māori.²³

We are piloting ways to embed expectations on employees to demonstrate or grow the ability to work more effectively with and for Māori. This includes building Ka Hikitia aspirations into job descriptions and embedding Māori competencies into the performance management system. Building foundations that equip our employees to work more effectively with iwi in a post-Treaty settlement environment is an important part of this approach.

Began implementing Whakapūmautia, Papakōwhaitia, Tau Ana – Grasp, Embrace, Realise

Whakapūmautia, Papakōwhaitia, Tau Ana – Grasp, Embrace, Realise is our guiding framework for conducting excellent education relationships with iwi. It guides us to more effectively partner with iwi in response to our Treaty of Waitangi policy.

In 2011/12, we established five more relationships with iwi, taking the total to 57 relationships. We continue to develop partnerships with iwi to support, reinvigorate and restore iwi identity, language and culture to support iwi education initiatives:

- ▲ The Tūwharetoa Māori Trust Board developed teaching and learning resources for use in schools and early childhood centres. These resources help teachers to accurately and authentically reflect Tūwharetoa cultural knowledge in the curriculum at various year levels, and for learners with different levels of te reo Māori fluency.
- ▲ Ngāti Whānaunga continued the development of teaching and learning resources that represent their relationship with the marine environment in its tribal regions. Ngāti Whānaunga is working with seven schools in the regions to implement these resources.
- ▲ The Maniapoto Māori Trust Board accessed funding to develop iwi-centric early childhood provision. This provision helps to address under-participation of Māori learners in early childhood education in the area.

²³ The Māori world, including elements such as te reo Māori, tikanga Māori and te Tiriti o Waitangi.

Twelve iwi used Community Based Language Initiative funding to deliver various projects that increase the understanding and use of te reo Māori within their own areas. In 2011/12:

- ▲ Ngāti Whakaue delivered mentoring for whānau in their own homes to increase their ability to use te reo Māori
- ▲ Ngāti Kahungunu developed and produced teaching and learning resources for teachers, learners and parents to enhance Māori language learning opportunities at kura and in homes
- ▲ Ngāti Tūkorehe hosted a two-day hui with six other iwi organisations to strengthen networks and to share successes and challenges of language revitalisation.

This work also supports the iwi dialects focus in the Government's Te Rautaki Reo Māori – Māori Language Strategy.

Began developing a framework for our relationships with Māori education organisations

In addition to our relationships with iwi, we have seven relationships with national Māori education organisations. We began developing a principles-based framework to guide our engagement with national Māori organisations. This work is complementary to, yet distinct from, the Whakapūmautia, Papakōwhaitia, Tau Ana iwi education relationships framework and will continue in 2012/13. Substantive progress on the framework will depend on:

- ▲ relationship principles emerging from tribunal claims
- ▲ use of lessons from current tribunal claims to improve the richness of our interactions with Māori organisations, and the way we work
- ▲ future Treaty settlements, and the expectations set in iwi accords.

Began implementing Tau Mai Te Reo – the Māori Language in Education strategy

Māori language in education is a defining feature of New Zealand's education system. It stems from a fundamental belief that every Māori learner should be able to access high-quality education that will attend to their identity, language and culture. Tau Mai Te Reo sets the strategic direction for education agencies and a framework for better government investment in Māori language in education over the next five years from 2013 to 2017.

Tau Mai Te Reo is in development. We started integrating Tau Mai Te Reo into the planning of the Ka Hikitia refresh. This will ensure that joint engagement can inform the completion and implementation of both. It is important the focus on strengthening the outcomes for learners in Māori language in education is about achievement in both education and Māori language.

In 2011/12, we completed:

- ▲ the rubric²⁴ for Effective Provision of Te Reo Māori In and Through Education. The rubric sits within the Ka Hikitia-based Measurable Gains Framework
- ▲ a literature review on what works best for learners of Māori language, to provide an easy-to-access reference for employees and education sector agencies
- ▲ a strengths and needs assessment of Māori language in education so that the implementation is responsive, and includes tailored resources and information to support staff and those teaching through the Māori language, as well as parents, whānau and iwi
- ▲ establishment of the Māori-medium Workforce Reference Group, to provide advice to strengthen the Māori-medium schooling workforce, and particularly on how to address ongoing shortages in the supply of quality Māori-medium teachers
- ▲ improvements to assessment panels, quality assurance and translation processes and development of a process for using iwi-specific reo to support our iwi partners
- ▲ continuous improvements in the quality of Māori language teaching and learning resources and publications.

We supported the teaching, learning and achievement of learners in schooling who are learning in and through the medium of the Māori language, as part of the Mātaiako, Ngā Whanaketanga Rumaki Māori and alignment of NCEA standards with Te Marautanga o Aotearoa work programmes.

We opened two Māori-medium schools catering for learners accessing education in te reo Māori. Te Kura Kaupapa Māori o Tuia te Matangi in Nelson caters for up to 61 learners in years 1 to 13 and Te Wharekura o Mauao in Tauranga caters for up to 450 learners in years 7 to 13.

²⁴ A rubric is a tool that can be used to rate or grade levels of performance for outcomes, products or processes. It typically contains definitions or descriptions of what performance or quality looks like at different levels of effectiveness.

Future focus

Increased Māori learner success will contribute directly to wider economic and social development goals including the Business Growth Agenda and the Better Public Services targets set by the Government.

Statistics across Māori language in education, including the Māori language in education component of the Better Public Services targets, paint a picture of the current strengths and weaknesses across system-wide provision of Māori language in education. We will track the statistics over coming years, to determine the effectiveness and progress of Māori language in education.

The Ka Hikitia – Managing for Success 2008-2012 strategy will be refreshed and launched in 2012/13 for another five years as Ka Hikitia – Accelerating Success 2013-2017. The refreshed strategy will focus on a greater step-up in achievement for Māori learners and continue to support improvements in system performance. This will include:

- ▲ faster, stronger action on the ground for Māori learners
- ▲ deliberate monitoring of the contribution that each key partner is making
- ▲ measuring whether, collectively, we are on track to achieve targets set.

We will also consider the implications of Waitangi Tribunal claims and future iwi accords arising from Treaty settlements on how we conduct our relationships and their impact on how we work as a Ministry.



Our core functions support learners to engage and succeed in education and maintain the infrastructure of the education system. To improve the performance of the system we must be capable, efficient and effective in our role, functions and activities. To raise educational achievement for all, and to ensure education is a major contributor to economic prosperity and growth, we are changing the way we work.

What we set out to achieve

We said we would set the direction for education policy and activity by delivering customer-focused, efficient and effective services that provide greater value for money. We also said we would shift toward a stronger sector leadership role and greater responsibility for improved sector performance.

Activity

- ▲ Assessed and improved organisational health, capability, and internal efficiencies
- ▲ Implemented key people initiatives
- ▲ Enhanced procurement
- ▲ Improved the way we support children and young people with disabilities and special education needs
- ▲ Effectively managed our infrastructure assets
- ▲ Delivered major information and communications technology services for the sector
- ▲ Supported rebuilding greater Christchurch

Results

| MEASURE | TREND | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 | |
|---|--------|--|--|---|---------------------|
| Delivery of high-quality, efficient and more cost-effective services | | | | | |
| IMPROVED financial performance | | | | | |
| Departmental and Crown expenditure variances are within appropriations | ↑ | Departmental \$57.533 below budget Crown \$172.632 million below budget | Departmental \$19.275 million below budget Crown \$150.805 million below budget | Departmental and Crown expenditure variances are favourable ²⁵ | |
| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 |
| IMPROVED people performance | | | | | |
| Total staffing establishment tracks lower than forecast (includes actual and vacancy full-time equivalent data) | ↑ | Full-time equivalents | 2,590 | 2,324 | 2,610 |
| Core unplanned turnover does not exceed upper limit | ↑ | Turnover | 13.4% | 12.3% | Does not exceed 16% |
| Annual leave liability lower than the current published public sector average (17 days) | ↑ | Leave liability (days) | 13.7 | 12.8 | Less than 17 |
| Increase the level of employee engagement in the Ministry | · · | Employee engagement survey grand mean | 3.58 | 3.64 | 3.68 or higher |

²⁵ Departmental and Crown expenditure variances are generally favourable for 2011/12 except for unappropriated expenditure for departmental output School Property Portfolio Management and non-departmental other expenses Early Childhood Education and Special Needs Support.

| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 |
|--|-------------|--|---|--------------------------|---|
| IMPROVED customer service performance | | | | | |
| The Ministry's policy advice is high-quality ²⁶ | ↑ | External assessment of a sample of Ministry policy by the New Zealand Institute of Economic Research | 6.8 | 7.3 | At least 7 out of 10 |
| Services provided to ministers are high-quality | ↕ | Rejection rate from ministers' offices | 2.0% | 3.4% | No more than 2.0% |
| IMPROVED special education service delivery | | | | | |
| Increase the percentage of Māori children and Pasifika children aged 0-5 years accessing early intervention services | ↕ | Māori | 23% | 22% | 23% |
| | ↗ | Pasifika | 6% | 7% | 9% |
| Percentage of eligible children seen within 90 days of referral for communications, behavioural, early intervention and Ongoing Resourcing Scheme services | New measure | Total | - | Data available late 2012 | At least 95% for each service |
| Reduce the average age at which Māori children and Pasifika children start accessing special education services | ↗ | Māori | 3 years 7 months | 3 years 6 months | 3 years 5 months |
| | ↗ | Pasifika | 3 years 7 months | 3 years 6 months | 3 years 5 months |
| Increase the proportion of Māori and Pasifika specialist service delivery staff | ↑ | Māori | 11.6% | 12.1% | 11.0% |
| | ↗ | Pasifika | 1.2% | 1.3% | 1.5% |
| MEASURE | TREND | METRIC | ACTUAL 2011/12 | | TARGET 2011/12 |
| HIGH-QUALITY school property portfolio management ²⁷ | | | | | |
| Property Capital Plan (to budget) | New measure | Financial variance | 15% below the Statement of Intent estimates and 30% below the original capital plan budget | | Financial variance across the entire School Property Capital Plan will be less than 20% |
| Schools use the Ministry's procurement models and processes for new builds | New measure | Procurement models and processes for new builds | 100% | | 90% of schools use the Ministry's procurement model and processes for new build projects |
| Programmed maintenance for school buildings ensures they remain in a safe condition for students | New measure | Programmed maintenance for school buildings | Data issues have meant that this measure is unable to be reported against. The Ministry is now investigating software changes for 2012/13 | | Percentage of maintenance costs spent on health and safety, and high operational risk reduces over time |

²⁶ The actual 2011/12 figure represents the overall result for the Ministry. The score for the Development and Evaluation of Strategic Policy was 7.4, and the score for the Development and Evaluation of Tertiary and International Policy was 7.1.

²⁷ More information can be found in this Annual Report Part 2: Statements of Service Performance – School Property Portfolio Management.

| MEASURE | TREND | METRIC | ACTUAL 2011/12 | | TARGET 2011/12 |
|--|-------------|---|---|-------------------------------|--|
| Defective school buildings (weather-tightness problems) are identified and repaired in a timely manner | New measure | Defective school buildings | Due to the large number of defective buildings being identified, the Building Improvement Programme has implemented a prioritisation system | | 80% of schools with defective buildings complete the remediation process within 18 months of formal notification |
| Existing school property will meet the Ministry's Modern Learning Environment standard | New measure | Modern Learning Environment standard | Final data analysis will not be available until 2012/13 | | 10% of schools meet the 'core' Modern Learning Environment standard |
| Surplus property in open schools is rationalised in a timely manner | New measure | Surplus property | 13.8% | | 15.0% |
| MEASURE | TREND | METRIC | ACTUAL 2011/12 | | TARGET 2012/13 |
| The Ministry will move towards condition-based funding to determine allocation of school property baseline funding | New measure | Condition-based funding model | Currently rolling out the national condition assessment programme, which is due to be completed by 2013 | | A condition-based funding model is being developed |
| The Ministry has regional property plans in place to identify and address capacity issues (over- and under-supply of school property) | New measure | Regional property plans | The five-year plans for all four regions have been developed and are now being integrated with property details to produce regional and cluster plans | | Evidence of plans in each region |
| MEASURE | TREND | METRIC | ACTUAL 2010/11 | ACTUAL 2011/12 | TARGET 2011/12 |
| BETTER uptake and use of systems that promote sector interoperability | | | | | |
| Increase the number of Student Management Systems (in schools) to Ministry data exchange service transactions, this being the main automated integration point between school-based student data systems and those in the Ministry | · · | Student Management Systems to Ministry data exchange service transactions | 673,000 | 667,410 | 1,000,000 |
| Increase the number of schools and users who have access to a single sign-on experience using compliant identity provider and authentication services | · · | Access to a single sign-on experience | 90 schools and 67,000 users | 107 schools and 80,000 users | 250 schools and 175,000 users |
| Increase the number of schools using approved learning platforms or learning management systems | ↑ | Learning platforms or learning management systems | 550 | 700 | 650 |
| Increase the number of users of the approved e-portfolio national service | ↑ | Use of the e-portfolio national service | 30,000 (across 560 schools) | 64,600 (across 1,124 schools) | 40,000 |

KEY ↑ Improved, target met/exceeded ⬆ Improved, target not met ⬇ Worsened ■ No change

Snapshot

As at 30 June 2012:

- ▲ we had 2,974 employees (2,324 full-time equivalents)
- ▲ we were based in 62 locations around New Zealand
- ▲ we employed 78% women and 22% men
- ▲ the average age of our staff was 46.8 years
- ▲ staff members were employed for an average of 6.5 years
- ▲ staff turnover was 12.3%, down from 13.4% in 2011

Special education

As at 30 June 2012 there were:

- ▲ 769 full-time equivalent specialist service delivery staff working in the Ministry to support children with special education needs

In 2011/12, there were:

- ▲ 16 special education districts where services are delivered
- ▲ 29 special schools and six schools contracted to deliver the physical disability service
- ▲ 767 full-time equivalent Resource Teachers: Learning and Behaviour

What we did

Assessed and improved organisational health, capability, and internal efficiencies

To improve organisation-wide performance we:

- ▲ began facilitating an Integrated Change Management Programme to manage the impacts of key business initiatives. This programme drives our overall performance to achieve the priorities set out in our Statement of Intent and the Better Public Services targets set by Government
- ▲ established an Enterprise Portfolio Management Office, to provide leadership, direction and guidance about standards for the governance and management of projects, programmes and the overall portfolio according to global best practice
- ▲ commissioned an organisation-wide Performance Management Framework, to ensure the Ministry can achieve education priorities and deliver core business functions effectively. The framework provides a common platform to evaluate policy and programme alignment with set priorities. It translates strategic intent in a way that people understand and which moves people to take practical actions that are measurable.

To support streams of work related to shared services and talent management across the sector, we utilised the Education Sector Leadership Board. Membership includes leaders of key education sector agencies.

We undertook significant work internally to refine our model of corporate support through implementing shared services in 2011/12. This approach will continue for the foreseeable future across the sector and within all-of-government. Business improvement reviews continued to focus on:

- ▲ regional administration services and creating a shared service to centralise administration functions
- ▲ national office administration services (review is underway)
- ▲ facilities management changes to increase efficiency
- ▲ finance and communications group consolidation.

New governance structure

We implemented a new internal governance and management board structure to ensure greater rigour in monitoring our performance. The structures use a more formal and disciplined adherence to programme and project management methods, giving our leadership strengthened oversight of the work occurring across the Ministry, and alignment with our priorities.

Implemented key people initiatives

Our employee engagement programme focuses on building a workplace that attracts and retains employees who can deliver on our priorities. Evidence shows that employee engagement positively influences productivity, customer satisfaction and other key performance indicators. Our employee engagement grand mean result increased from 3.58 for 2010 to 3.64 for 2012.

Leadership and management development framework

Making sure our employees are engaged in their work is the focus of our leadership and management development framework. We continued to provide management induction and leadership development programmes, and established a wider range of online learning. This included management training to a total of:

- ▲ 12 managers in induction
- ▲ 37 managers in strategic leadership
- ▲ 64 managers in external management and leadership programmes
- ▲ 117 managers in Crisis Management Plan e-learning
- ▲ 63 managers in fraud awareness e-learning.

Workforce development framework

Professional development is continuously available to all our employees. In 2011/12, we designed a skills progression framework for building the skills required to work with learners that have special education needs. This will be implemented in 2012/13.

We developed Tātai Pou competencies, to build capability to deliver and improve our performance in Māori educational achievement. Tātai Pou details the skills and experiences required to work effectively with Māori, and the behaviours desired. We began implementing Tātai Pou through performance plans, recruitment practices and professional development systems.

Streamlined performance management system

We streamlined the performance planning and review system to reduce complexities. The system enables a closer connection between results to be achieved and our priorities. We began scoping a Performance Management Framework that will strengthen employee contribution to achieving our priorities, and allow us to measure employee performance better. This includes establishing robust performance targets for senior leaders that flow through the management structure, to ensure we are working in a target-oriented way.

Promotion of and adherence to equal employment opportunities

Our ability to improve service performance can be enhanced through a diverse workforce that understands and is skilled to work with a broad range of learners. We monitor and report on the levels of representation amongst our employees across a range of profiles including Māori, Pasifika and those with special education needs.

Enhanced procurement

We undertook a procurement capability review as part of the Government Procurement Reform Programme. In 2012, we developed a three-year plan and began making changes to improve the way we manage procurement as a result of recommendations. We trained 85 employees to increase our capability in managing the procurement of goods and services.

We selected a contract management system to manage the \$1,200 million worth of contracts we write each year. The new system will go live in late 2012.

Improved the way we support children and young people with disabilities and special education needs

Implemented Success for All – Every School, Every Child

We support, guide and lead the education sector to improve the system for children with special education needs. We want to see 100% of schools demonstrating inclusive practice by 2014. Inclusive practice means that schools adapt to fit the learner, rather than making the learner adapt to fit the school.

We focused contracts for school transport on larger geographical areas, such as West Auckland. This is a shift away from individual transport options, and reduces costs by considering a wider range of ways to transport learners with special education needs. This will allow us to offer an increased level of service to more learners.

Provided special education services to children and their families

In 2011/12, we provided:

- ▲ early intervention services to 12,457 children
- ▲ severe behaviour services to 3,385 children identified as having severe and challenging behaviour
- ▲ communications services, including speech language therapy, to 5,600 children and young people
- ▲ support to 8,122 children and young people through the Ongoing Resourcing Scheme
- ▲ support for 689 learners with high health needs through teacher aides.

We responded to 173 traumatic incidents in early childhood education services and schools in 2011/12. In Canterbury we have continued to provide support to early childhood services and schools through our education recovery programme.

We provided Ongoing Resourcing Scheme support to an additional 1,100 children. We combined the funding for learners who are verified for the scheme and have a vision and/or hearing impairment. We allocated this to three sensory schools so enhanced specialist teaching and other services could be better tailored to meet the individual needs of learners.

We will develop measures to track transition times in 2012/13 due to the reprioritisation of work including:

- ▲ implementing a case management system
- ▲ initiating further research to better understand the barriers to effective transition between early intervention and school-based special education services
- ▲ continuing work to support and embed the changes in the Resource Teachers: Learning and Behaviour transformation project
- ▲ starting to develop an outcomes framework for special education.

Supported professional development

We are maintaining a highly skilled specialist service delivery workforce. Occupational Therapists, Physiotherapists and Psychologists are meeting the continuing competency requirements of registration boards, and specialist employees are accessing professional supervision.

In response to the low numbers of Pasifika specialist employees, work started in 2011/12 to help inform our workforce development strategy. This included:

- ▲ research to understand how we can attract more Māori and Pasifika into the specialist occupational groups
- ▲ how Pasifika perceptions of disability and special education needs might be affecting decisions about pursuing careers in the special education sector.

We revised training for new trustees of school boards, and provided suggestions about how boards of trustees can create inclusive schools and implement new qualifications for specialist teacher training in early intervention, hearing impairment, vision impairment, learning and behaviour and Autism Spectrum Disorder.

Transformed the Resource Teachers: Learning and Behaviour service

The 2010 review of special education showed that the special education system was too complex and fragmented. The transformation of the Resource Teachers: Learning and Behaviour service improves the impact of the service, so that learners consistently receive a high-quality service irrespective of where they attend school.

A redesign of the Resource Teachers: Learning and Behaviour service management structure reduced the number of school clusters operating, from 200 to 40, to deliver better support for learners, teachers and leaders within schools. In 2011/12, we:

- ▲ appointed one school within each cluster as the lead school to manage contracts and funding allocations based on need
- ▲ provided clarity by offering a career pathway for Resource Teachers: Learning and Behaviour to move into management and leadership roles
- ▲ ensured the service has representation from iwi and school communities within newly established Cluster Advisory Groups
- ▲ established a process to collect baseline data that will help us to measure the effectiveness of the services in place.

The redesign allows schools to better target resources specific to learner and school needs. Cluster Managers and Practice Leaders are employed by the lead schools to promote best practice. In 2011/12, clusters:

- ▲ carried out an assessment to identify where funding was most needed to make a difference, particularly for Māori learners and Pasifika learners with special education needs
- ▲ developed annual plans to deliver more responsive services. The plans included increasing recruitment of teachers who are able to work within Māori-medium settings.

A discussion document, released in April 2012, outlined two options to amalgamate Resource Teachers: Learning and Behaviour and Supplementary Learning Support services. The options make access easier to the range of services offered for schools and learners. A report on submissions is expected in late 2012.

We will develop performance indicators for Resource Teachers: Learning and Behaviour. The indicators will focus on how we are improving outcomes for learners using the service. We will roll out the amalgamated service to support learners who are working long-term at level one of the curriculum.

We continued to support transitions of learners through the Gateway programme. The Resource Teachers: Learning and Behaviour worked with classroom teachers to maintain the educational engagement of children entering state care. The programme is a cross-sector initiative between the Ministries of Health, Social Development and Education.

Effectively managed our infrastructure assets

Departmental asset management and capital intentions

The total School Property Capital Plan expenditure was \$434 million for 2011/12. We reviewed, reprioritised, capped or adjusted existing programmes to address new priorities. This included reviewing the school property grant, the five-year agreement funding and the replacement buildings programme.

These changes informed our prioritisation and wider work programme. We undertook a comprehensive survey on the state of school buildings nationally, and to identify the extent of leaky building issues. New priorities include maintaining the response to Christchurch, progressing national programmes for earthquake resilience, remediating defective or leaky buildings, and establishing new schools in line with demand. Further efficiency gains are required to address new priorities within the baseline. Major works and projects included:

- | | |
|--|---|
| ▲ \$182.6 million committed to the capital maintenance and modernisation of schools through the five-year property programme | ▲ \$25.3 million to progress the national rollout of upgraded wiring infrastructure and internal data networks of schools |
| ▲ \$56.7 million to rectify defective, or leaky, buildings | ▲ \$29.4 million for the acquisition of land and the construction of new state schools |
| ▲ \$43.1 million to accommodate school roll growth | ▲ \$19.3 million to replace school buildings |
| ▲ \$38.4 million to support a range of demand-driven programmes, including modifications for learners with special education needs | ▲ \$16 million to support the repair of earthquake damage in Canterbury, and to strengthen earthquake prone buildings |
| ▲ \$17.1 million for new kura kaupapa Māori and wharekura | ▲ \$5.7 million for new special schools and satellites. |

Implemented the School Property Strategy

Over the past year, we developed and distributed a national School Property Strategy to all schools. We followed this up with two rounds of regional forums. This approach enabled us to engage with each region, work through the direction and goals of the strategy, and discuss in detail any property issues being experienced. The strategy outlines three key goals:

- ▲ School property is well managed – the Ministry is seen as a high-quality property manager and advisor to government.
- ▲ Schools are fit for purpose – state schools are safe environments that empower learners and teachers to succeed.
- ▲ High-performing portfolio of schools – the portfolio of state schools responds to changes in demand, and is well utilised and efficiently run.

We developed the National Condition Assessment Programme to determine the allocation of school property baseline funding. We completed condition assessments for all Christchurch schools, following the major earthquakes. The programme is currently being rolled out and is due for completion in 2013.

Implemented Modern Learning Environment standards

We continued to work towards establishing new modern learning environments, through the use of new technologies and building materials that create vibrant and well-connected learning spaces. We have started collecting data using our new Modern Learning Environment self-assessment tool that will tell us how we are progressing towards our goal of 10% of schools meeting the core standard.

New Schools Programme

We completed four new school projects, and commenced a further two schools and two kura kaupapa Māori projects in 2011/12. We also progressed major redevelopments including an area school, two secondary schools and a deaf education centre. All new build projects under the New Schools Programme are guided by our procurement model and processes.

We drafted stage one of a New Schools Design Guide, to outline the specifications for all new schools projects and ensure that standard design and build processes are followed.

We also improved the programme's quality assurance and process management by:

- ▲ amalgamating the Building Improvement and New Schools and Kura teams
- ▲ performing process mapping and review
- ▲ conducting a legal review of all contract documents
- ▲ conducting a peer review of designs and construction for weather-tightness.

Addressed defective buildings

Because of the large number of defective buildings identified, we implemented a system to prioritise the buildings under the Building Improvement Programme. We began:

- ▲ remediating 712 defective school buildings
- ▲ conducting a national survey of all school buildings built after 1994. This assists with the timely identification of defective buildings. The survey reviewed 6,130 buildings across 1,592 schools
- ▲ implementing a project management database to manage and track remediation projects
- ▲ integrating five-year and 25-year network plans with property details to produce regional and cluster plans.

We continued to build our capability in asset and property management, and to refine our supporting systems. We investigated software changes for 2012/13 to enable reductions over time in the percentage of maintenance costs spent on health and safety and high operational risk of defective buildings.

Established a range of school property procurement models

The first Public Private Partnership was contracted to design, construct and finance two new schools in Hobsonville Point, West Auckland. The partnership contracts one provider to manage the design, build and maintenance. The primary school is on track to open in February 2013, and the secondary school is scheduled to open in February 2014.

This approach will be used for future projects where it demonstrates value for money. We will also apply the lessons learnt to improve our wider procurement and property management practices.

Delivered major information and communications technology services for the sector

Implemented the Ultra-fast Broadband in Schools programme

The Ultra-fast Broadband in Schools programme includes the School Connection Project, the School Network Upgrade Project and the Network for Learning Limited:

- ▲ The School Connection Project coordinates the connection of schools to fibre from the Rural Broadband Initiative and the urban Ultra-fast Broadband programme. A total of 852 schools were connected to fibre.
- ▲ The School Network Upgrade Project is progressively upgrading the internal electrical and data cabling infrastructure in state and state-integrated schools. During 2011/12, we completed upgrades for 227 schools. A total of 1,037 schools have now had network upgrades commenced or completed through the School Network Upgrade Project.
- ▲ We completed arrangements for the establishment of the Network for Learning Limited as a Crown-owned company. The Network for Learning Limited will provide all schools with cost-effective access to the latest teaching and learning resources and services. It is anticipated that the Network for Learning Limited will be operating from mid-2013.

We connected all 102 proposed schools to the National Education Network Trial extension. The findings from this trial continue to provide information to support the set-up of the Network for Learning Limited.

Implemented key information and communications technology projects

To support implementation of key information and communications technology projects we:

- ▲ completed the design of the National Student Index Replacement project to address improvements required in data quality, as well as an upgrade in the technology used, to generate student numbers unique to each learner. The release date is planned for October 2013
- ▲ successfully completed the first phase of the Disaster Recovery and Core Infrastructure Programme
- ▲ made a substantial reduction in the number of physical servers, which has reduced our operating costs, and reduces power, heat and weight loadings in our primary data centre.

Supported rebuilding greater Christchurch

We took immediate action to ensure staff and learner safety following the major earthquakes in the Canterbury region. The next focus was supporting continuity of education. We:

- ▲ relocated and co-located 18 schools and arranged transport for 7,000 learners daily. Within three weeks, 84% of learners were able to attend a school, and within a month all learners were able to return to school
- ▲ established interim arrangements to replace lost accommodation. This included 39 relocatable classrooms and portable toilets, including 21 independent sewerage systems and temporary water tanks, at a cost of \$20 million
- ▲ set up learning hubs to cater for learners unable to access their school
- ▲ relocated learners from Van Asch, McKenzie and Halswell residential schools to other schools across New Zealand
- ▲ modified tertiary funding and student support arrangements, so that learners could continue their studies at other institutions
- ▲ provided funding for professional learning and development services to schools impacted by the earthquakes. This included training teachers to deal with children impacted by trauma, and interventions to address absenteeism, withdrawal and disengagement for children and families whose behaviour is severely affected or who are known to be particularly vulnerable
- ▲ provided assistance and worked with other agencies to deliver programmes designed to help early childhood education services and schools manage the ongoing impact on the wellbeing of children, young people, school staff, families, and the wider community
- ▲ established eight study centres to help ensure continuity of education, and worked with Sports Canterbury to establish sports and recreational opportunities for 12,000 learners
- ▲ established Scholarships for Canterbury, targeting school leavers in Canterbury who have to rethink their plans for tertiary study as a result of the earthquakes
- ▲ allocated funding for up to 550 additional trades training places to help with the availability of skilled people for rebuilding Christchurch. Secondary learners were able to study for an industry-based qualification while completing NCEA Level 2, through the expanded Canterbury Tertiary College
- ▲ developed a special staffing package for teachers. The package included retraining options, creation of a teacher relief pool and other supports for wellbeing.

Early childhood education

We provided emergency funding and property grants to early childhood centres to help them reopen. By March 2012, 78% of centres were back in operation, relocated or co-located with other centres. All but 16 of 339 centres were able to reopen.

Early childhood education enrolments decreased by 1,125. It is not yet clear whether the enrolment situation is stabilising, but families in the east of the city, particularly Māori and Pasifika families, appear to still be at risk of disengaging. The possible impact on participation rates of these groups is a concern.

The earthquakes have changed patterns of attendance. Many parents wanted to stay at home with their children or make other care arrangements. These factors continue to impact enrolments and hours of attendance and create fluctuating levels of funding for service providers.

There are currently 378 fewer early childhood education places available in Christchurch City than there were before the earthquakes.

Schooling

Following the February 2011 earthquake, over 12,000 learners left the school they had been attending and enrolled elsewhere, often at a school outside the region. Many have since returned, but as of February 2012 more than 5,000 learners had not returned to a school in Christchurch. Of those who had, more than 1,700 had not re-enrolled at their original school.

As of February 2012, 25 schools had 20 or more learners in red zones. Of these, 15 schools had 30 or more learners in red zones. In all, there were approximately 1,076 learners living in red zones and a further 631 living in orange or white zones.

We maintained resourcing levels in affected schools to December 2011, to compensate for the initial loss of around 10,000 learners.

Large numbers of families with school-age children have been forced to relocate either temporarily or permanently as a result of the earthquakes. The movement out of the east of Christchurch has been particularly pronounced. Many of those families are resettling on the outer perimeter of the city and surrounding districts, resulting in increasing demand in those areas.

Tertiary education

We launched the Skills for Canterbury package of \$42 million supporting training of young people in trades to help in the reconstruction of Christchurch. We provided support to parents of international learners, in particular from China and Japan.

There has been a downturn in international education enrolments as a result of parents' reluctance to send learners to the city while aftershocks continue. Education New Zealand has allocated \$5 million over four years in extra funding to help the recovery of international education in greater Christchurch.

Across the two universities based in greater Christchurch, first-year numbers were down by 28%. All three Christchurch-based tertiary education institutions have resumed full delivery but some buildings have been demolished and others vacated pending costly repairs or demolition. Tertiary providers with branch campuses are teaching from temporary or borrowed sites or via e-learning. Many private tertiary education providers are operating from temporary facilities, with a small number not resuming operations.

We are continuing to make the policy changes needed to ensure Christchurch institutions are rebuilt, and the post-compulsory network in the Canterbury region is strengthened.

Future focus

We need to adapt our operating model to support the changes that we seek across the sector. It must be flexible, responsive and efficient, and provide support and challenge to the education sector to improve outcomes.

To respond to this need we will be:

- ▲ redesigning our regional operation that provides the main interface with the sector. A new regional structure will be in place by June 2013
- ▲ developing fast-moving and action-orientated taskforces to deliver accelerated progress against our national targets and education priorities. They will work in partnership with regional staff in communities to drive action on the ground at the school level and lift internal efficiencies
- ▲ reviewing major projects to ensure that work is aligned with Government priorities
- ▲ establishing a Ministerial Cross-Sector Forum on Raising Achievement, to provide collaborative cross-sector leadership and advice to the ministers on a quality achievement programme for education that will help meet the Better Public Services targets.

We will finalise a plan for education renewal that identifies options on the shape and scale of investment that can be applied in Christchurch City, Waimakariri and Selwyn. These options will align the network with changing community needs while also addressing pre-existing issues with infrastructure and educational performance.

2

Wāhanga tuarua

our
PERFORMANCE

TĀ TĀTOU WHAKATUTUKITANGA

Our performance

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 2012 and we authorise issuance of these financial statements on 28 September 2012.

Lesley Longstone

Secretary for Education
28 September 2012

Tina Cornelius

Chief Financial Officer
28 September 2012

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Introduction to financial performance

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

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

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

The statements of service performance also address the Ministry's management of the non-departmental appropriations in Vote Education and Vote Tertiary Education. The Ministry's role in respect 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 expenditure and parliamentary appropriations, revenue and receipts and assets and liabilities. The statements and schedules are followed by a statement of accounting policies and supplementary information.

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

Allocation of Vote Education

In 2011/12, Parliament appropriated \$9,294 million for the purposes of Vote Education. This was allocated to the Ministry for:

- ▲ Ministry outputs purchased by the Minister and capital expenditure (\$2,311 million). This is:
 - ▲ \$1,354 million (14.57%) for property outputs produced including depreciation and capital charge
 - ▲ \$456 million (4.91%) for other outputs produced including capital charge
 - ▲ \$501 million (5.39%) for capital expenditure.
- ▲ payments made by the Ministry on behalf of the Crown (\$6.983 million or 75.13%) 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, New Zealand Council for Educational Research, the New Zealand Qualifications Authority and Careers New Zealand
 - ▲ benefits such as scholarships, bursaries and study awards
 - ▲ other expenses such as funding of schools (including teachers' salaries), early childhood education services and the United Nations Educational, Scientific and Cultural Organization (UNESCO)
 - ▲ capital investments in other organisations or persons such as schools.

Vote Education financial summary

| Vote Education appropriations | 30/06/2012 | 30/06/2012 | 30/06/2012 | |
|-------------------------------|------------------|------------------------------------|------------------|-----------------|
| | Budget | Supplementary Estimates | Actual | Variance |
| | \$000 | \$000 | \$000 | \$000 |
| Departmental | | | | |
| Ministry outputs | 1,812,485 | 1,809,860 | 1,790,697 | 19,163 |
| Ministry capital | 547,271 | 501,183 | 476,222 | 24,961 |
| Non-departmental | | | | |
| Crown outputs | 391,637 | 395,692 | 383,502 | 12,190 |
| Benefit expenses | 63,116 | 57,562 | 37,835 | 19,727 |
| Other expenses | 6,539,485 | 6,505,235 | 6,444,125 | 61,110 |
| Capital expenditure | 25,864 | 24,177 | 21,548 | 2,629 |
| Total | 9,379,858 | 9,293,709 | 9,153,929 | 139,780 |

Vote Education – expenditure variances against appropriations

Ministry outputs variance is mainly owing to:

- ▲ fewer students than expected receiving support through the Ongoing Resourcing Scheme and High Health Needs Funding
- ▲ delays in projects and programmes across a range of outputs, some of which will now be delivered in 2012/13 including the schools' payroll project, Network for Learning initiative and redesign of the Resource Teachers: Learning and Behaviour service initiative
- ▲ delays in providing specialist staff for early intervention services and behaviour services programmes
- ▲ slower than anticipated progress in other programmes such as Positive Behaviour for Learning, development of school leaders networks and vocational pathways for the Youth Guarantee, and procurement of assessment tools to support National Standards
- ▲ higher than expected proportion of Canterbury earthquake remediation work and other-related expenses being operating rather than capital expenditure.

Ministry capital expenditure variance is mainly owing to:

- ▲ five-year agreement funding being frozen for a number of schools in the greater Christchurch area
- ▲ delays in the Canterbury earthquake remediation programme while engineering evaluations and weather-tightness assessments are carried out to ensure a coordinated approach
- ▲ various delays across a range of other programmes.

Crown outputs variance is mainly owing to:

- ▲ lower than expected costs for teachers' laptops due to improved exchange rates
- ▲ cessation of some professional development and support contracts
- ▲ lower than expected demand and delays across other programmes.

Benefits expenses variance is mainly owing to:

- ▲ lower than expected numbers of teacher study awards during the year
- ▲ lower than expected uptake of voluntary bonding by trainee teachers as a result of an improved teacher supply situation.

Other expenses variance is mainly owing to:

- ▲ lower than expected student rolls, lower than expected teacher numbers, and lower than expected uptake of some programmes in Primary Education
- ▲ lower than expected demand across several programmes and lower than expected recovery payments for over used staffing in Secondary Education
- ▲ partly offset by higher than forecast entitlement for 20 Hours funding for early childhood education attended during school holidays.

Capital expenditure variance is mainly owing to:

- ▲ lower than expected demand for the School Support Project
- ▲ a change in the process for bringing schools into the School Network Upgrade Project.

Allocation of Vote Tertiary Education

In 2011/12, Parliament appropriated \$2,759 million for the purposes of Vote Tertiary Education. This was allocated to the Ministry for:

- ▲ Ministry outputs purchased by the Minister (\$13 million or 0.47%)
- ▲ payments made by the Ministry on behalf of the Crown (\$2,746 million or 99.53%) to fund:
 - ▲ tertiary tuition and associated research, adult and community education, industry training and other services supplied by tertiary education organisations, industry training organisations, Centres of Research Excellence, Education New Zealand and the Tertiary Education Commission
 - ▲ benefits such as tertiary scholarships and awards
 - ▲ other expenses such as support for mergers of institutions.

Vote Tertiary Education financial summary

| Vote Tertiary Education appropriations | 30/06/2012 | 30/06/2012 | 30/06/2012 | |
|--|------------------|------------------------------------|------------------|-----------------|
| | Budget | Supplementary Estimates | Actual | Variance |
| | \$000 | \$000 | \$000 | \$000 |
| Departmental | | | | |
| Ministry outputs | 16,291 | 13,035 | 12,923 | 112 |
| Non-departmental | | | | |
| Crown outputs | 2,743,281 | 2,728,177 | 2,676,235 | 51,942 |
| Benefit expenses | 17,635 | 17,132 | 14,948 | 2,184 |
| Other expenses | 3,500 | 1,150 | 127 | 1,023 |
| Total | 2,780,707 | 2,759,494 | 2,704,233 | 55,261 |

Vote Tertiary Education – expenditure variances against appropriations

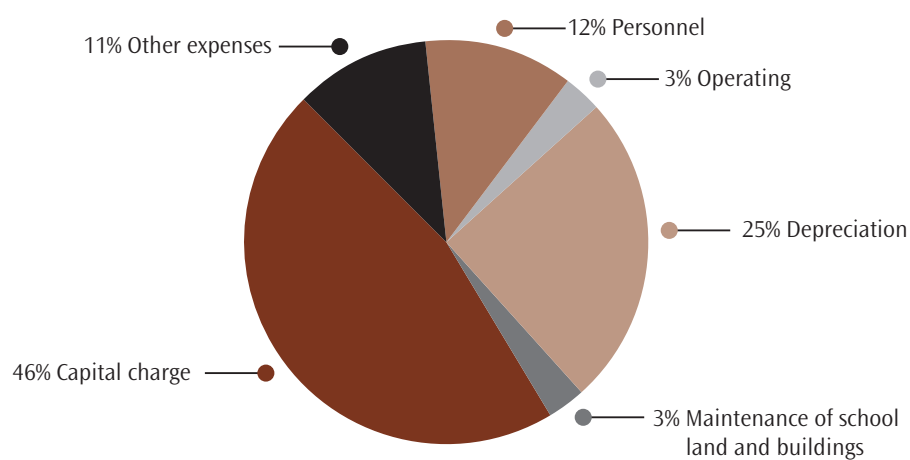
Crown outputs variance is mainly owing to:

- ▲ lower than expected demand for workplace training mainly due to economic conditions, the effect of the Canterbury earthquakes and the new funding rules for industry training organisations
- ▲ fewer students than expected enrolled in approved courses also leading to higher than expected funding recoveries
- ▲ delayed start-up of Education New Zealand with work focused on establishing and managing the transition – some of this funding may be transferred to subsequent years
- ▲ lower than expected demand for other programmes.

Benefits expenses variance is mainly owing to fewer students than expected participating in scholarship schemes.

Other expenses variance is mainly owing to completion of the merger of Tairāwhiti Polytechnic and Eastern Institute of Technology being extended to 2012/13.

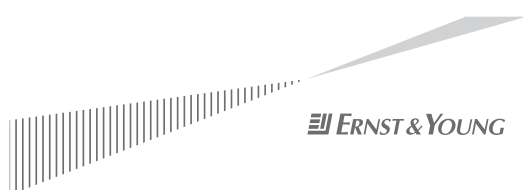
Ministry expenditure analysis



Movement in property, plant and equipment and intangible assets

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

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$ million | \$ million |
| Opening balance | 10,229 | 10,109 |
| Additions | 476 | 598 |
| Disposals | (65) | (26) |
| Depreciation | (460) | (429) |
| Revaluations | 533 | 32 |
| Impairments | (110) | (55) |
| Total property, plant and equipment and intangible assets | 10,603 | 10,229 |



Independent Auditor's Report

To the readers of the Ministry of Education's Financial Statements, Non-Financial Performance Information and Schedules of Non-departmental Activities for the year ended 30 June 2012

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

We have audited:

- ▲ the financial statements of the Ministry on pages 67 to 100, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in taxpayers' equity, statement of unappropriated expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- ▲ the non-financial performance information of the Ministry that comprises the statement of service performance on pages 101 to 140 and the results tables reporting against targets included in the Statement of Intent about outcomes on pages 10 to 55; and
- ▲ the schedules of non-departmental activities of the Ministry on pages 141 to 161 that comprise the schedule of assets, schedule of liabilities, schedule of commitments, schedule of contingent liabilities and schedule of contingent assets as at 30 June 2012, the schedule of expenses, statement of expenditure and appropriations, statement of unappropriated expenditure, statement of revenue and receipts 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 67 to 100:
 - ▲ comply with generally accepted accounting practice in New Zealand; and
 - ▲ fairly reflect the Ministry's:
 - ▶ financial position as at 30 June 2012;
 - ▶ 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 2012; and
 - ▶ unappropriated expenses and capital expenditure for the year ended 30 June 2012; and
- ▲ the non-financial performance information of the Ministry on pages 101 to 140 and 10 to 55:
 - ▲ 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 2012, 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 141 to 161:
 - ▲ comply with generally accepted accounting practice in New Zealand; and
 - ▲ fairly reflect:
 - ▶ the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2012 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 28 September 2012. 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 2011 that:
 - ▲ comply with generally accepted accounting practice in New Zealand; and
 - ▲ fairly reflect those activities managed by the Ministry on behalf of the Crown.

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

The Secretary for Education'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 to make a pre-implementation assessment of transition controls relating to data conversion to the Novopay teacher payroll application. Other than the audit and this assignment, we have no relationship with or interests in the Ministry.

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the Ministry of Education for the year ended 30 June 2012 included on the Ministry of Education's website. The Chief Executive is responsible for the maintenance and integrity of the Ministry of Education's website. We have not been engaged to report on the integrity of the Ministry of Education's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 28 September 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Stuart Mutch

Ernst & Young

On behalf of the Auditor-General

Wellington, New Zealand

Financial statements

Statement of Accounting Policies for the year ended 30 June 2012

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 2012. The financial statements were authorised for issue by the Secretary for Education on 28 September 2012.

Basis of preparation

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, actuarial valuations of certain liabilities and the fair value of certain financial instruments (including derivative instruments).

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

Changes in accounting policies

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

The Ministry has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- ▲ Amendments to NZ IAS 1 *Presentation of Financial Statements* – The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Ministry has presented this analysis in Statement of Changes in Taxpayers' Equity.
- ▲ FRS-44 *New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)* – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments to the Ministry is that certain information about property valuations is no longer required to be disclosed. Note 16 has been updated for these changes.
- ▲ Amendments to NZ IFRS 7 *Financial Instruments: Disclosures* – The amendment reduces the disclosure requirements relating to credit risk. Note 11 has been updated for the amendments.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Ministry, are:

- ▲ NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Ministry is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Ministry expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Ministry is unable to assess the implications of the new Accounting Standards Framework at this time.

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

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.

Service concession arrangements

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

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

Amortisation

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

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

| Useful lives are: | Years |
|--------------------------|--------------|
| Computer software | 3 - 5 |

Impairment of non-financial assets

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

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in net surplus or deficit.

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

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

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in net surplus or deficit.

Creditors and other payables

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. As at 30 June 2012, 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 2012, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Statement of cost accounting policies

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

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

Criteria for direct and indirect costs

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

Direct costs assigned to outputs

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

Basis for assigning indirect and corporate costs to outputs

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

Changes in accounting policies

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

Comparatives

Where changes in presentation of the financial statements have been incorporated, comparative figures have been amended to reflect those changes. The changes made relate to the change in output class structure from 2010/11 to 2011/12 brought about by the introduction of Vote Tertiary Education. In 2010/11, there were seven Output Classes for Vote Education. In 2011/12, there were six for Vote Education and two for Vote Tertiary Education. The 2010/11 comparatives have been amended to reflect the position as if the 2011/12 output structure was in place.

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 (refer Note 15). The calculations are based on:
 - ▲ likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
 - ▲ the present value of the estimated future cash flows. The discount rates prescribed by the Treasury as at 30 June 2012 and a salary inflation factor of 3% (2.75% in 2011) 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 | 2012 unit rate | 2011 unit rate |
|----------------------------------|------------------------|------------------------|
| Classroom fabric – single storey | \$868/m ² | \$1,070/m ² |
| Classroom fabric – per storey | \$348/m ² | \$345/m ² |
| Classroom – roof | \$241/m ² | \$204/m ² |
| Classroom – services | \$708/m ² | \$600/m ² |
| Classroom – fitout | \$601/m ² | \$486/m ² |
| Lifts – basic rate | \$108,964 | \$107,790 |
| Lifts – per storey | \$5,953 | \$5,889 |
| Boilers | \$57,509 each | \$56,390 each |
| Ancillary buildings | \$692/m ² | \$684/m ² |
| Relocatable buildings | \$2,285/m ² | \$2,233/m ² |
| Covered ways | \$373/m ² | \$364/m ² |
| Site improvements | Various rates applied | \$312,059/ha |
| Swimming pools | \$2,933/m ³ | \$3,287/m ³ |

Construction rates have been applied to all components on the same basis as in 2011 except for the following:

- ▲ A cost element referred to as ‘Preliminaries and General’ within Rawlinsons was included in the Classroom fitout – single storey unit rate in previous years. For 2012 this element has been prorated across fabric, roof, services and fitout. This is a more appropriate treatment of the ‘Preliminaries and General’ element given the nature of the cost. This results in a decrease for the fabric construction rate and an increase in the construction rates used for roof, services and fitout.
- ▲ With the assistance of Darroch, the methodology for the revaluation of site improvements has been changed from one rate per hectare in 2011 to nine rates applied across a segmented portfolio. This provides a more robust calculation at a detailed level.
- ▲ In previous years a minimum remaining useful life was included in the revaluation calculation for ancillary, swimming pools and relocatable buildings. This remaining useful life assumption has been removed for the 2012 calculation.

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

- ▲ The annual depreciation on school property assets is determined by the remaining useful life of each asset. Useful lives assigned to each component of the school buildings are still considered appropriate in light of Treasury guidance and the current conditions of the portfolio. Refer to Note 16 for further details.

The remaining useful life assumption for the following categories of buildings has been assessed and decreased to reflect their most likely remaining useful life:

- ▲ Buildings identified as likely to be demolished as part of the Buildings Improvement Programme (weather-tightness).
- ▲ Buildings with significantly higher projected capital expenditure forecast for the next 10 years than carrying value.
- ▲ Buildings defined as ‘Portable Modular Classrooms’.
- ▲ Buildings with a certain profile that indicate significant earthquake resilience issues are likely to be present.
- ▲ In 2010, school buildings were impaired by an amount of \$930.4 million to provide for damage resulting from weather-tightness issues. This was based on a visual survey of 199 Auckland schools with buildings constructed or upgraded since 1994 undertaken by Prendos New Zealand Limited, a registered valuer and building surveyor.

During the 2010/11 financial year, the Ministry incurred capital expenditure of \$53.5 million and the \$930.4 million impairment provision was adjusted downwards by the value of this expenditure for the 2011 Annual Report.

The Ministry engaged Hampton Jones, a chartered building surveying and design practice, to conduct a national survey of approximately 5,500 school buildings that had been either constructed or upgraded since 1994. The survey was a visual inspection by qualified surveyors, with results tabulated into a database for identifying current condition and estimated cost to remediate.

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

- ▲ 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.

The Ministry recognised an impairment provision in the 2011 Annual Report of \$54.7 million representing the estimated capital expenditure required to remediate the damage caused by the earthquakes. Based on the latest available information, this impairment provision has been increased to \$70.8 million.

The cost estimates used for establishing this provision are largely derived from preliminary engineering assessments and the actual costs when incurred may be materially different to this provision.

- ▲ Mainly as a result of the earthquake events in the Canterbury region that occurred in the 2010/11 financial year, the Ministry has recognised revenue from insurance recoveries of \$92.5 million. This value has been established with reference to information collated by the Ministry's loss adjustor on expected remediation costs of capital expenditure and costs of the nature of repairs and maintenance and has been categorised as having a high level of certainty of being recovered under the Ministry's insurance policy.

The loss adjustor has collated information on a building-by-building, school-by-school basis and included engineering assessments, results from tender processes and the loss adjustor's professional expertise in determining likely remediation costs. The loss adjustor has also used professional judgement in apportioning the remediation costs into three categories:

- ▲ costs where there is agreement between the Ministry and the insurer that they are covered under the Ministry's insurance policy (\$92.5 million)
- ▲ costs where there is agreement between the Ministry and the insurer that they are not covered under the Ministry's insurance policy
- ▲ costs where discussion is continuing between the Ministry and the insurer with a final determination still to occur (refer Statement of Contingent Liabilities and Contingent Assets).

The loss adjustors' calculations, estimates and judgements have been reviewed by experienced Ministry staff.

Statement of Comprehensive Income for the year ended 30 June 2012

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.

| | | 30/6/2012 Actual | 30/6/2012 Supplementary Estimates | 30/6/2012 Budget | 30/6/2011 Actual |
|---|-------|----------------------------|---|----------------------------|----------------------------|
| | Notes | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | | |
| From the Crown | | 1,785,642 | 1,806,295 | 1,819,384 | 1,634,768 |
| From other sources | 2 | 107,183 | 10,022 | 9,392 | 10,614 |
| Total revenue | | 1,892,825 | 1,816,317 | 1,828,776 | 1,645,382 |
| Expenditure | | | | | |
| Personnel | 3 | 220,333 | 201,297 | 198,088 | 202,536 |
| Operating | 4 | 47,552 | 45,814 | 45,197 | 43,698 |
| Depreciation and amortisation | 5 | 460,183 | 464,626 | 464,576 | 429,058 |
| Maintenance of school land and buildings | | 55,248 | 51,366 | 59,221 | 40,495 |
| Capital charge | 6 | 823,356 | 824,204 | 826,682 | 766,823 |
| Other expenses | 7 | 196,948 | 235,588 | 235,012 | 177,098 |
| Total expenditure | | 1,803,620 | 1,822,895 | 1,828,776 | 1,659,708 |
| Net surplus/(deficit) | 9 | 89,205 | (6,578) | - | (14,326) |
| Other comprehensive income | | | | | |
| Gain/(loss) on property revaluations | 10 | 533,110 | - | - | 32,171 |
| Impairment of buildings | 10 | (110,712) | - | - | (54,700) |
| Total comprehensive income/(deficit) | | 511,603 | (6,578) | - | (36,855) |

Statement of Changes in Taxpayers' Equity for the year ended 30 June 2012

Description of statement

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

| | Notes | General Funds \$000 | Revaluation Reserve \$000 | Total \$000 | Supplementary Estimates \$000 | Budget \$000 |
|---|-------|------------------------|---------------------------------|-------------------|-------------------------------------|-------------------|
| Taxpayers' equity at 1 July 2010 | | 4,185,979 | 5,961,652 | 10,147,631 | 10,147,631 | 11,196,408 |
| Net surplus/(deficit) for the year | 9 | (14,326) | - | (14,326) | - | - |
| Other comprehensive income: | | | | | | |
| Revaluation reserve transfer of 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) | - | - |
| Total comprehensive income | | (5,154) | (31,701) | (36,855) | - | - |
| Transactions with the Crown: | | | | | | |
| Net surplus/(deficit) 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) |
| Taxpayers' equity at 30 June 2011 | | 4,362,013 | 5,929,951 | 10,291,964 | 10,328,819 | 11,426,384 |
| Taxpayers' equity at 1 July 2011 | | 4,362,013 | 5,929,951 | 10,291,964 | 10,291,962 | 10,328,819 |
| Net surplus/(deficit) for the year | 9 | 89,205 | - | 89,205 | (6,578) | - |
| Other comprehensive income: | | | | | | |
| Add/(deduct) land revaluations | | - | (13,182) | (13,182) | - | - |
| Add/(deduct) buildings revaluations | | - | 546,292 | 546,292 | - | - |
| Add/(deduct) impairment of buildings | | - | (110,712) | (110,712) | - | - |
| Total comprehensive income | | 89,205 | 422,398 | 511,603 | (6,578) | - |
| Transactions with the Crown: | | | | | | |
| Net surplus repayable to the Crown | 9 | - | - | - | - | - |
| Capital contributions | | 65,185 | - | 65,185 | 65,185 | 136,961 |
| Capital withdrawals | | (24,053) | - | (24,053) | (24,053) | (24,053) |
| Taxpayers' equity at 30 June 2012 | | 4,492,350 | 6,352,349 | 10,844,699 | 10,326,516 | 10,441,727 |

Statement of Financial Position as at 30 June 2012

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.

| | | 30/6/2012 | 30/6/2012 | 30/6/2012 | 30/6/2012 | 30/6/2011 |
|-------------------------------------|-------|-----------|-------------------|----------------------------|-------------------|-------------------|
| | | Actual | Actual | Supplementary Estimates | Budget | Actual |
| | Notes | \$000 | \$000 | \$000 | \$000 | \$000 |
| Taxpayers' equity | | | 10,844,699 | 10,326,516 | 10,441,727 | 10,291,964 |
| General funds | | 4,492,350 | | 4,396,567 | 4,480,075 | 4,362,013 |
| Revaluation reserves | 10 | 6,352,349 | | 5,929,949 | 5,961,652 | 5,929,951 |
| which is represented by: | | | | | | |
| Current assets | | | 364,807 | 165,407 | 176,896 | 189,817 |
| Cash and bank | | 27,635 | | 35,182 | 46,671 | 24,365 |
| Accounts receivable | 11 | 242,803 | | 62,838 | 62,838 | 79,865 |
| Prepayments | 12 | 29,111 | | 26,672 | 26,672 | 39,676 |
| Non-current assets held for sale | 13 | 65,258 | | 40,715 | 40,715 | 45,911 |
| Less | | | | | | |
| Current liabilities | | | (110,261) | (93,769) | (93,769) | (121,089) |
| Goods and services tax | | (15,904) | | - | - | (10,930) |
| Accounts payable | 14 | (80,732) | | (81,162) | (81,162) | (96,397) |
| Provision for employee entitlements | 15 | (13,625) | | (12,607) | (12,607) | (13,762) |
| Working capital | | | 254,546 | 71,638 | 83,127 | 68,728 |
| Plus | | | | | | |
| Non-current assets | | | 10,602,633 | 10,260,138 | 10,363,860 | 10,228,728 |
| School land | 16 | 2,640,152 | | 2,663,724 | 2,771,460 | 2,660,524 |
| School buildings | 16 | 7,893,842 | | 7,535,558 | 7,508,032 | 7,509,133 |
| Service concession arrangements | 16 | 10,153 | | - | - | - |
| Ministry chattels | 16 | 39,481 | | 40,109 | 40,430 | 40,672 |
| Intangible assets | 17 | 19,005 | | 20,747 | 43,938 | 18,399 |
| Less | | | | | | |
| Non-current liabilities | | | (12,480) | (5,260) | (5,260) | (5,492) |
| Provision for employee entitlements | 15 | (6,420) | | (5,260) | (5,260) | (5,492) |
| Service concession arrangements | | (6,060) | | - | - | - |
| Net assets | | | 10,844,699 | 10,326,516 | 10,441,727 | 10,291,964 |

Statement of Cash Flows for the year ended 30 June 2012

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.

| | 30/6/2012 Actual \$000 | 30/6/2012 Actual \$000 | 30/6/2012 Supplementary Estimates \$000 | 30/6/2012 Budget \$000 | 30/6/2011 Actual \$000 |
|---|------------------------------|------------------------------|--|------------------------------|------------------------------|
| Operating activities | | | | | |
| Cash was received from: | | | | | |
| The Crown | 1,716,583 | | 1,827,138 | 1,778,757 | 1,640,041 |
| Other | 13,154 | | 6,206 | 28,508 | 11,146 |
| | | 1,729,737 | 1,833,344 | 1,807,265 | 1,651,187 |
| Cash was expended on: | | | | | |
| Production of outputs | | | | | |
| Personnel | (219,542) | | (201,087) | (197,113) | (201,803) |
| Operating and other | (256,506) | | (345,112) | (341,027) | (233,129) |
| Capital charge | (823,356) | | (824,204) | (826,682) | (766,823) |
| | | (1,299,404) | (1,370,403) | (1,364,822) | (1,201,755) |
| Net cash flows from operating activities (Note 18) | | 430,333 | 462,941 | 442,443 | 449,432 |
| Investing activities | | | | | |
| Cash was received from: | | | | | |
| Sales of assets | 7,857 | | 6,000 | 17,000 | 13,710 |
| | | 7,857 | 6,000 | 17,000 | 13,710 |
| Cash was expended on: | | | | | |
| Property, plant and equipment | (463,929) | | (484,924) | (524,189) | (602,409) |
| Intangibles | (12,123) | | (14,339) | (23,567) | (5,119) |
| | | (476,052) | (499,263) | (547,756) | (607,528) |
| Net cash flow from investing activities | | (468,195) | (493,263) | (530,756) | (593,818) |
| Financing activities | | | | | |
| Cash was received from: | | | | | |
| The Crown: | | | | | |
| Capital contribution | 65,185 | | 65,185 | 136,961 | 208,451 |
| | | 65,185 | 65,185 | 136,961 | 208,451 |

| | 30/6/2012 Actual \$000 | 30/6/2012 Actual \$000 | 30/6/2012 Supplementary Estimates \$000 | 30/6/2012 Budget \$000 | 30/6/2011 Actual \$000 |
|---|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
| Cash was expended on: | | | | | |
| Repayment to the Crown: | | | | | |
| Prior period net surplus | - | - | - | - | (12,297) |
| Capital withdrawal | (24,053) | | (24,053) | (24,053) | (51,533) |
| | | (24,053) | (24,053) | (24,053) | (63,830) |
| Net cash flows from financing activities | | 41,132 | 41,132 | 112,908 | 144,621 |
| Total net increase in cash held | | 3,270 | 10,810 | 24,595 | 235 |
| Bank and cash balances as at 1 July | | 24,365 | 24,372 | 22,076 | 24,130 |
| Bank and cash balances as at 30 June | | 27,635 | 35,182 | 46,671 | 24,365 |

Financial commentary for 2011/12

The Ministry incurred \$1,803.6 million (GST exclusive) on delivering outputs in 2011/12. This was in total \$25.2 million less than had been originally budgeted. This was because of changes made after the 2011/12 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:

- ▲ slightly higher operating costs for management of the school sector property portfolio, including:
 - ▲ writing off some school property assets that were no longer economic to repair (\$7.1 million)
 - ▲ reduced capital charge reflecting delays in undertaking some property works projects (\$3.3 million)
 - ▲ transfers of funding to subsequent financial years, mainly related to delays with the defective buildings programme (\$3.2 million)
- ▲ implementation of other policy changes during the year, which mainly included:
 - ▲ developing the business case for the Network for Learning and managing the tendering process (\$3.4 million increase)
 - ▲ an increase in funding rates for school-based teacher aides (\$1.2 million increase)
 - ▲ transfer of resources to non-departmental output expense International Education Programmes for the establishment of Education New Zealand – a new Crown entity that administered the international education sector from 1 September 2011 (\$2.8 million decrease)
- ▲ transfers of funding to subsequent years (\$13.2 million net decrease) included mainly changes in timing for:
 - ▲ cross-school networks to share knowledge and best practice for National Standards (\$3.5 million decrease)
 - ▲ networks for sharing knowledge and best practice to support the rollout of the Youth Guarantee Networks (\$2.6 million decrease)
 - ▲ Youth Guarantee shared qualifications pathway at the secondary/tertiary interface (\$2.4 million decrease)
 - ▲ schools' payroll project (\$1.4 million decrease)
- ▲ other lower than budgeted expenditure was due to a combination of:
 - ▲ fewer students than expected receiving support through the Ongoing Resourcing Scheme and High Health Needs Funding (\$6.3 million)
 - ▲ further delays in the schools' payroll project with implementation occurring in early 2012/13 (\$2.7 million)
 - ▲ delays in providing specialist staff for early intervention services and behaviour services initiatives (\$2.3 million)
 - ▲ delays with the redesign of the Resource Teachers: Learning and Behaviour service (\$2.1 million)
 - ▲ a higher than expected proportion of remediation and other earthquake-related expenses being operating expenditure rather than capital (\$1.8 million)
 - ▲ Positive Behaviour for Learning training and development of resources progressing more slowly than expected (\$1.7 million)
 - ▲ delays with the Network for Learning initiative in terms of taking the tender to the market (\$1.5 million)
 - ▲ slower than anticipated implementation of work programmes related to school leaders networks and vocational pathways for the Youth Guarantee (\$1.4 million)
 - ▲ higher than expected professional fees for investigations and destructive testing related to defective buildings and preparation of schools' 10-Year Property Plans (\$1.1 million)
- ▲ Consideration will be given to further transfers of funding to the new financial year as a result of the delays in some programmes above.

Revenue for services in 2011/12 was \$1,892.8 million, which was \$64.0 million more than forecast. This increase was owing to a combination of:

- ▲ recognition of insurance recoveries mainly resulting from Canterbury earthquake damage (\$92.5 million)
- ▲ contributions from several builders and architects responsible for weather-tightness issues towards repairs (\$3.8 million)
- ▲ reduced outputs purchased by the Government as noted above (\$25.2 million) and some outputs being delivered at a deficit (\$7.1 million).

The operating surplus this year was therefore \$89.2 million.

At \$10,844.7 million, taxpayers' funds as at 30 June 2012 was \$403.0 million more than projected on Budget night, mainly owing to a combination of:

- ▲ an upward revaluation of school property assets by \$533.1 million in 2011/12 – this comprises a reduction of \$13.2 million for land and an increase of \$546.3 million for buildings. This mainly reflects market movements particularly for land and revised construction costs for replacement buildings
- ▲ the impact of increased revaluation from 2010/11 (\$32.2 million)
- ▲ changes in the impairment provision for defective buildings due to weather-tightness issues (\$94.6 million) and provision for damage to school buildings arising from the Canterbury earthquakes (\$70.8 million)
- ▲ lower than expected capital investment, principally for the school property works programme totalling (\$71.8 million) across 2010/11 and 2011/12 – most of this funding will be received in 2012/13 instead
- ▲ retention of net operating surpluses/deficits over the two years, mainly comprising insurance recoveries (\$74.9 million).

The property, plant and equipment balance at 30 June 2012 was \$10,583.6 million, with a further \$19.0 million for intangibles, which was a total of \$238.8 million more than expected on 2011 Budget night. The increase was largely owing to:

- ▲ an upward revaluation of school land and buildings from last year (\$32.2 million) and this year (\$533.1 million)
- ▲ an increase in the impairment of school buildings due to weather-tightness issues of (\$94.6 million) at 30 June 2012 and an increase in the provision for impairment for Canterbury earthquakes (\$16.1 million) at 30 June 2012
- ▲ partly offset by a lower than expected expenditure on development of assets (mainly school property).

The cash balance for the Ministry at 30 June 2011 was \$19.0 million less than forecast.

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

The Ministry's working capital (current assets less current liabilities) at the end of 2011/12 was \$254.5 million, \$171.4 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 2012 (\$16.5 million)
- ▲ a lower level of cash in bank (\$19.0 million)
- ▲ a higher than expected level of receivables and prepayments (\$182.4 million), mainly owing to funding not drawn down from the Treasury and estimated insurance recoveries from the Canterbury earthquakes
- ▲ a higher than forecast amount of school sector property intended for disposal (\$24.5 million).

Supplementary information

Statement of Commitments

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

| | 30/06/2012 | 30/06/2011 |
|--|----------------|----------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Capital works projects: | | |
| ▲ Not later than one year | 185,562 | 178,730 |
| ▲ Later than one year and not later than two years | 25,024 | 7,597 |
| ▲ Later than two years and not later than five years | 24,616 | 15,454 |
| ▲ Later than five years | 174 | 1,814 |
| Accommodation leases: | | |
| ▲ Not later than one year | 18,763 | 17,687 |
| ▲ Later than one year and not later than two years | 13,450 | 16,690 |
| ▲ Later than two years and not later than five years | 25,643 | 37,975 |
| ▲ Later than five years | 29,199 | 56,424 |
| Total commitments | 322,431 | 332,371 |

Capital commitments

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

Non-cancellable operating lease – accommodation

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

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of our leasing arrangements.

Statement of Contingent Liabilities and Contingent Assets

The Statement of Contingent Liabilities and Contingent Assets discloses situations that exist at 30 June 2012, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

Unquantifiable contingent liabilities

The Ministry has no unquantifiable contingent liabilities (2011: \$nil).

Quantifiable contingent liabilities

| | 30/06/2012 | 30/06/2011 |
|-------------------------------------|------------|--------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Civil claims | - | 1,319 |
| Contractual dispute | - | 5,000 |
| Total contingent liabilities | - | 6,319 |

The Ministry has no quantifiable liabilities (2011: \$6.3 million).

Unquantifiable contingent assets

As disclosed in Note 2 to the financial statements, the Ministry has accrued \$92.5 million insurance proceeds mainly in connection with damage caused by the earthquakes that occurred in the Canterbury region. This reflects the Ministry's initial estimate of insurance proceeds relating to damages for which the Ministry has been able to determine with sufficient accuracy to meet the revenue recognition criteria outlined in financial reporting standards. The Ministry has made further assessments of damage, however the assessments and their coverage within the Ministry's insurance policies have not been determined with sufficient certainty to enable recognition of further insurance proceeds as at 30 June 2012. The Ministry therefore has a contingent asset in respect of these additional insurance proceeds; although quantification of the possible additional proceeds is not yet possible as at balance date. The Ministry is in regular contact with its insurers and expects to conclude its insurance claim within the period of 12 months from balance date (2011: \$nil).

Quantifiable contingent assets

The Ministry has no quantifiable contingent assets (2011: \$nil).

Statement of Unappropriated Expenditure

In terms of section 26B and 26C of the Public Finance Act 1989, the following unappropriated expenditure was incurred against departmental output expenses and net assets for 2011/12 (there was no unappropriated expenditure for the year ended 30 June 2011).

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--|-------------|---------------|----------------------------|----------------------------|
| | Expenditure | Appropriation | Unappropriated expenditure | Unappropriated expenditure |
| | \$000 | \$000 | \$000 | \$000 |

Vote Education

Departmental output expenses:

| | | | | |
|--|-----------|-----------|-------|---|
| School Property Portfolio Management (Section 26B approval) | 1,357,430 | 1,353,888 | 3,542 | - |
|--|-----------|-----------|-------|---|

Over expenditure occurred mainly due to:

- ▲ a higher than expected proportion of remediation and other earthquake-related expenses were operating expenditure rather than capital
- ▲ higher than expected professional fees for investigations and destructive testing related to defective buildings and preparation of schools' 10-Year Property Plans
- ▲ commencing earlier than expected a detailed engineering evaluation assessment programme for schools in Christchurch area in consultation with the Canterbury Earthquake Recovery Authority.

Breaches of Projected Departmental

Net Asset Schedule

Projected Departmental Net Assets

| | | | | |
|--|------------|------------|--------|---|
| Retention of Operating Surplus (Section 26C approval) | 10,422,299 | 10,326,516 | 95,783 | - |
|--|------------|------------|--------|---|

The projected balance of net assets for the Ministry of Education was exceeded mainly after initial insurance recoveries related to the Canterbury earthquakes were recognised during the 2011/12 year and the resulting surplus retained as part of taxpayers' funds. The level of insurance to be included was determined after the Supplementary Estimates were closed.

There was no unappropriated expenditure in relation to Vote Tertiary Education.

Notes to the financial statements for the year ended 30 June 2012

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Note 1 – Budget composition

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--|------------------|------------------------------------|------------------|------------------|
| | Budget | Supplementary Estimates | Budget | Budget |
| | Forecasts | Increase/ (Decrease) | Total | Total |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Revenue: | | | | |
| From the Crown | 1,819,384 | (13,089) | 1,806,295 | 1,688,753 |
| Other | 9,392 | 630 | 10,022 | 28,508 |
| Total revenue | 1,828,776 | (12,459) | 1,816,317 | 1,717,261 |
| Expenditure: | | | | |
| Personnel | 198,088 | 3,209 | 201,297 | 196,013 |
| Operating | 45,197 | 617 | 45,814 | 43,999 |
| Depreciation | 464,576 | 50 | 464,626 | 455,683 |
| Maintenance of school land and buildings | 59,221 | (7,855) | 51,366 | 58,783 |
| Capital charge | 826,682 | (2,478) | 824,204 | 766,823 |
| Other expenses | 235,012 | 576 | 235,588 | 195,960 |
| Total expenditure | 1,828,776 | (5,881) | 1,822,895 | 1,717,261 |
| Net operating surplus/(deficit) | - | (6,578) | (6,578) | - |

Note 2 – Other revenue

| | 30/06/2012 | 30/06/2011 |
|---|----------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Payroll deduction fees | 544 | 594 |
| Sale of learning materials | 118 | 108 |
| Early childhood licences | 419 | 395 |
| Sundry rentals | 183 | 171 |
| School house rentals | 3,588 | 3,758 |
| State Sector Retirement Savings Scheme and KiwiSaver Compensation | 3,970 | 3,523 |
| Miscellaneous revenue | 4,952 | 1,017 |
| Special education | 886 | 1,048 |
| Insurance recoveries | 92,523 | - |
| Total other revenue | 107,183 | 10,614 |

Insurance recoveries is pertaining to Canterbury earthquakes (refer Critical accounting estimates and judgements page 74 and Statement of Contingent Liabilities and Contingent Assets page 84).

Note 3 – Personnel expenditure

| | 30/06/2012 | 30/06/2011 |
|--|----------------|----------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Salaries and wages | 211,864 | 193,330 |
| ACC | 918 | 917 |
| Superannuation subsidies | 4,961 | 4,840 |
| Training | 3,374 | 2,761 |
| Increase in provision for annual leave | 290 | 660 |
| Decrease in provision for long service leave | (433) | 117 |
| Decrease in provision for retiring leave | (641) | (89) |
| Total personnel expenditure | 220,333 | 202,536 |

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

| | 30/06/2012 | 30/06/2011 |
|------------------------------------|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Travel | 11,237 | 10,002 |
| Communications | 3,894 | 3,861 |
| Operating lease rentals | 15,356 | 14,885 |
| Contracts | 3,071 | 1,752 |
| Equipment maintenance | 3,670 | 1,507 |
| Other operating costs | 10,324 | 11,691 |
| Total operating expenditure | 47,552 | 43,698 |

Note 5 – Depreciation and amortisation

| | 30/06/2012 | 30/06/2011 |
|--|----------------|----------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Buildings | 438,546 | 408,626 |
| Plant and equipment | 255 | 268 |
| Computer hardware | 5,206 | 4,834 |
| Furniture and fittings | 2,851 | 3,323 |
| Motor vehicles | 1,864 | 1,518 |
| Total depreciation | 448,722 | 418,569 |
| Computer software | 11,461 | 10,489 |
| Total amortisation | 11,461 | 10,489 |
| Total depreciation and amortisation | 460,183 | 429,058 |

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 2012 was 8.0% (at 30 June 2011 the rate was 7.5%).

Note 7 – Other expenses

| | 30/06/2012 | 30/06/2011 |
|---|----------------|----------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Fees to auditors | | |
| ▲ Audit fees for audit of the financial statements | 410 | 400 |
| ▲ Fees for other services | 17 | 7 |
| Debt impairment | 51 | 38 |
| (Profit)/loss on sale of property, plant and equipment (Note 8) | 5,674 | 2,550 |
| Loss on demolition of earthquake affected buildings | 16,090 | 9,759 |
| Contracts for services | 73,701 | 68,879 |
| Special education payments | 89,744 | 82,607 |
| Other | 11,261 | 12,858 |
| Total other expenses | 196,948 | 177,098 |

Fees to auditors for other services are for carrying out an assignment to make a pre-implementation assessment of transition controls relating to data conversion to the Novopay teacher payroll application.

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

| | 30/06/2012 | 30/06/2011 |
|---|---------------|---------------|
| | Actual | Actual |
| | \$ 000 | \$ 000 |
| Chattels | (286) | (2) |
| Land and buildings | 5,960 | 2,552 |
| Total (gain)/loss on sale of property, plant and equipment | 5,674 | 2,550 |

Note 9 – Net surplus payable to the Crown

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Surplus/(deficit) from the Statement of Comprehensive Income | 89,205 | (14,326) |
| Deficit/(surplus) carried to taxpayers' equity | (89,205) | 14,326 |
| Total for repayment to the Crown | - | - |

The retention of the surplus has been approved by the Minister of Finance under section 26C of the Public Finance Act 1989 (see Statement of Unappropriated Expenditure on page 85).

Note 10 – Revaluation reserves

| | 30/06/2012 | 30/06/2011 |
|---|------------------|------------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Revaluation reserves consist of: | | |
| Land revaluation reserves | 2,143,028 | 2,142,311 |
| Building revaluation reserves | 4,209,321 | 3,787,640 |
| Total revaluation reserves | 6,352,349 | 5,929,951 |

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

Note 11 – Accounts receivable

| | 30/06/2012 | 30/06/2011 |
|----------------------------------|----------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Trade receivables | 3,195 | 1,233 |
| Crown debtor | 146,129 | 77,070 |
| Non-trade receivables | 93,479 | 1,562 |
| Total accounts receivable | 242,803 | 79,865 |

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

Non-trade receivables include insurance recoveries for the Canterbury earthquakes (refer Critical accounting estimates and judgements page 74) and other insurance claims.

As at 30 June 2012 and 2011, all trade receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

| | 30/06/2012 | | | 30/06/2011 | | |
|-----------------------|--------------|-------------------|--------------|--------------|-------------------|--------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Not past due | 1,447 | - | 1,447 | 477 | - | 477 |
| Past due 1 - 30 days | 1,144 | - | 1,144 | 510 | - | 510 |
| Past due 31 - 60 days | 345 | - | 345 | 22 | - | 22 |
| Past due 61 - 90 days | 41 | - | 41 | 112 | - | 112 |
| Past due > 91 days | 530 | 312 | 218 | 412 | 300 | 112 |
| Total | 3,507 | 312 | 3,195 | 1,533 | 300 | 1,233 |

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:

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Balance at 1 July | 300 | 225 |
| Additional provisions made during the year | 54 | 91 |
| Receivables written off during period | (42) | (16) |
| Balance at 30 June | 312 | 300 |

Note 12 – Prepayments

| | 30/06/2012 | 30/06/2011 |
|--------------------------|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Prepayments | 1,745 | 1,403 |
| Property capital | 27,366 | 38,273 |
| Total prepayments | 29,111 | 39,676 |

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:

| | 30/06/2012 | 30/06/2011 |
|---|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Buildings | 12,482 | 11,712 |
| Land | 52,776 | 34,199 |
| Total non-current assets held for sale | 65,258 | 45,911 |

Note 14 – Accounts payable

| | 30/06/2012 | 30/06/2011 |
|-------------------------------|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Trade payables | 12,609 | 18,268 |
| Accrued expenses | 66,435 | 76,203 |
| Crown entities | 1,688 | 1,926 |
| Total accounts payable | 80,732 | 96,397 |

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

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Current liabilities | | |
| Annual leave | 12,071 | 12,361 |
| Provision for State Sector Retirement Savings Scheme | 120 | 112 |
| Government Superannuation Fund: Employer Subsidy | 20 | 21 |
| Long service leave | 408 | 316 |
| Retiring leave | 1,006 | 952 |
| Total current portion | 13,625 | 13,762 |

The provision for annual leave represents the amount owing to employees as at 30 June 2012. The provision for Government Superannuation Fund: Employer Subsidy represents the amount owing to the fund on behalf of employees as at 30 June 2012.

| | 30/06/2012 | 30/06/2011 |
|----------------------------------|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Non-current liabilities | | |
| Long service leave | 1,640 | 1,299 |
| Retiring leave | 4,780 | 4,193 |
| Total non-current portion | 6,420 | 5,492 |

The provision for long service and retiring leave is calculated on an actuarial basis as at 30 June 2012. 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 2012, where the main economic assumptions applied were discount rates prescribed by the Treasury calculated as at 30 June 2012 and a salary growth rate of 3.00% (2.75% in 2010/11).

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 \$150,000 higher/\$136,000 lower
- ▲ retiring leave liability would be an estimated \$428,000 higher/\$370,000 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 \$8,000 higher/\$9,000 lower
- ▲ retiring leave liability would be an estimated \$13,000 higher/\$13,000 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.

Service concession arrangements

The Ministry has entered into a Project Agreement with Learning Infrastructure Partners. Under this agreement the contractor has undertaken to:

- ▲ design and construct a primary and a secondary school and various school facilities, including the required infrastructure at Hobsonville Point
- ▲ provide the operational services which comprise mainly maintenance type services.

Under the agreement, the Ministry has provided an existing parcel of land (\$4.0 million) to the contractor to use for constructing the schools.

The agreement runs for a period of 25 years, after which responsibility for ongoing maintenance will revert to the Ministry. The Boards of Trustees remain at all times responsible for the delivery of education to students.

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

- ▲ construction of the schools – these costs are not repriced and are recognised as a reduction against the service concession liability. Certain major capital expenditure incurred (eg, reroofing, replacement of heating units) during the term of the agreement is paid for by the Ministry at the time it is provided by the contractor, and the unitary charge is adjusted at this time for these amounts
- ▲ finance costs – finance costs are repriced every five years and the amount the Ministry pays to the contractor is adjusted. Finance charges are recognised as an expense using the effective interest rate
- ▲ service costs – these costs cover routine repairs and maintenance required to keep the school running and in good condition. A portion of these costs is indexed to Consumer Price Index and Labour Cost Index. This portion can be reset at year 5 and year 15 of the agreement. Any change in these service costs will result in a change the amount the Ministry pays to the contractor. Service costs are recognised as an expense in the period incurred.

| | Land | Buildings | Service concession arrangements | Furniture/ office equipment | Motor vehicles | Total |
|---|------------------|------------------|---------------------------------------|-----------------------------------|-------------------|-------------------|
| | Valuation | Valuation | Valuation | Cost | Cost | |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Cost or valuation | | | | | | |
| Balance at 1 July 2010 | 2,740,000 | 8,242,596 | - | 83,183 | 12,529 | 11,078,308 |
| 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) |
| Balance at 30 June 2011 | 2,660,524 | 8,494,784 | - | 92,715 | 12,293 | 11,260,316 |
| Additions | 18,534 | 420,273 | 10,005 | 11,313 | 3,974 | 464,099 |
| Revaluation increase/(decrease) | (13,330) | 110,691 | 148 | - | - | 97,509 |
| Disposals | (25,576) | (33,301) | - | (25,547) | (3,463) | (87,887) |
| Balance at 30 June 2012 | 2,640,152 | 8,992,447 | 10,153 | 78,481 | 12,804 | 11,734,037 |
| Accumulated depreciation and impairment losses | | | | | | |
| Balance at 1 July 2010 | - | 936,073 | - | 52,017 | 4,686 | 992,776 |
| Depreciation expense | - | 408,624 | - | 8,424 | 1,518 | 418,566 |
| Eliminate on disposal | - | (2,520) | - | (281) | (2,028) | (4,829) |

| | Land | Buildings | Service concession arrangements | Furniture/ office equipment | Motor vehicles | Total |
|--------------------------------|------------------|------------------|---------------------------------------|-----------------------------------|-------------------|-------------------|
| | Valuation | Valuation | Valuation | Cost | Cost | |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Eliminate on revaluation | - | (411,226) | - | - | - | (411,226) |
| Impairment provision | - | 54,700 | - | - | - | 54,700 |
| Balance at 30 June 2011 | - | 985,651 | - | 60,160 | 4,176 | 1,049,987 |
| Depreciation expense | - | 438,546 | - | 8,312 | 1,864 | 448,722 |
| Eliminate on disposal | - | (703) | - | (20,504) | (2,204) | (23,411) |
| Eliminate on revaluation | - | (435,601) | - | - | - | (435,601) |
| Impairment provision | - | 110,712 | - | - | - | 110,712 |
| Balance at 30 June 2012 | - | 1,098,605 | - | 47,968 | 3,836 | 1,150,409 |
| Carrying amounts | | | | | | |
| At 1 July 2010 | 2,740,000 | 7,306,523 | - | 31,166 | 7,843 | 10,085,532 |
| At 30 June 2011 | 2,660,524 | 7,509,133 | - | 32,555 | 8,117 | 10,210,329 |
| At 30 June 2012 | 2,640,152 | 7,893,842 | 10,153 | 30,513 | 8,968 | 10,583,628 |

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 2012. 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 | Buildings | Service concession arrangements | Total |
|---|------------------|------------------|---------------------------------------|-------------------|
| | \$000 | \$000 | \$000 | \$000 |
| Darroch Limited | 2,640,152 | 127,708 | 4,153 | 2,772,013 |
| Internal assessment by experienced Ministry staff | - | 7,766,134 | 6,000 | 7,772,134 |
| Total | 2,640,152 | 7,893,842 | 10,153 | 10,544,147 |

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 \$65.3 million (\$45.9 million for the year ended 30 June 2011) 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 \$7.2 million had been demolished by 30 June 2012. Buildings with a carrying value of \$2.6 million have been identified as 'to be demolished' as at 30 June 2012.

The Ministry adopted a three-tier approach to the risk management of property, plant and equipment for the 2011/12 year:

- ▲ The first tier concentrated on upgrading fire protection and security systems in order to minimise arson and vandalism losses.
- ▲ The second tier is a policy of self-insurance. Claims from non-catastrophic loss have cover to \$12.5 million. For catastrophic loss the self insurance cover is to \$12.5 million except for \$50 million each and every loss Cresta zones 10 (Wellington) and 13 (Canterbury) Canterbury Referral Zone except.
- ▲ The third tier, relating to losses beyond the above annual limits is covered by an insurance policy placed with the international insurance market, which provides cover for the following:
 - ▲ \$260 million for any one loss and in aggregate for the Canterbury Referral Zone.
 - ▲ One reinstatement to \$460 million in the aggregate for the Rest of New Zealand (ie, no reinstatement for Canterbury Referral Zone).
 - ▲ Fire limit of \$60 million any one loss and in the aggregate.
 - ▲ The deductible amount for non-catastrophic losses has cover to \$12.5 million, and the following yearly limits for catastrophic loss:
 - ▶ \$25 million each and every loss except
 - ▶ \$50 million each and every loss Cresta zones 10 (Wellington) and 13 (Canterbury) except
 - ▶ \$75 million each and every loss Canterbury Referral Zone
 - ▶ In the event of the aggregate deductible being eroded, the deductible will be \$25,000 each and every loss.

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

The total amount of property, plant and equipment in the course of construction is \$220.3 million (2010/11: \$259.8 million).

Note 17 – Intangible assets

| | Internally generated software |
|---------------------------------|-------------------------------|
| | \$000 |
| Cost | |
| Balance at 1 July 2010 | 75,560 |
| Additions | 5,119 |
| Balance at 30 June 2011 | 80,679 |
| Additions | 12,123 |
| Disposals | (15,281) |
| Balance at 30 June 2012 | 77,521 |
| Accumulated amortisation | |
| Balance at 1 July 2010 | 51,790 |
| Amortisation expense | 10,490 |
| Balance at 30 June 2011 | 62,280 |
| Amortisation expense | 11,461 |
| Disposals | (15,225) |
| Balance at 30 June 2012 | 58,516 |
| Carrying amounts | |
| At 1 July 2010 | 23,770 |
| At 30 June 2011 | 18,399 |
| At 30 June 2012 | 19,005 |

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 \$35.5 million that are fully amortised but that are still in use (2010/11: \$33.8 million).

The total amount of software assets in the course of development is \$8.0 million (2010/11: \$8.3 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.

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|---|------------------|------------------------------------|-----------------|-----------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Reported net surplus (deficit) | 89,205 | (6,578) | - | (14,326) |
| Add non-cash items: | | | | |
| Depreciation | 460,183 | 464,626 | 464,576 | 429,058 |
| Buildings demolished and identified for demolition | 16,090 | 7,118 | - | 9,759 |
| Increase in non-current employee entitlements | 928 | - | - | 232 |
| | 477,201 | 471,744 | 464,576 | 439,049 |
| Add/(less) movements in working capital items: | | | | |
| (Increase)/decrease in accounts receivable | (139,035) | 12,959 | (21,511) | 5,846 |
| (Increase)/decrease in prepayments | (342) | - | - | 1,512 |
| Increase/(decrease) in property insurance provision | (6,095) | - | - | - |
| Increase/(decrease) in accounts payable | 3,862 | (15,115) | (622) | 14,341 |
| Increase/(decrease) in current employee entitlements | (137) | (69) | - | 460 |
| | (141,747) | (2,225) | (22,133) | 22,159 |
| Add/(less) items classified as investing activities: | | | | |
| Net loss on sale of property, plant and equipment | 5,674 | - | - | 2,550 |
| | 5,674 | - | - | 2,550 |
| Net cash flows from operating activities | 430,333 | 462,941 | 442,443 | 449,432 |

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

| | 30/06/2012 | 30/06/2011 |
|---|----------------|----------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Cash and bank balances | 27,635 | 24,365 |
| Accounts receivable | 242,803 | 79,865 |
| Total maximum credit risk exposure | 270,438 | 104,230 |

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

Significant concentrations of credit risk

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

Fair value

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

Liquidity risk

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

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

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

| | Less than 6 months \$000 | Between 6 months and 1 year \$000 | Between 1 and 5 years \$000 | Over 5 years \$000 | Total \$000 |
|------------------------------|--------------------------------|--|-----------------------------------|-----------------------|----------------|
| 2011 | | | | | |
| Creditors and other payables | 81,750 | 25,577 | - | - | 107,327 |
| 2012 | | | | | |
| Creditors and other payables | 80,133 | 16,503 | - | - | 96,636 |

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:

| | 30/06/2012 Actual \$000 | 30/06/2011 Actual \$000 |
|---|-------------------------------|-------------------------------|
| Loans and receivables | | |
| Cash and cash equivalents | 27,635 | 24,365 |
| Debtors and other receivables (Notes 11 and 12) | 271,914 | 119,541 |
| Total loans and receivables | 299,549 | 143,906 |
| Financial liabilities measured at amortised cost | | |
| Creditors and other payables | 96,636 | 107,327 |

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:

- ▲ Kensington Swan, in which the husband of a senior manager is a partner. These services cost \$113,163 (2011: \$nil) and were supplied on normal commercial terms. There was a balance of \$9,990 (2011: \$nil) outstanding at year end.
- ▲ Rawiri Broughton Limited, in which a senior manager is a director along with her husband. These services cost \$22,885 (2011: \$nil) and were supplied on normal commercial terms. There was a balance of \$15,640 (2011: \$nil) outstanding at year end.
- ▲ Gardiner & Parata Ltd, in which the Minister for Education has an ownership interest. There were no services acquired in 2012 (2011: \$23,584). No balance was outstanding at year end (2011: \$nil).

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

Key management personnel compensation

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Salaries and other short-term employee benefits | 2,336 | 2,394 |
| Post-employment benefits – superannuation | 78 | 62 |
| Total key management personnel compensation | 2,414 | 2,456 |

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

Statements of service performance

Summary of departmental expenses

To contribute to the outcomes sought by the Government, the Ministry agreed to produce six classes of outputs for Vote Education and two classes of outputs for Vote Tertiary Education during the 2011/12 year, to standards specified in accordance with management performance obligations and the financial performance targets agreed with the Minister of Education and the Minister for Tertiary Education, Skills and Employment.

The statements of service performance outline for each output expense:

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

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

Vote Education – Statement of Expenditure and Appropriations for the year ended 30 June 2012

| Departmental Expenses | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--|------------------|-------------------------|------------------|-------------------------|
| | Expenditure | Supplementary Estimates | Budget | Supplementary Estimates |
| | \$000 | \$000 | \$000 | \$000 |
| Appropriations for output expenses | | | | |
| Interventions for Target Student Groups | 243,567 | 257,192 | 256,515 | 233,554 |
| School Property Portfolio Management | 1,357,430 | 1,353,888 | 1,353,815 | 1,226,869 |
| Strategic Leadership in the Sector | 32,246 | 33,739 | 34,136 | 32,619 |
| Support and Resources for Education Providers | 78,698 | 82,743 | 75,624 | 68,422 |
| Support and Resources for Teachers | 65,807 | 68,126 | 79,347 | 57,425 |
| Support and Resources for the Community | 12,949 | 14,172 | 13,048 | 11,232 |
| Appropriation for other expenses | | | | |
| Recovery from February 2011 Christchurch Earthquake | - | - | - | 14,326 |
| Total appropriation for output and other expenses | 1,790,697 | 1,809,860 | 1,812,485 | 1,644,447 |
| Capital expenditure | 476,222 | 501,183 | 547,271 | 597,795 |

Vote Education – changes to departmental appropriations in 2011/12

Expenditure on outputs delivered by the Ministry decreased by \$2.6 million (GST exclusive) during 2011/12 (refer table on page 103). The major reasons for the decrease were:

Cabinet and other decisions

Cabinet and other decisions resulted in a \$5.4 million increase to appropriations. The major initiatives agreed by the Government during 2011/12 were:

- ▲ provision for developing the business case for the Network for Learning and managing the tendering process (\$3.4 million increase)
- ▲ an increase in funding rates for school-based teacher aides (\$1.2 million increase)
- ▲ provision for the proposals stage of the Early Learning Information project (\$0.4 million increase).

Expense transfers

Transfers from 2011/12 to subsequent financial years or from 2010/11 to 2011/12 totalled \$13.2 million. The major transfers reflected changes in timing in the following outputs:

- ▲ delays in the defective buildings programme (\$4.6 million decrease)
- ▲ delays related to cross-school networks to share knowledge and best practice for National Standards (\$3.5 million decrease)
- ▲ delays related to networks for sharing knowledge and best practice to support the rollout of the Youth Guarantee Networks (\$2.6 million decrease)
- ▲ slower than expected rollout of a Youth Guarantee shared qualifications pathway at the secondary/tertiary interface (\$2.4 million decrease)
- ▲ delays in the schools' payroll project (\$1.4 million decrease)
- ▲ delays in the long-term work programme (\$0.8 million decrease)
- ▲ implementation of Public Private Partnerships for new Hobsonville Point schools (\$0.8 million increase)
- ▲ school property rationalisation programme (\$0.6 million increase)
- ▲ Māori-medium education and other assessment tools required to support national standards (\$0.6 million increase).

Other output adjustments

Other funding adjustments during the year totalled \$5.2 million. This increase was mainly due to a combination of:

- ▲ writing off some school property assets that were no longer economic to repair (\$7.1 million increase)
- ▲ lower capital charge than originally forecast (\$3.3 million decrease), mainly as a consequence of:
 - ▲ a downward revaluation of school sector property at the end of June 2011
 - ▲ the impact of the operational deficit at the end of 2010/11 related to writing off or making good damage to departmental assets and re-establishing school operations in Christchurch following the 22 February 2011 earthquake.

Transfers of funding between departmental and non-departmental appropriations included changes in funding for the Positive Behaviour for Learning programme (\$0.9 million increase).

Some fiscally neutral changes were required following changes to cost allocations between departmental output expense appropriations resulting in a small increase of \$0.5 million transferred from Vote Tertiary Education. Some of the larger changes reflect recommendations of the Early Childhood Education Taskforce, revisions following establishment of the Student Achievement Function and other corrections for some smaller initiatives.

| Departmental Output Expense Appropriations 2011/12 | Interventions for Target Student Groups | School Property Portfolio Management | Strategic Leadership in the Sector | Support and Resources for Education Providers | Support and Resources for Teachers | Support and Resources for the Community | Total |
|--|---|--------------------------------------|------------------------------------|---|------------------------------------|---|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Budget 2011 | 256,515 | 1,353,815 | 34,136 | 75,624 | 79,347 | 13,048 | 1,812,485 |
| Cabinet and Ministerial Decisions | | | | | | | |
| Detailed business case for Network for Learning for schools | - | - | - | 3,371 | - | - | 3,371 |
| Rate increase for Ministry-funded school-based teacher aides | 1,212 | - | - | - | - | - | 1,212 |
| Early learning information project – proposals stage | - | - | - | 440 | - | - | 440 |
| Other decisions | 200 | - | - | 180 | - | - | 380 |
| | 1,412 | - | - | 3,991 | - | - | 5,403 |
| Transfers from 2010/11 or to 2012/13 | | | | | | | |
| Defective buildings programme | - | (4,600) | - | - | - | - | (4,600) |
| Learning networks for national standards | - | - | - | - | (3,500) | - | (3,500) |
| Youth Guarantee Learning networks | - | - | - | - | (2,600) | - | (2,600) |
| Youth Guarantee – vocational pathways | - | - | - | - | (2,415) | - | (2,415) |
| Schools' Payroll Project | - | - | - | (1,397) | - | - | (1,397) |
| Long-term work programme | - | - | - | (765) | - | - | (765) |
| Public Private Partnerships | - | 800 | - | - | - | - | 800 |
| Property rationalisation programme | - | 600 | - | - | - | - | 600 |
| Māori-medium education and other assessment tools required to support National Standards | - | - | - | 576 | - | - | 576 |
| Other transfers | 235 | - | (150) | - | - | - | 85 |
| | 235 | (3,200) | (150) | (1,586) | (8,515) | - | (13,216) |
| Fiscally Neutral Adjustments | | | | | | | |
| Write-offs of school property assets | - | 7,118 | - | - | - | - | 7,118 |
| Changes to Ministry output costing | (1,631) | (558) | (397) | 4,714 | (2,796) | 1,124 | 456 |
| Positive Behaviour for Learning adjustment | 386 | - | - | - | - | - | 386 |
| Other transfers from non-departmental appropriations | 279 | - | 150 | - | 90 | - | 519 |
| Capital charge adjustments | (4) | (3,287) | - | - | - | - | (3,291) |
| | (970) | 3,273 | (247) | 4,714 | (2,706) | 1,124 | 5,188 |
| Total Changes | 677 | 73 | (397) | 7,119 | (11,221) | 1,124 | (2,625) |
| Final 2011/12 Appropriations | 257,192 | 1,353,888 | 33,739 | 82,743 | 68,126 | 14,172 | 1,809,860 |

Capital injection

| All figures \$'000 | Budget Night | Supplementary Estimates | Final Appropriation |
|----------------------|----------------|-------------------------|---------------------|
| School property | 127,664 | (71,776) | 55,888 |
| Other programmes | 9,297 | - | 9,297 |
| Total capital | 136,961 | (71,776) | 65,185 |

Capital injections to be received by the Ministry during 2011/12 decreased by \$71.8 million, mainly owing to delays in various projects – notably for defective buildings, new schools and site purchases.

Capital expenditure

This appropriation decreased by \$46.1 million to \$501.2 million for 2011/12. The decrease is mainly owing to:

- ▲ delays in various projects – notably for defective buildings, new schools and site purchases (\$78 million decrease)
- ▲ additional funding for the School Network Upgrade Project (\$6.2 million increase)
- ▲ increased expenditure carried over from previous years (\$23.7 million increase).

Vote Tertiary Education – Statement of Expenditure and Appropriations for the year ended 30 June 2012

| Departmental Expenses | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--|---------------|-------------------------|---------------|-------------------------|
| | Expenditure | Supplementary Estimates | Budget | Supplementary Estimates |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Appropriations for output expenses | | | | |
| Establishment of the International Education Crown Agent | 150 | 150 | - | - |
| Strategic Leadership in the Tertiary System | 12,773 | 12,885 | 16,291 | 15,261 |
| Total appropriation for output expenses | 12,923 | 13,035 | 16,291 | 15,261 |

Vote Tertiary Education – changes to departmental appropriations in 2011/12

Expenditure on outputs delivered by the Ministry decreased by \$3.3 million (GST exclusive) during 2011/12 (refer table on page 105). The major reasons for the decrease were:

Cabinet and other decisions

Cabinet and other decisions related to the transfer of resources to non-departmental output expense International Education Programmes for the establishment of Education New Zealand – a new Crown entity that administered the international education sector from 1 September 2011 (\$2.8 million decrease).

Other output adjustments

Some fiscally neutral changes were required following changes to cost allocations between departmental output expense appropriations. A small amount was transferred to Vote Education outputs.

| Departmental Output Expense Appropriations 2011/12 | Establishment of the International Education Crown Agent | Strategic Leadership in the Tertiary System | Total |
|---|--|---|---------|
| | \$000 | \$000 | \$000 |
| Budget 2011 | - | 16,291 | 16,291 |
| Cabinet and Ministerial Decisions | | | |
| Establishment of the New Crown Agency for International Education – Education New Zealand | 150 | (2,950) | (2,800) |
| Fiscally Neutral Adjustments | | | |
| Changes to Ministry Output Costing | - | (456) | (456) |
| Total Changes | 150 | (3,406) | (3,256) |
| Final 2011/12 Appropriations | 150 | 12,885 | 13,035 |

Vote Education – Departmental output expense specifications

Interventions for Target Student Groups

Portfolio Minister – Minister of Education

Scope of appropriation

This output delivers policies, resources and services focused on participation in education of targeted student groups and individuals. This includes targeted interventions, specialist support services, funding and other resources to particularly assist Māori and Pasifika learners and learners with special education needs to participate in education in a meaningful way; and delivery of timely and relevant policy advice to the Minister of Education.

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|---|-----------------|---|
| Targeted Student Participation Interventions | | |
| The following scholarships and awards will be administered: | | |
| ▲ Boarding Allowances and Bursaries | 400 - 600 | 487 |
| ▲ Home Schooling Allowances | 5,500 - 6,500 | At any time during the funding period 1 July - 31 December 2011 there were 6,090 active homeschooled students. Funding for this period was paid mid-December 2011 and 5,884 students have received their allowances. At any time the during funding period 1 January - 30 June 2012 there were 5,990 active homeschooled students. Funding for this period was paid end-June 2012 and 5,318 students have received their allowances. |

| Performance measure | Budget standard | Actual performance |
|---|--|--|
| ▲ Māpihi Pounamu | 350 - 500 | 523 |
| ▲ Aspire Scholarships | 200 | 239 |
| ▲ Interim Response Fund grant applications processed. | 1,500 - 2,500 | 2,933 |
| The following funding will be provided to schools for the provision of support to English language learners: | | |
| ▲ English for Speakers of Other Languages (ESOL) funding for provision of support | 33,000 students in 1,200 schools. | 32,487 students in 1,303 schools were funded for English for Speakers of Other Languages support programmes. |
| ▲ Refugee Flexible Funding Pool (for additional support to at-risk refugee background students) | 600 students in 30 - 40 schools. | Approximately 700 students in 35 schools participate in Refugee Flexible Funding Pool funded support programmes. |
| ▲ Refugee pathways. | 25 - 35 schools. | 27 schools. |
| Scholarships and grants will be: | 100% | 100% |
| ▲ awarded in line with government policies and published criteria | | |
| ▲ calculated accurately | | |
| ▲ paid to the correct payee. | | |
| Scholarship, award and grant recipients and their families are satisfied with the Ministry's management of the process. | At least 95% of recipients surveyed through the annual customer satisfaction survey report a rating of 'satisfied' or higher. | The last Aspire survey showed a 93.4% satisfaction. |
| Scholarships, awards and grants provided to students from low-income and 'at risk' families result in improved achievement of recognised qualifications for recipients. | Students achieve at least the national average in their NCEA qualifications. 85.9% achieve NCEA Level 1 69.8% achieve NCEA Level 2 or above. | Not measured. |
| Schools provide appropriate support programmes and monitor the progress and achievement of ESOL students. | 100% of the sample of 250 - 300 schools audited annually meet the Ministry's quality assurance standards. | 96.7% |
| Scholarships and grants will be paid within the timeframes notified. | 100% | 100% paid within the timeframes notified. |
| Special Needs Interventions | | |
| Number of communications services students. | 6,500 - 8,000 | 5,600 |
| Number of behavioural services students. | 4,000 - 6,000 | 3,385 |
| Number of early intervention services students. | 11,000 - 13,000 | 11,991 |

| Performance measure | Budget standard | Actual performance |
|---|---|--|
| Number of complex needs services comprising: | | |
| ▲ ORS students: | | 8,122 (combined total ORS students) |
| ▲ Ministry of Education provided ORS students | 3,600 - 3,800 | |
| ▲ Specialist service provider ORS students | 2,950 - 3,150 | |
| ▲ ORS extension services ²⁸ | 400 | |
| ▲ high health students | 550 | 689 |
| ▲ other services. | 2,200 - 2,500 | 3,189 |
| Parents completing Incredible Years Parent programme. | 2,950 - 3,650 | 3,997 |
| Teachers completing Incredible Years Teacher programme. | 1,800 - 2,250 | 2,277 |
| Schools participating (new starts). | 90 - 110 | 89 |
| Parents and educators are satisfied with the Ministry's overall quality of service delivery (measured through client satisfaction survey) – percentage of clients with a rating of 'highly satisfied' or higher: | | |
| ▲ Early intervention services | At least 80% of parents | 86% of parents |
| | At least 74% of educators | 68% of educators |
| ▲ Behaviour services | At least 70% of parents and educators | 60% of parents |
| | | 59% of parents |
| ▲ Communication services | At least 80% of parents | 79% of parents |
| | At least 66% of educators | 73% of educators |
| ▲ Complex needs services. | At least 59% of parents | 69% of parents |
| | At least 70% of educators. | 59% of educators. |
| <p>The number of parents who were satisfied overall with special education services is slightly higher in the 2011 Client Satisfaction Survey than the previous survey, while the number of educators who were satisfied overall with special education services is 6% lower.</p> <p>Analysis of the 2011 Client Satisfaction Survey found that very few respondents were dissatisfied with the quality of the actual special education service they received from the Ministry, but rather with the process for accessing these services and, in particular, timeliness.</p> | | |
| Schools will demonstrate inclusive practice by 2014. | 80% of schools will demonstrate highly inclusive practice with 20% demonstrating good practice as measured through ERO assessments. | ERO's next evaluation is planned to take place in 2012/13. |
| The Ministry's practice frameworks for delivery of core services is based on a best evidenced approach. | Practice frameworks reviewed and, if necessary, updated annually against best evidence. | Practice frameworks were reviewed against best evidenced approaches and updated when required. |

²⁸ Funding for an additional 700 ORS extension services was approved subsequent to this target being agreed.

| Performance measure | Budget standard | Actual performance |
|--|--|---|
| Specialist service providers delivering core services have professional supervision to promote high standards of professional work practice that is culturally appropriate and evidence-based. | 100% of staff. | Specialist staff accessed professional supervision and are continuing to be trained in the techniques of supervision. |
| Reviews of specialist service providers against the required service standards show that at least 90% of service standards reviewed have been met. | 90% | 82% From July 2011 to June 2012, reviews were completed on: <ul style="list-style-type: none"> ▲ three early intervention providers ▲ eight mainstream providers ▲ six special school providers ▲ nine district offices. Nineteen specialist service providers were meeting all of the standards. Seven of the 26 providers did not meet all of the standards. Supplementary reviews completed to date have seen substantial improvement in the progress the providers have made towards meeting the standards. |
| Staff meet continuing professional development requirements. | 100% of occupational therapists, physiotherapists and psychologists. | 100% |
| Contracted providers of Positive Behaviour for Learning: Incredible Years Parent programmes provide quality services. | 100% of providers meet the required quality standards outlined in the contract. | During the year the Ministry contracted with 56 non-governmental organisations. Analysis shows that programmes delivered by non-governmental organisations and co-delivered by the Ministry and non-governmental organisations have high retention rates and are successful in reaching high-risk families. |
| Parents, teachers and schools are satisfied with the Positive Behaviour for Learning programmes that they received. | At least 70% of parents, educators and schools report satisfaction through their post programme evaluation sheets. | Preliminary data confirms that over 70% of parents, teachers and schools are satisfied with Positive Behaviour for Learning programmes that they have participated in. Exact figures will be available in October 2012 when all evaluation forms have been received and analysed. |

| Performance measure | Budget standard | Actual performance |
|---|---|--|
| Percentage of eligible children seen within 90 days of referral for Communications, Behavioural, Early Intervention and ORS services. | At least 95% for each service. | At least 93% of eligible children have been seen within 90 days of referral. Migration to a new case management and reporting system means that actual results for 4% of referrals are unknown and still to be verified. |
| Parents, families and whānau of Māori and Pasifika children receiving special education services are satisfied with the overall quality of service delivery (on average across the four core services). | Māori and Pasifika families, parents and whānau are at least as satisfied with the overall quality of service delivery as NZ Europeans. | 81% of parents of Māori children were satisfied with the overall quality of service provided. This was higher than for parents of non-Māori children (75%). Due to very low response numbers (19 parents) separate service satisfaction figures are not available for parents of Pasifika children. |
| The way services are provided is culturally responsive. | Customer satisfaction survey shows at least 60% of parents, families and whānau and educators are 'satisfied' or higher. | 86% of parents overall. 74% of educators overall. 89% of parents of Māori children responded that they felt that the cultural needs of their family were well considered. Due to very low response numbers (19 parents) no separate figure is available for parents of Pasifika children. |

Cost of output expense: Interventions for Target Student Groups

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------|----------------|----------------------------|----------------|----------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 239,979 | 253,860 | 253,183 | 230,135 |
| Other | 3,588 | 3,332 | 3,332 | 3,419 |
| Total revenue | 243,567 | 257,192 | 256,515 | 233,554 |
| Expenditure | | | | |
| Personnel | 109,423 | | | 107,758 |
| Operating | 24,808 | | | 24,041 |
| Depreciation | 7,140 | | | 7,897 |
| Capital charge | 3,079 | | | 2,332 |
| Other expenses | 99,117 | | | 91,526 |
| Total expenditure | 243,567 | 257,192 | 256,515 | 233,554 |
| Surplus/(deficit) | - | - | - | - |

The increase in the appropriation for 2011/12 compared with 2010/11 was mainly owing to a combination of:

- ▲ provision for extension of the Ongoing Resourcing Scheme and additional therapy for some students
- ▲ continued implementation of Positive Behaviour for Learning
- ▲ other initiatives, including supporting 1,000 additional students for the five to eight service and further reducing general operating expenditure on support functions, as agreed in Budget 2009
- ▲ impact of the settlement for the field staff and service managers' collective agreements.

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

- ▲ an increase in funding rates for school-based teacher aides
- ▲ changes in funding for the Positive Behaviour for Learning programme net of transfers to 2012/13
- ▲ increased provision for communications and learning services carried forward from the previous year
- ▲ provision for managing a change programme for residential special schools
- ▲ other changes to cost allocations between departmental output expense appropriations
- ▲ reallocation of resources between departmental output expense appropriations arising from the recommendations of the Early Childhood Education Taskforce and following establishment of the Student Achievement Function.

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

- ▲ fewer students than expected receiving support through the Ongoing Resourcing Scheme and High Health Needs Funding
- ▲ Positive Behaviour for Learning training and development of resources progressing more slowly than expected
- ▲ delays in providing specialist staff for early intervention services and behaviour services initiatives
- ▲ delays with the redesign of the Resource Teachers: Learning and Behaviour service.

School Property Portfolio Management

Portfolio Minister – Minister of Education

Scope of appropriation

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

The state (non-integrated) school sector property portfolio had a capital value of \$10,900 million at 30 June 2010, including \$8,100 million worth of improvements, and a total replacement value of \$14,500 million. At March 2012, there were over 2,300 state (non-integrated) schools with over 17,000 buildings on Ministry of Education-owned land, which covers an area of over 18,000 hectares.

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|--|---|--|
| Management of the School Sector Property Portfolio | | |
| Ministers and central agencies are confident that the Ministry has sound governance and management processes in place (measured through regular satisfaction surveys). | Satisfaction is rated as 'good' by the Minister, Office of the Auditor-General, Treasury, Ministry Property Risk Committee. | The Property Governance Board meets monthly and monitors the asset management, service performance, and risks and associated issues of the group. While regular satisfaction surveys are not currently in place, the rejection rate of education reports that are received by the Ministers is monitored. The current rate is 2.5%. |
| The Ministry develops strong asset management capability. | The Ministry will have systems in place to enable the measurement of the asset performance attribute of the Capital Asset Management framework by 30 June 2012. | To date over 600 schools have undertaken a condition assessment using the new system. |
| The Ministry has a business continuity management plan in place to manage unexpected events and catastrophic incidents. | The Ministry's management of all unexpected events is formally reviewed and learnings are incorporated into business as usual processes. | Business continuity management plan is in place. There have been no major events this year. The current catastrophic incident plan remains relevant. |

| Performance measure | Budget standard | Actual performance |
|---|--|---|
| The Ministry delivers its School Property Capital Plan (to budget). | Financial variance across the entire School Property Capital Plan will be less than 20% for 2011/12. | The School Property Capital Plan expenditure for 2011/12 is \$434 million, which is 15% below the Statement of Intent estimates and 30% below the original Capital Plan budget of \$628 million. A number of significant challenges, in particular the Christchurch earthquakes, earthquake strengthening, defective (leaky) buildings, and the new schools programmes, require an improvement in the efficiency of expenditure from baselines to help meet these investments. Consequently, some programmes have been reviewed and either reprioritised, capped or cut (including school property grant, five-year agreement funding and replacement buildings programme) in order to provide funds for next year. |
| The Ministry will improve its ability to demonstrate good value for money in its property management. | A portfolio benchmark for value for money will be developed by 30 June 2012. | A public sector comparator has been developed as part of the Public Private Partnership Project. The comparator is a measure of value for money and is being incorporated into the New Schools Design Guide. |
| The Ministry delivers its School Property Capital Plan (to schedule). | 80% of agreed programmes will be delivered as planned. | <p>The review of capital intentions and funding availability resulted in a revision in the Capital Plan during the year, with a 25% reduction in planned activity, as measured by cost.</p> <p>On the basis of this revised plan the target was met at 91% across the portfolio.²⁹</p> |
| Schools use the Ministry's procurement models and processes for new builds. | 90% of schools use the Ministry's procurement model and processes for new build projects. | 100% of the New Schools Programme's new build projects use the Ministry's procurement model and processes. |

²⁹ Result against the original capital plan was 69%.

| Performance measure | Budget standard | Actual performance |
|--|---|--|
| The Schools' Infrastructure Group's procurement approach will be regularly reviewed for effectiveness by a qualified independent expert. | Procurement models assessed by an independent expert. | The Ministry has not been assessed by an independent expert but has been working closely with the National Procurement Manager to ensure its approach is consistent with the rules and appropriate to the situation. |
| The Ministry will move towards condition based funding to determine allocation of school property baseline funding. | A condition-based funding model is developed by 30 June 2013. | Currently the national condition assessment programme is being rolled out and is due to be completed by 2013. This will provide the basis for a new funding model to be developed. |
| The Ministry has a prioritisation process in place to assess and manage school property health and safety concerns. | <p>95% of schools entering a new five-year agreement round have an approved 10-Year Property Plan within 12 months. Number of and value of anticipatable 'unforeseen' capital grants made for health and safety reasons reduces annually.</p> <p>Documented evidence of a high quality health and safety process.</p> | <p>Since 2010, schools entering the five-year agreement cycle are required to prioritise capital expenditure on the basis of:</p> <ul style="list-style-type: none"> ▲ P1 Health and Safety ▲ P2 Essential Infrastructure ▲ P3 Modern Learning Environment ▲ P4 Other projects. <p>This is done via the 10-Year Property Plan process which requires a Ministry sign-off.</p> <p>62% of new five-year agreements have been approved (262 out of 426 schools).</p> <p>Where health and safety issues could not be genuinely anticipated and exceed a schools capital capacity a grant for 'unforeseen' capital can be made.</p> <p>The number of unforeseen capital grants fell from 35 in 2010/11 to 5 in 2011/12. The total amount fell from \$20,603,480 in 2010/11 to \$748,974 in 2010/12.</p> |
| Programmed maintenance for school buildings ensures they remain in a safe condition for students. | Percentage of maintenance costs spent on Priority 1 or 2 reduces over time. | Data issues have meant that this measure is unable to be reported against. The Ministry is now investigating software changes for 2012/13. |
| The condition of the state school property portfolio is being maintained or improved over time. | A sampling methodology to measure the school property portfolio is developed by 30 September 2012. | The Ministry acquired WebFM, a tool for capturing condition assessment details. This is now being rolled out nationally. In conjunction, the national condition assessment programme will, once fully implemented, provide a base level to measure against. |

| Performance measure | Budget standard | Actual performance |
|---|---|--|
| Defective school buildings (weather-tightness problems) are identified and repaired in a timely manner. | 80% of schools with defective buildings complete the remediation process within 18 months of formal notification. | <p>Due to the large number of defective buildings being identified, the Building Improvement Programme has implemented a prioritisation system. In 2011/12, the following progress has been made:</p> <ul style="list-style-type: none"> ▲ The Building Improvement Programme has progressed the remediation of 712 defective school buildings. ▲ A national survey of all school buildings built post-1994 was completed in May 2012. The survey reviewed 6,130 buildings at 1,592 schools nationally. The survey will assist with the timely identification of defective buildings. ▲ The programme has implemented a project management database and prioritisation system in order to improve its management and tracking of remediation projects within the programme. |
| Existing school property will meet the Ministry's Modern Learning Environment standard. | 10% of schools meet the 'core' Modern Learning Environment standard by 30 June 2012. | Schools have been completing Modern Learning Environment self-assessment tools with their 10-Year Property Plans since July 2010. Final data analysis will not be available until 2012/13. |
| All new school builds will meet the 'advanced' Modern Learning Environment standard. | 100% | All new school builds managed under the New Schools Programme meet the advanced Modern Learning Environment standard. |
| The Ministry will develop standards to ensure school buildings remain fit for purpose into the future. | Standards developed by 30 June 2012. | The Ministry has developed standards for Modern Learning Environments, the condition of school property and interim weather-tightness requirements. |

| Performance measure | Budget standard | Actual performance |
|---|---|--|
| <p>The Ministry will upgrade schools to be ready to access ultra-fast broadband. Work in 2011/12 includes:</p> <ul style="list-style-type: none"> ▲ connecting up to 102 schools to a National Education Network trial extension ▲ management of upgrade of schools infrastructure cabling to prepare for broadband connection for 240 schools. | 100% | <p>102 schools are connected. 227 of the 240 schools selected for upgrade through the Schools Network Upgrade Project in 2011/12 have been completed.</p> |
| The Ministry has regional property plans in place to identify and address issues around capacity (over- and under-supply of school property). | Evidence of plans in each region by 30 September 2012. | The five-year plans for the four regions have been developed and are now being integrated with property details to produce regional and cluster plans. The Schooling Network Strategy, which sits above the regional plans and will be a public-facing document, will be completed by 30 September 2012. |
| Buildings in closed schools remain in a saleable condition. | At least 80% of closed school buildings meet saleable quality levels. | At least 80% of closed school buildings remain in saleable condition. |
| The proportion of maintenance funding spent on maintaining surplus buildings (in open schools) continues to reduce. | Evidence that the funding spent on maintaining surplus buildings is reducing. | \$5.7 million (of a budget of \$7.6 million) was spent on rationalisation of excess property resulting in reduced maintenance allocation through five-year agreement. |
| Surplus property in open schools is rationalised in a timely manner. | Surplus property is reduced to 15% by 30 June 2012. | The Ministry has 13.8% surplus teaching spaces at 30 June 2012. |

Cost of output expense: School Property Portfolio Management

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|---|------------------|----------------------------|------------------|------------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 1,346,231 | 1,343,481 | 1,350,526 | 1,222,398 |
| Other | 4,081 | 3,289 | 3,289 | 4,471 |
| Total revenue | 1,350,312 | 1,346,770 | 1,353,815 | 1,226,869 |
| Expenditure | | | | |
| Personnel | 16,227 | | | 10,215 |
| Operating | 2,925 | | | 2,480 |
| Maintenance of school land and buildings | 55,248 | | | 34,898 |
| Depreciation | 439,884 | | | 409,548 |
| Capital charge | 816,040 | | | 760,215 |
| Other expenses | 27,106 | | | 9,513 |
| Total expenditure | 1,357,430 | 1,353,888 | 1,353,815 | 1,226,869 |
| Surplus/(deficit) | (7,118) | (7,118) | - | - |

The increase in the initial appropriation compared with 2011/12 is mainly owing to:

- ▲ a change in the rate of capital charge for 2011/12 from 7.5% to 8%
- ▲ increased provision for managing defective buildings, including a nationwide survey of properties
- ▲ ongoing rationalisation of school sector properties
- ▲ increased provision for rental of school sites as part of Treaty settlements
- ▲ partly offset by lower than expected earthquake rectification costs and depreciation in the previous year.

The increase in the appropriation during the year was owing to writing off some school property assets that were no longer economic to repair. But this was almost entirely offset by:

- ▲ reduced capital charge reflecting delays in undertaking some property works projects
- ▲ transfers of funding to subsequent financial years, mainly related to delays with the defective buildings programme
- ▲ changes to cost allocations between departmental output expense appropriations.

The appropriation was overspent in 2011/12 owing to the following:

- ▲ a higher than expected proportion of remediation and other earthquake-related expenses being operating expenditure rather than capital
- ▲ higher than expected professional fees for investigations and destructive testing related to defective buildings and preparation of schools' 10-Year Property Plans
- ▲ commencing earlier than expected a detailed engineering evaluation assessment programme for schools in the Christchurch area in consultation with the Canterbury Earthquake Recovery Authority.

Strategic Leadership in the Sector

Portfolio Minister – Minister of Education

Scope of appropriation

This output expense delivers policies and services focused on the Ministry's leadership role in the education sector. This includes coordination with other sector and government agencies and peak bodies to achieve shared goals; undertaking research and analysis; monitoring education sector capability and viability; developing strategic policy related to the education sector and education outcomes; and providing ministerial support to assist the Minister of Education and Associate Ministers to meet their obligations to Parliament.

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|--|---------------------------|--|
| Cross-Agency Coordination | | |
| All education agencies' accountability documents and business plans show evidence of a cohesive shared strategic direction for education. | 100% | A shared outcomes framework has been developed by a working group of education sector agencies and agreed by education sector chief executives. The framework has recently been amended to reflect the priorities of new Ministers, and will be used in upcoming Statements of Intent. |
| Education agency annual reports show evidence of an implementation of programmes within the agreed shared direction for education. | Evidence to be collected. | |
| Relevant senior managers from education agencies report satisfaction with the Ministry's leadership and coordination of the sector in regular independent assessments. | Evidence to be collected. | |
| Members of this working group and the agency chief executives have informally provided positive feedback at the Ministry's leadership and coordination of strategic work for the sector. | | |
| Research and Analysis | | |
| All research/analysis reports produced are on topics that align with the Ministry's priority areas for the education sector, including: ▲ outcomes of study and learner assessment ▲ early childhood education ▲ language literacy and numeracy ▲ international comparative studies ▲ Māori achieving education success as Māori. | 100% | All reports published were aligned to Ministry priority areas. All reports are published on the Ministry of Education's Education Counts website www.educationcounts.govt.nz |
| All research and analysis projects are internally reviewed and determined to have met their objectives and be aligned with the Ministry's priorities. | 100% | All research reports were reviewed by at least one member of the Research Division and at least one other Ministry staff member (client). |
| All major research and analysis outputs are objective, unbiased, factual and aligned with the Ministry's priorities. External peer review evaluation reports agree that this has been met for each output. | 100% | All reports were reviewed by experts outside the Research Division. For many projects, and always for significant projects, peer review external to the Ministry was carried out. |

| Performance measure | Budget standard | Actual performance |
|---|---|---|
| Research and analysis information is used to inform policy development. | All research and analysis information is provided to, and discussed with, relevant policy managers. | All team projects have Ministry 'clients' who have ownership of the study. Clients were involved in planning, progress and review processes. |
| Research programmes are provided within the agreed timeframes. | 100% | All research projects (national and international) and contracts have clear timelines. Either these were met or, where extensions are required, these were formally negotiated and, if necessary, variations to the contract were put in place. |

Monitoring of the Education Sector

| | | |
|--|--|--|
| Critical forecasts of demographic trends, network capacity and expenditure are accurate to within an average of 3% and a maximum of 5% of actual values up to 12 months after being forecast. | 100% | All early childhood education and schooling forecasts for 2011/12 were within the tolerance range. |
| Forecasts and monitoring data is used to inform policy development. All monitoring reports are provided to, and discussed with relevant policy managers. | Evidence to be collected. | All monitoring reports have been provided to, and discussed with, relevant policy managers. |
| Crown agencies' accountability documents are reviewed and assistance provided in their development as required. | 100% | All agencies attend a regular sector outcomes working group where common issues are discussed and resolved. One-to-one meetings take place as required. |
| The Government's ownership and purchase interest in Crown agencies is explicitly measured and monitored through risk profiling and monitoring reports that are prepared every six months and submitted to the Minister of Education. | Reports provided six monthly. | Risk management reporting is provided to Ministers as part of overall reporting on Crown entity performance. |
| The Office of the Minister of Education is satisfied with the advice and briefings provided on the Crown agencies (measured through surveys three times per year). | Satisfaction survey shows a rating of 'satisfied' or higher on advice on Crown agencies. | A new metric was developed in 2012 which will capture Minister's satisfaction on advice received, on a 5-point scale. This process is still being implemented. |

| Performance measure | Budget standard | Actual performance |
|---|---------------------------|--|
| The Ministry's support for Crown agencies results in improvements in the quality of their accountability documents and strategic planning. Office of the Auditor-General (OAG) feedback for each Crown agency indicates improvement on the previous year. | Evidence to be collected. | Careers New Zealand and the New Zealand Qualifications Authority have received improved ratings from OAG in relation to their strategic planning and reporting documents. The New Zealand Teachers Council has maintained its rating from the previous year. |
| 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% | Analysis and comment was provided to the Minister within 30 days, as agreed. |
| The membership of Crown entity Boards is regularly reviewed and nominations are made for the Board three months prior to terms expiring. | 100% | Membership has been regularly reviewed and nominations made as agreed (excluding terms expiring during pre-election moratorium or by ministerial direction). |

Development and Evaluation of Strategic Policy

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:

- ▲ Development and Evaluation of Student Intervention Policy (Interventions for Target Student Groups)
- ▲ Development and Evaluation of Strategic Policy (Strategic Leadership in the Sector)
- ▲ Development and Evaluation of Provider Policy (Support and Resources for Education Providers)
- ▲ Development and Evaluation of Teaching Policy (Support and Resources for Teachers)
- ▲ Development and Evaluation of Community Policy (Support and Resources for the Community).

| | | |
|---|---------|--|
| 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% | Advice was delivered as per the work programme agreed with the Minister. |
| 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 | 7.4 |

| Performance measure | Budget standard | Actual performance |
|---|--|---|
| The Office of the Minister of Education is satisfied with the quality of policy advice provided (including quality of the written material and quality of the advice provided). | Feedback survey shows a rating of 'satisfied' or higher for policy quality. | A new metric was developed in 2012 which will capture Minister's satisfaction on advice received, on a 5-point scale. This process is still being implemented. |
| Percentage of policy that is provided within the agreed timeframes. | 100% | All advice was provided within timeframes agreed with the Minister. |
| Support for the Minister of Education | | |
| Ministerial services will be provided in the following yearly ranges: | | |
| ▲ Parliamentary questions and petitions | 4,000 - 5,000 | 1,149 |
| ▲ Select Committee examinations and enquiries | 400 - 600 | 403 |
| ▲ Statutory information | 250 - 300 | 568 |
| ▲ Briefing notes | 3,500 - 4,500 | 3,702 |
| ▲ General ministerial correspondence. | 3,500 - 4,500 | 3,514 |
| 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. | The rate of rejection of ministerial services from the office of the Minister will be less than 2% of all services provided. | Rejection rate 2.5%. Plans to centralise the drafting of ministerial correspondence should improve performance and consistency. Ongoing training in writing in plain English will also improve the Ministry's performance. |
| All responses and provision of information to the Minister of Education and Parliament, and its committees, will be prepared to agreed timeframes. | At least 95% will meet agreed timeframes. | 87% within agreed or statutory timeframes. Plans to centralise the drafting of ministerial correspondence should improve timeliness. |

Cost of output expense: Strategic Leadership in the Sector

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------|---------------|------------------------------------|---------------|---------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 31,852 | 33,292 | 33,689 | 32,273 |
| Other | 394 | 447 | 447 | 346 |
| Total revenue | 32,246 | 33,739 | 34,136 | 32,619 |
| Expenditure | | | | |
| Personnel | 19,970 | | | 18,963 |
| Operating | 3,413 | | | 3,484 |
| Depreciation | 2,326 | | | 2,758 |
| Capital charge | 767 | | | 905 |
| Other expenses | 5,770 | | | 6,509 |
| Total expenditure | 32,246 | 33,739 | 34,136 | 32,619 |
| Surplus/(deficit) | - | - | - | - |

The change in the appropriation between 2010/11 and 2011/12 is mainly owing to reduced costs in the previous year as some strategic policy projects were rescheduled and finalising other projects was delayed.

The small decrease in funding during 2011/12 was owing to changes to cost allocations between the various output expense appropriations.

The under-expenditure for the year is mainly related to slower than expected work on some projects such as the medium-term strategy for the early childhood education sector and lower levels of activity than expected in other areas such as analysing strategic options for the schooling network.

Support and Resources for Education Providers

Portfolio Minister – Minister of Education

Scope of appropriation

This output expense includes a range of outputs to ensure that education providers have the resources and support required to deliver services to the education sector. This includes delivery of timely and relevant policy advice to the Minister of Education; administration of a range of legislative and regulatory controls; the determination and delivery of funding and other resources; providing services that support the governance, management and operation of education providers; and monitoring and intervening in providers that are at risk in relation to financial viability, student achievement or participation.

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|--|---|--|
| Regulation of Providers | | |
| New early childhood education services licensed. | 150 - 250 | 160 |
| Early childhood education services re-licensed. | 800 - 900 | 964 |
| Playgroups certificated. | 200 - 300 | 164 |
| Playgroups re-certificated. | 150 - 250 | 59 |
| | | Re-certification started in December 2011, which was later than planned. Target will be revised for next year. |
| The Ministry will improve the efficiency of its re-licensing actions. | Between 800 and 900 providers re-licensed in 2011/12 compared with around 500 over 2010/11. | 964 |
| Education providers are satisfied with the quality of the Ministry licensing and relicensing actions (measured through the customer survey questions below): | Survey of providers (based on SSC Common Measurement Tool) results in scores of 3 (out of 5) and above: | |
| ▲ Satisfaction with the overall quality of service delivery. | At least 94% of providers. | 96% |
| ▲ It's an example of good value for tax dollars spent. | At least 65% of providers. | 89% |
| New early childhood education licences and certificates are granted within 30 working days. | 100% | 100% |
| The Ministry will continue re-licensing early childhood education services (from the 1998 licence to the 2008 licence) within planned timeframes. | At least 50% of all providers will be re-licensed by the end of 2011/12. <i>[100% re-licensed by November 2014].</i> | 64% of services are on the 2008 Framework at 30 June 2012. |
| New enrolment schemes. | 0 - 15 | 16 |
| Supplementary integration agreements. | 30 - 50 | 60 applications processed. |
| Integration of private schools. | 0 - 10 | One application approved. Two further applications are currently being processed. |
| Approval of attendance dues. | 80 - 100 | 5 |
| | | Attendance dues review deferred at Minister's request; therefore only five applications have been processed. |
| New attendance service designed and contracted. | Service providers contracted by Term 1 2012. | The timeframe for this measure was extended to Term 4, 2012 as agreed with the Minister of Education. |

| Performance measure | Budget standard | Actual performance |
|---|---|--|
| Education providers are satisfied that the Ministry's actions are consistent with regulatory requirements. | 100% positive feedback obtained in the questionnaire at end of regulatory process. | Project on hold due to staffing issues. |
| Information advice and support meets providers' expectations. | 100% positive feedback obtained in the questionnaire at end of regulatory process. | Project on hold due to staffing issues. |
| Contracts with providers are negotiated within agreed timeframes. | 100% | The new attendance service project is on track. Request for Proposal responses have been received and are currently being evaluated. Contracts will be negotiated within agreed timeframes. |
| Resourcing of Providers | | |
| All resourcing payments will be accurate and timely in respect of: ▲ payment amounts ▲ payment to the correct providers ▲ schedules advised to public education service providers, or agreements with those providers ▲ timeframes notified to payees ▲ fulfilling statutory requirements. | 100% accurate. 100% on time. | ▲ Number of payments:13,045. Payment value: \$1,425 million. ▲ All payments have been made to the correct providers. ▲ 100% ▲ 100% ▲ All statutory requirements were met. |
| The Ministry will carry out resource allocation audits on schools for accuracy of claims. | 12-17% of schools will be audited. | 17.4% of schools were audited. |
| The Ministry's forecasting of school rolls will be accurate (to minimise the financial risk to the Crown and support the sector with its planning). | The variance between actual rolls and previous year provisional rolls will be less than 5%. | Overall variance 1.0%. |
| Contracted daily routes. | 1,400 - 1,500 | 1,449 |
| Contracted routes transporting students to technology training. | 680 - 700 | 729 Over budget standard due to re-capitated primary schools taking up technology entitlement. |
| Directly resourced routes. | 580 - 620 | 599 |
| Eligible students accessing school transport. | 105,000 (approx). | Approximately 105,000. |

| Performance measure | Budget standard | Actual performance |
|--|---|---|
| The Ministry will ensure that contracted transport providers deliver eligible students to school safely and on time (measured through school and provider feedback). | 100% of eligible students are delivered to school safely and on time. | In the operation of 2,700 school bus routes and the transport of approximately 4,200 Special Education School Transport Assistance students twice a day, the Ministry has been advised of 36 Ministry-contracted, directly resourced or Special Education School Transport Assistance accidents or incidents in the 2011/12 financial year. In all but two cases, the students were delivered to school safely and on time. |
| Contracted bus services are provided for authorised days that school are open. | Ministry-contracted bus services operate for 99.5% of authorised school days. | In the operation of 2,777 school bus routes twice a day, the Ministry of Education did not receive any reports of failure to provide contracted services. Ministry of Education contractors have met this contract measure. |
| Provision of Services | | |
| All payments to eligible payees (permanent and temporary employees) will be accurately calculated and paid in each pay period. | 100% accuracy. | Payroll accuracy for 12-month period: ▲ Highest – 99.95% ▲ Lowest – 99.63% ▲ Average – 99.83%. |
| Percentage of payroll payments made on or before advised pay dates. | 100% | 100% made on time. |
| All bargaining for collective agreements will be undertaken in line with the: ▲ bargaining parameters agreed by the Secretary for Education ▲ Government Expectations for Pay and Employment Conditions in the State Sector. | 100% | 100% All settlements were made within parameters approved by the Secretary for Education. The settlements and bargaining conformed to Government expectations. |
| The Ministry is in a position to commence bargaining in a timely manner, following initiation by the union, or formal presentation of union claims (whichever comes later). | The Ministry is ready to commence within two weeks of receiving claims in 85% of cases. | 100% There were two initiations for bargaining in 2011/12. The Ministry was ready to commence bargaining within two weeks of both of these initiations. |
| The Risk Management Scheme's content deed will be updated and available from the Ministry's website by 30 July each year. | 100% | The deed for 2012 was signed by the Minister of Education in December 2011 and updated on the Ministry's website in January 2012. |

| Performance measure | Budget standard | Actual performance |
|---|---|--|
| An exception report will be provided where Risk Management Scheme contents claims are not processed within 28 working days of acceptance, and/or as set out under the terms of the deed. | 100% | <p>The claim report has been reviewed to check the length of time taken to resolve claims.</p> <p>The number of claims taking longer than 28 days to complete since July 2011 is 93 or 37% of claims. All claims are under investigation and are being actively progressed toward completion.</p> |
| At-Risk Provider Interventions | | |
| Where schools require interventions, action is taken under Part 7A of the Education Act. | 100% | 100% |
| Schools with interventions are returned to full self-governance in a timely manner. | At least 30% within 12 months of the intervention commencing, and 95% within 24 months. | <p>66% of schools have been returned to full self-governance within 12 months of the intervention commencing.</p> <p>85% of schools have been returned to full self-governance within 24 months of the intervention commencing. Due to the resolution of a high number of long-standing interventions, the proportion of short-term interventions was lower than expected.</p> |
| Decisions on whether to intervene under Part 7A of the Education Act will be made within two months of confirmed ERO report being published, request from Board or determination by the Ministry. | 95% | <p>85%</p> <p>70 of 82 interventions were put in place within two months of the trigger date. Both local consultation and national processing have contributed to the delay for the 12 interventions not in place within two months. Schools also received informal support during that time.</p> |

Cost of output expense: Support and Resources for Education Providers

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------|---------------|----------------------------|---------------|---------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 76,865 | 80,742 | 73,623 | 66,840 |
| Other | 1,833 | 2,001 | 2,001 | 1,582 |
| Total revenue | 78,698 | 82,743 | 75,624 | 68,422 |
| Expenditure | | | | |
| Personnel | 35,848 | | | 31,910 |
| Operating | 8,444 | | | 6,601 |
| Depreciation | 4,886 | | | 4,645 |
| Capital charge | 2,030 | | | 1,981 |
| Other expenses | 27,490 | | | 23,285 |
| Total expenditure | 78,698 | 82,743 | 75,624 | 68,422 |
| Surplus/(deficit) | - | - | - | - |

The increase in the appropriation for 2011/12 compared with 2010/11 was mainly owing to a combination of:

- ▲ ongoing work on replacement of the schools' payroll project
- ▲ provision for the long-term work programme related to settlement of teacher collective agreements
- ▲ implementation of ultra-fast broadband in schools and work toward a National Education Network.

The funding for this appropriation increased during the year, mainly owing to a combination of:

- ▲ reallocation of resources between departmental output expense appropriations arising from the recommendations of the Early Childhood Education Taskforce and following establishment of the Student Achievement Function
- ▲ provision for developing the business case for the Network for Learning and managing the tendering process
- ▲ other changes to cost allocations between departmental output expense appropriations
- ▲ provision for the proposals stage of the Early Learning Information project
- ▲ transfers to 2012/13 as a result of delays in the schools' payroll project and the long-term work programme.

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

- ▲ further delays in the schools' payroll project with implementation now expected in early 2012/13
- ▲ delays with the Network for Learning initiative in terms of taking the tender to the market.

Support and Resources for Teachers

Portfolio Minister – Minister of Education

Scope of appropriation

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

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|---|--|---|
| Provision of Teaching and Learning Resources | | |
| Learning, teaching and assessment resources will be provided in print or online in both English and te reo Māori. | Printed: 146 - 164 | 154 English-medium resources – 59 Māori-medium resources – 95. |
| | Online: 18,000 - 20,000 | 32,739 An increasing number of resources are being delivered online as a result of demand for this medium, as well as the lower cost of online publishing compared with print media. |
| All resources will be subject to appropriate quality development and user consultation processes (trailing, peer review and/or focus groups) to ensure they are aligned with the latest educational research. | 100% | English-medium – 100% Māori-medium – 100%. |
| Learning, teaching and assessment resources will be provided according to the individually agreed deadlines. | 100% | English-medium – 100% Māori-medium – 80% Materials that haven't been delivered on time are due to personnel changes and/or availability of the expertise required to complete the set work. |
| Student achievement practitioners will work with selected schools. | 50 student achievement practitioners working with 600 schools. | Currently 49 student achievement staff, including 45 practitioners are working with approximately 330 schools. In addition, approximately 60 schools are currently in the scoping stage and 40 schools have transitioned through the process during the year. |
| The successful implementation of sustainable solutions for students will see an accelerated rate of progress – as measured against valued social, cultural and academic student outcomes. | Evidence of improved student outcomes measured through identified local measurement processes. | Data available indicates that achievement has been accelerated for learners in all schools and kura that practitioners are working with. |
| All structured facilitation, support and the brokering of resources for the Student Achievement Function will be completed within agreed timeframes. | 100% | 100% |

| Performance measure | Budget standard | Actual performance |
|--|---|--|
| Provision of Services to Support Professional Leadership and Learning | | |
| <p>All funding for professional development programmes will be targeted at areas of government priority including:</p> <ul style="list-style-type: none"> ▲ Literacy and numeracy ▲ Leadership and assessment ▲ Māori achieving educational success as Māori ▲ Social competence, transitions and infants and toddlers ▲ E-learning ▲ Success for All – Every School, Every Child effective, with inclusive education practices for learners with special education needs. | Alignment with priorities outlined in the Ministry's Statement of Intent. | 100% of funding of professional learning and development programmes has been targeted at areas of Government priority. |
| All professional development programmes will be designed to meet the specific needs of the service/ community – determined through an assessment process. | 100% | 100% of professional learning and development providers have undertaken a needs assessment process to determine the specific professional learning and development needs of the service/community they are working with, as per their programme plans. |
| All professional development programmes are regularly monitored and reviewed for effectiveness and found to be meeting their desired results. | Measured by evaluation of programme milestone reports. | All professional learning and development providers have provided quarterly milestone reports, and demonstrate effectiveness in meeting desired results. |
| All professional development programmes are evaluated on completion, and found to have been effective (evidence of shifts in teacher practice, provider practice or student achievement). | Evaluator reviews report evidence of outcome achievement. | <p>Professional learning and development providers have provided milestone reports on progress in shifts in educator practice and demonstrated effective practice.</p> <p>An evaluation of the professional learning and development programme began in June 2012. Results from the evaluation will be available by December 2012.</p> |
| All contracts for service and agreements between the Ministry and contracted professional development providers meet the required contract management standards of the Ministry. | Evaluations of milestone reports provided by contracted providers show standards have been met. | All professional learning and development contracts meet Ministry contract standards. The Ministry has followed up concerns with two providers following analysis of milestone reports over the reporting period. These providers have since shown satisfactory progress towards meeting required contract standards. |

| Performance measure | Budget standard | Actual performance |
|---|-----------------|---|
| Scholarship and awards to support professional development will be: | 100% | |
| ▲ awarded in line with government policies and published criteria | | ▲ All scholarships and awards were aligned with government policies and published criteria. |
| ▲ calculated accurately | | ▲ All payments were calculated accurately. |
| ▲ paid to the correct payee and within the timeframes notified. | | ▲ All payments were completed within notified timeframes (2.5 weeks). |

Cost of output expense: Support and Resources for Teachers

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------|---------------|-------------------------|---------------|---------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 65,173 | 67,871 | 79,182 | 56,974 |
| Other | 634 | 255 | 165 | 451 |
| Total revenue | 65,807 | 68,126 | 79,347 | 57,425 |
| Expenditure | | | | |
| Personnel | 21,375 | | | 16,064 |
| Operating | 3,888 | | | 3,010 |
| Depreciation | 4,893 | | | 2,965 |
| Capital charge | 1,047 | | | 981 |
| Other expenses | 34,604 | | | 34,405 |
| Total expenditure | 65,807 | 68,126 | 79,347 | 57,425 |
| Surplus/(deficit) | - | - | - | - |

The initial increase in this appropriation compared with 2010/11 was mainly owing to a combination of:

- ▲ further development of the Student Achievement Function in order to continue to raise student achievement by directly working with schools and kura
- ▲ support for cross-school networks to share knowledge and best practice for National Standards
- ▲ support for networks for sharing knowledge and best practice to support the rollout of the Youth Guarantee
- ▲ support for the rollout of a shared qualifications pathway at the secondary/tertiary interface
- ▲ initiatives to support engagement with iwi
- ▲ partly offset by provision for managing a national education network trial and related activity.

However, the appropriation decreased significantly during 2011/12, mainly as a consequence of:

- ▲ delays related to cross-school networks to share knowledge and best practice for National Standards
- ▲ delays related to networks for sharing knowledge and best practice to support the rollout of the Youth Guarantee
- ▲ slower than expected rollout of a shared qualifications pathway at the secondary/tertiary interface

- ▲ reallocation of resources between departmental output expense appropriations arising from the recommendations of the Early Childhood Education Taskforce and following establishment of the Student Achievement Function
- ▲ other changes to cost allocations between the various output expense appropriations.

The under-expenditure for 2011/12 compared with Supplementary Estimates was mainly owing to:

- ▲ slower than anticipated implementation of work programmes related to school leaders networks and vocational pathways for the Youth Guarantee
- ▲ procurement plans for assessment tools to support National Standards taking longer than expected to finalise
- ▲ reaching agreement with Te Runanganui o ngā Kura Kaupapa Māori for development of Te Marautanga Te Aho Matua curriculum taking longer than expected
- ▲ fewer staff than expected being recruited during the year for the Student Achievement Function.

Support and Resources for the Community

Portfolio Minister – Minister of Education

Scope of appropriation

Delivering positive education outcomes is a complex matter requiring a range of inputs to work together towards a shared or common goal. The quality of an education outcome is influenced by the health and wellbeing of a learner, the quality of their home and family life, the motivation, interest in and experience of learning, a sense of identity, culture and level of self-esteem, mastery of language, literacy and numeracy, high expectations and the level of support experienced, formal learning and whole life experience. This output expense therefore delivers policies, programmes and services focused on supporting parents, families and whānau to participate in and with the education system.

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|--|---|---|
| Engagement and Provision of Information to the Community | | |
| Community-based information programmes for parents, families and whānau operate in communities where student achievement and early childhood education participation data indicate a need for improvement, and in line with the following priority areas for education: <ul style="list-style-type: none"> ▲ early childhood education engagement ▲ literacy and numeracy ▲ National Standards ▲ National Certificate of Educational Achievement and Youth Guarantee ▲ Māori achieving and enjoying education success as Māori. | 100% | 100% of the provision of information programmes delivered in target communities, where early childhood education participation and student achievement data indicates a need for improvement. |
| Participants in community information programmes report that they are more confident and better equipped to support their children, as a result of the programme. | At least 95% of participants surveyed on completion of their programme showed a rating of 'positive' or higher. | 95% of presentation participants reported they were more confident. |
| All contracted programme providers meet the required contract management standards and quality standards of the Ministry. | Evaluations of milestone reports provided by contracted providers show standards have been met. | All milestone requirements and quality standards have been met. |

| Performance measure | Budget standard | Actual performance |
|--|---|--|
| All community-based programmes align with the goals of Ka Hikitia – Managing for Success and the Pasifika Education Plan, and Success for All – Every School, Every Child, to improve outcomes for Māori and Pasifika and learners with special education needs. | Evidence to be collected. | 100% alignment with relevant strategies; specifically Ka Hikitia – Managing for Success and the Pasifika Education Plan. |
| Activities occur at the time agreed between the Ministry of Education and iwi organisations and/or community providers. | 100% | 100% of community activities occurred at agreed times. Not all shared investments with iwi have been delivered to time, primarily due to delays in completion or reporting. |
| Provision of Services to the Community | | |
| Community-based support programmes for parents, families and whānau operate in communities where student achievement and early childhood education participation data indicate a need for improvement. Programmes include: ▲ Parents and whānau programmes (Whānau Plans and Reading Together) ▲ Atawhaingia Te Pā Harakeke ▲ Talanoa Ako (Pacific Education Talk) ▲ Achieving Through Pasifika Languages. | 100% | 100% of the targeted support activities were delivered in the target communities. |
| Participants receiving the Parents and whānau programmes report that they are more confident and better equipped to support their children, as a result of the programme. | At least 95% of participants surveyed on completion of their programme showed a rating of 'positive' or higher. | 91% of whānau sampled reported that they were more confident and better equipped to support their children as a result of targeted support. |
| Participants in the Achieving Through Pasifika Languages language centres achieve language acquisition in the Pasifika language. | 95% of participant evaluations to parents show sufficient language acquisition. | 100% of participants are exceeding sufficient language acquisition. ³⁰ |
| Providers delivering the Atawhaingia Te Pā Harakeke programme meet the quality standards required in the contract. | Evaluations of milestone reports provided by contracted providers show standards have been met. | The Atawhaingia Te Pā Harakeke programme was formally disestablished on 4 January 2012. Consequently, no milestone reports were provided and no evaluations were undertaken for the first part of the year as the programme moved through the process of being disestablished. |

³⁰ Result refers evaluations from parent participants only.

| Performance measure | Budget standard | Actual performance |
|---|-----------------|--|
| All community-based programmes align with the goals of Ka Hikitia – Managing for Success and the Pasifika Education Plan, and Success for All – Every School, Every Child, to improve outcomes for Māori and Pasifika and learners with special education needs. Confirmed by Ministry evaluation of programme contracts. | 100% | 100% alignment with relevant strategies. |
| Activities occur at the time agreed between the Ministry of Education and iwi organisations and/or community providers. | 100% | 100% of community activities occurred at agreed times. |

Cost of output expense: Support and Resources for the Community

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------|---------------|----------------------------|---------------|---------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 12,789 | 14,022 | 12,898 | 11,103 |
| Other | 160 | 150 | 150 | 129 |
| Total revenue | 12,949 | 14,172 | 13,048 | 11,232 |
| Expenditure | | | | |
| Personnel | 8,742 | | | 7,339 |
| Operating | 2,644 | | | 2,439 |
| Depreciation | 519 | | | 508 |
| Capital charge | 193 | | | 166 |
| Other expenses | 851 | | | 780 |
| Total expenditure | 12,949 | 14,172 | 13,048 | 11,232 |
| Surplus/(deficit) | - | - | - | - |

The increase in the 2011/12 appropriation compared with 2010/11 expenditure was mainly owing to delays in finalising programmes for parents, families and whānau during the previous year and for collaboration between early childhood education services and other health, education and social services.

The further increase in funding during 2011/12 was owing to changes to cost allocations between departmental output expense appropriations.

Expenditure at 30 June 2012 was less than budget mainly owing to ceasing the Atawhaingia Te Pā Harakeke programme during the year.

Vote Tertiary Education – Departmental output expense specifications

Establishment of the International Education Crown Agent

Portfolio Minister – Minister for Tertiary Education, Skills and Employment

Scope of appropriation

This appropriation is limited to the establishment costs of the international education Crown Agent – Education New Zealand.

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|---|-----------------|--|
| The new Crown agent (Education New Zealand) will be established by 1 September 2011 (subject to enabling legislation). | 100% | 100% Education New Zealand was established on 1 September 2011. |
| The establishment steering committee for Education New Zealand will be consulted on proposed expenditure from this appropriation. | 100% | 100% |

Cost of output expense: Establishment of the International Education Crown Agent

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------|------------|----------------------------|------------|------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 150 | 150 | - | - |
| Other | - | - | - | - |
| Total revenue | 150 | 150 | - | - |
| Expenditure | | | | |
| Personnel | 100 | | | - |
| Operating | - | | | - |
| Depreciation | - | | | - |
| Capital charge | - | | | - |
| Other expenses | 50 | | | - |
| Total expenditure | 150 | 150 | - | - |
| Surplus/(deficit) | - | - | - | - |

This is a new appropriation in 2011/12 for the establishment of Education New Zealand, a new Crown entity responsible for promoting the international education sector.

Strategic Leadership in the Tertiary System

Portfolio Minister – Minister for Tertiary Education, Skills and Employment

Scope of appropriation

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

- ▲ coordination with tertiary education agencies and forums to achieve shared goals
- ▲ undertaking research and analysis; developing strategic policy related to tertiary and international education
- ▲ monitoring the performance and capacity of the tertiary system
- ▲ providing information on tertiary and international education services
- ▲ representing the education sector internationally
- ▲ supporting international students in New Zealand
- ▲ supporting the development of the international education industry
- ▲ providing ministerial support to assist the Minister for Tertiary Education, Skills and Employment and Associate Minister to meet their obligations to Parliament and international obligations in support of New Zealand's bilateral and multilateral education relationships.

Output performance measures and standards

| Performance measure | Budget standard | Actual performance |
|--|--|---|
| Cross-Tertiary Agency Coordination | | |
| All tertiary education agencies accountability documents and business plans show evidence of the shared strategic direction for education. | 100% | A shared outcomes framework has been developed by a working group of education sector agencies and agreed by education sector chief executives. It has recently been amended to reflect the priorities of new ministers. The framework will be used in upcoming Statements of Intent. Work is beginning on further expansion of this framework. Members of this working group and the agency chief executives have informally provided positive feedback at the Ministry's leadership and coordination of strategic work for the sector. |
| Education agency annual reports show evidence of an implementation of programmes within the agreed shared direction for education. | Evidence to be collected. | |
| Relevant senior managers from tertiary education agencies report satisfaction with the Ministry's leadership and coordination of the sector in regular independent assessments. | Evidence to be collected. | |
| Tertiary and International Research and Analysis | | |
| All research/analysis reports produced are on topics that align with the Ministry's priority areas for the education sector, including: ▲ sector performance ▲ outcomes of study ▲ learner achievement. | 16 published reports produced each year. | In the year to 30 June 2012, the Ministry released 14 analytical reports, focusing on: ▲ sector performance ▲ outcomes of study ▲ learner achievement. Three other reports were completed and are waiting agreement to release from the Minister's office. |

| Performance measure | Budget standard | Actual performance |
|---|---|---|
| All research and analysis projects are internally reviewed and determined to have met their objectives and be aligned with the Ministry's priorities. | 100% | All reports released to date have been reviewed for relevance and were aligned with the Ministry's priorities. |
| All major research and analysis outputs are objective, unbiased and factual and aligned with the Ministry's priorities. | External peer review evaluation reports agree that this has been met for each output. | All reports released to date have been reviewed independently. |
| Research and analysis information is used to inform policy development. | All research and analysis information is provided to, and discussed with, relevant policy managers. | All reports released to date have been provided to, and discussed with, relevant policy managers. |
| Research programmes are provided within the agreed timeframes. | 100% | All reports released to date have been supplied to the Minister according to schedule and published at times agreed with the Minister's office. |

Monitoring the Tertiary System

| | | |
|--|--|--|
| Monitoring/analysis outputs produced will be aligned with the Ministry's priority areas, including: <ul style="list-style-type: none"> ▲ value for money in tertiary education ▲ reports on progress towards achieving the goals of the Tertiary Education Strategy ▲ the Student Loan Scheme Annual Report ▲ reports on progress against the Government's goals for international education. | 4 published reports produced each year | <p>In the year to 30 June 2012, the Ministry published:</p> <ul style="list-style-type: none"> ▲ a report on value for money in tertiary education ▲ the Student Loan Scheme Annual Report. <p>A monitoring report on progress against the goals of the Leadership Statement for International Education is in preparation. The Leadership Statement was only released in September 2011, and so there was no data available at 30 June 2012.</p> <p>Other reports are on hold due to staffing issues.</p> |
| Critical forecasts of enrolment trends and expenditure are accurate. | Within an average of 3% and a maximum of 5% of actual values up to 12 months after being forecast. | <p>Results for the year 2011/12 compared with the Budget Economic and Fiscal Update (developed in March 2011) were:</p> <ul style="list-style-type: none"> ▲ Student allowances 2.9% ▲ Student Loans (-0.2%) ▲ Equivalent Full Time Students funded through the Student Achievement Component (-3.3%). |
| Forecasts and monitoring data is used to inform policy development. | All monitoring reports are provided to, and discussed with, relevant policy managers. | All monthly monitoring reports were provided to, and discussed with, relevant policy managers. |

| Performance measure | Budget standard | Actual performance |
|--|--|---|
| Monitoring reports are published annually on agreed dates. | 100% | All monitoring and forecast reports were submitted on or before the due dates. |
| The Government's ownership interest in Crown entities is explicitly measured and monitored through risk profiling and performance monitoring reports that are prepared every six months and submitted to the Minister for Tertiary Education, Skills and Employment. | 100% | Reports covering Crown entity performance and risk management have been provided to the Minister for Tertiary Education, Skills and Employment every six months. |
| The Office of the Minister for Tertiary Education, Skills and Employment is satisfied with the advice and briefings provided on the Crown entities, as measured through surveys three times annually. | Satisfaction survey shows a rating of 'satisfied' or higher on advice on Crown entities. | A new metric was developed in 2012 which will capture Minister's satisfaction on advice received, on a 5-point scale. This process is still being implemented. |
| Tertiary Education Commission, New Zealand Qualifications Authority and Education New Zealand monitoring reports are rated as satisfactory by central agencies (State Services Commission and the Treasury). | Central agencies' regular feedback to the Ministry shows satisfaction with the quality of Tertiary Education Commission, New Zealand Qualifications Authority and Education New Zealand reports. | Central agencies no longer rate monitoring reports, as six-monthly reporting to the Expenditure Control Committee ceased. |
| The Ministry's work supporting Crown entities shows improvements in their accountability documents and strategic planning. | The Office of the Auditor-General audit feedback for each Crown entity indicates improvement. | There have been notable improvements in New Zealand Qualifications Authority's accountability documents and strategic planning processes. The Tertiary Education Commission has maintained its improved rating from the previous year. |
| Minister for Tertiary Education, Skills and Employment is provided with timely and constructive advice regarding critical matters affecting the performance of the Tertiary Education Commission, New Zealand Qualifications Authority and Education New Zealand. | Based on feedback from the Minister's office. | A new metric was developed in 2012 which will capture Minister's satisfaction on advice received, on a 5-point scale. This process is still being implemented. |

| Performance measure | Budget standard | Actual performance |
|---|-----------------|---|
| Analysis of and comment on the performance of the Tertiary Education Commission, New Zealand Qualifications Authority and Education New Zealand under its output agreement is provided to the Minister within 30 working days of receipt of reports. | 100% | 100% |
| The membership of Crown entity boards is regularly reviewed and nominations are made for Board prior to terms expiring. | 100% | 100% (excluding terms expiring during pre-election moratorium or by ministerial direction). |
| Development and Evaluation of Tertiary and International Policy | | |
| Policy will be delivered according to the work programme (and any subsequent amendments) negotiated between the Minister for Tertiary Education, Skills and Employment and the Secretary for Education relating to priority areas for the tertiary and international education sector. | 100% | All advice provided to date has been provided as per the work programme agreed with the Minister for Tertiary Education, Skills and Employment. |
| The quality of the Ministry's policy advice will be externally assessed from a representative sample of the Ministry's policy advice to the Minister for Tertiary Education, Skills and Employment, 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 | 7.1 |
| Percentage of policy advice that is provided within the agreed timeframes. | 100% | All advice provided to date has been provided within agreed timeframes. |
| Provision of Tertiary and Other Information | | |
| Monitoring and analysis reports and key statistics will be made available to the public on the Ministry's website www.educationcounts.govt.nz | 100% | In the year to 30 June 2012, the Ministry released 14 monitoring and analysis reports on the Education Counts website. Three other reports were completed and are waiting agreement to release from the Minister's office. |

| Performance measure | Budget standard | Actual performance |
|---|--|---|
| Support for International Education | | |
| International students studying in New Zealand are safe, and provided with appropriate advice and support. | Regular evaluations and ERO reports confirm that 100% of providers meet the quality standards set out in the Code of Practice for the Pastoral Care of International Students. | <p>Of 1,197 signatories 33 are currently in breach of the Code (2.76%); as below:</p> <p>Code office</p> <p><i>Schools:</i> Investigated six breaches, all are now compliant.</p> <p><i>Tertiary:</i> Investigated 29 breaches, currently six in breach.</p> <p>Annual self-attestations: 1,190 returned, eight in breach.</p> <p>International Education Appeal Authority</p> <p>Received 83 new complaints. Closed 94 complaints. 19 remain open or in serious breach.</p> <p>Review Panel – International Education Appeal Authority</p> <p>Referred two cases, both were closed.</p> |
| International students studying in New Zealand are satisfied with their experience of living and studying in New Zealand. | Regular international student surveys report positive overall satisfaction rating. | <p>The results of the 2011 i-graduate International Student Barometer survey showed that international students enrolled with New Zealand universities and institutes of technology and polytechnics were more satisfied than their counterparts in similar institutions overseas, on most aspects of their study and living experience.</p> <p>Compared with the 2007 survey, satisfaction with learning and living experiences has increased.</p> |

| Performance measure | Budget standard | Actual performance |
|---|--|---|
| Bilateral partners are satisfied with the quality of the Ministry's role in the relationship partnership. | Positive feedback received from Ministry of Foreign Affairs and Trade posts and partner governments. | New Zealand and foreign government and non-government agencies, and the Minister of Education, have commented favourably on the Ministry's service in facilitating multilateral and bilateral education engagement, ranging from participation in international meetings, to formalising education arrangements with other countries (Vietnam and Oman), and facilitating policy dialogue and information exchange for visitors to New Zealand. |
| The office of the Minister for Tertiary Education, Skills and Employment is satisfied with the information and advice provided in support of bilateral and multilateral relationships. | Positive satisfaction rating received through regular satisfaction surveys. | A new metric was developed in 2012 which will capture Minister's satisfaction on the advice received, on a 5-point scale. This process is still being implemented. |
| International obligations and commitments are delivered on time as specified in bilateral and multilateral agreements with other countries. | 100% | International obligations and commitments were fulfilled, except where scheduled activities were deferred by mutual agreement. |
| Support for the Minister for Tertiary Education, Skills and Employment | | |
| Ministerial services will be provided in the following ranges: | | |
| ▲ Select Committee questions and enquiries | 150 - 250 | 174 |
| ▲ Parliamentary questions | 40 - 80 | 76 |
| ▲ Statutory information | 20 - 30 | 20 |
| ▲ Briefing notes | 900 - 1,100 | 797 |
| ▲ General ministerial correspondence. | 400 - 500 | 272 |
| 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. | The rate of rejection of ministerial services from the office of the Minister will be less than 2% of all services provided. | Rejection rate 11.6%. Ongoing training and development, and better quality assurance by the business unit preparing most of the work for the Minister for Tertiary Education, Skills and Employment should improve the Ministry's performance. |

| Performance measure | Budget standard | Actual performance |
|--|---|--|
| Ministerial support for the Minister for Tertiary Education, Skills and Employment and Parliament, and its committees, will be provided within agreed and/or statutory timeframes. | At least 95% will meet agreed timeframes. | 79% of material supplied within agreed/statutory timeframes. Ongoing training and development, and a lower rejection rate should improve the Ministry's performance. |

Cost of output expense: Strategic Leadership in the Tertiary System

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------|---------------|----------------------------|---------------|---------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | |
| From the Crown | 12,603 | 12,877 | 16,283 | 15,045 |
| Other | 170 | 8 | 8 | 216 |
| Total revenue | 12,773 | 12,885 | 16,291 | 15,261 |
| Expenditure | | | | |
| Personnel | 8,648 | | | 10,287 |
| Operating | 1,430 | | | 1,643 |
| Depreciation | 535 | | | 737 |
| Capital charge | 200 | | | 243 |
| Other expenses | 1,960 | | | 2,351 |
| Total expenditure | 12,773 | 12,885 | 16,291 | 15,261 |
| Surplus/(deficit) | - | - | - | - |

The decrease in funding during 2011/12 is owing to:

- ▲ the transfer of resources to non-departmental output expense International Education Programmes for Education New Zealand – a new Crown entity that will administer the international education sector from 1 September 2011 (\$2.800 million decrease)
- ▲ changes to cost allocations between departmental output expense appropriations (\$456,000 decrease)
- ▲ a transfer to new departmental output expense Establishment of the International Education Crown Agent for the establishment costs of Education New Zealand (\$150,000 decrease).

Financial statements and schedules – non-departmental for the year ended 30 June 2012

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

The Ministry administered \$9,578.5 million of non-departmental payments, \$87.2 million of non-departmental revenue and receipts, \$169.9 million of assets and \$583.4 million of liabilities on behalf of the Crown for the year ended 30 June 2012. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output Performance sections of this report (page 101).

Statement of Expenditure and Appropriations for the year ended 30 June 2012

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

Vote Education

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|---|----------------|------------------------------------|----------------|----------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Non-departmental output expenses | | | | |
| Curriculum Support | 57,913 | 64,622 | 62,289 | 62,351 |
| Education Research Initiatives | 3,008 | 3,008 | 3,008 | 3,008 |
| Professional Development and Support | 85,052 | 87,982 | 87,617 | 90,204 |
| Provision of Information and Advisory Services | 21,981 | 23,751 | 22,639 | 22,221 |
| Qualifications Support Structures | 6,049 | 6,049 | 6,049 | 6,062 |
| Quality Assurance | 4,370 | 4,370 | 4,370 | 4,370 |
| School Transport | 171,727 | 171,749 | 171,511 | 161,803 |
| Secondary School Assessments | 26,480 | 26,480 | 26,480 | 26,480 |
| Service Academies | 1,960 | 2,419 | 1,950 | 1,437 |
| Supporting Parenting | 4,962 | 5,262 | 5,724 | 3,508 |
| Total non-departmental output expenses | 383,502 | 395,692 | 391,637 | 381,444 |
| Benefits and other unrequited expenses | | | | |
| Boarding Allowances and Bursaries | 6,139 | 7,819 | 8,069 | 6,665 |
| Home Schooling Allowances | 5,139 | 5,564 | 5,564 | 5,007 |
| Māpihi Pounamu | 3,368 | 3,500 | 3,250 | 3,115 |
| National Study Awards | 17,488 | 25,780 | 25,707 | 18,478 |
| Scholarships for Students to Attend Private Schools | 3,304 | 3,714 | 3,714 | 2,369 |

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|---|------------------|----------------------------|------------------|------------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Teacher Trainee Scholarships | 2,347 | 11,135 | 16,762 | 60 |
| United World Scholarships | 50 | 50 | 50 | 50 |
| Total benefits and other unrequited expenses | 37,835 | 57,562 | 63,116 | 35,744 |
| Non-departmental other expenses | | | | |
| Early Childhood Education | 1,325,170 | 1,312,418 | 1,395,345 | 1,325,710 |
| Integrated Schools Property | 57,279 | 57,289 | 53,437 | 49,062 |
| Interest Subsidy for Schools | 168 | 357 | 357 | 210 |
| New Zealand Teachers Council | 178 | 178 | 178 | 178 |
| Primary Education | 2,696,287 | 2,741,794 | 2,730,145 | 2,659,081 |
| Remission of Fees | 1,288 | 1,288 | 1,288 | 1,288 |
| School Transport Bus Controllers | 754 | 754 | 807 | 817 |
| Schooling Improvement | 7,399 | 8,964 | 8,964 | 7,972 |
| Secondary Education | 2,005,689 | 2,032,020 | 2,006,499 | 1,974,326 |
| Special Needs Support | 323,226 | 321,443 | 317,750 | 310,103 |
| Support for Early Childhood Education Providers | 24,733 | 26,647 | 22,632 | 10,590 |
| UNESCO ³¹ | 1,954 | 2,083 | 2,083 | 1,842 |
| Total non-departmental other expenses | 6,444,125 | 6,505,235 | 6,539,485 | 6,341,179 |
| Non-departmental capital expenditure | | | | |
| Property Disposal Incentives Scheme | 1,623 | 1,661 | 5,511 | 2,799 |
| School Support Project | 567 | 1,880 | 1,880 | - |
| Schools Furniture and Equipment | 19,358 | 20,636 | 18,473 | 21,357 |
| Total non-departmental capital expenditure | 21,548 | 24,177 | 25,864 | 24,156 |
| Total non-departmental expenditure and appropriations – Vote Education | 6,887,010 | 6,982,666 | 7,020,102 | 6,782,523 |

(All figures are GST exclusive where applicable)

³¹ United Nations Educational, Scientific and Cultural Organization.

Reasons for significant variances from the Supplementary Estimates included:

Output expenses

- ▲ *Curriculum Support* – (\$6.709 million decrease) due to changes to unit prices for laptop for teachers owing to fluctuation in the exchange rate and lower than expected demand and delays for other programmes.
- ▲ *Professional Development and Support* – (\$2.930 million decrease) mainly due to cessation of school support contracts.
- ▲ *Provision of Information and Advisory Services* – (\$1.770 million decrease) due to delays across several programmes.
- ▲ *Service Academies* – (\$0.459 million decrease) due to delays in implementing the New Zealand Defence Force courses.

Benefits and other unrequited expenses

- ▲ *Boarding Allowances and Bursaries* – (\$1.680 million decrease) due to lower than expected demand, particularly for secondary boarding allowances and bursaries.
- ▲ *National Study Awards* – (\$8.292 million decrease) mainly due to a lower than expected number of awards.
- ▲ *Scholarships for Students to Attend Private Schools* – (\$0.410 million decrease) due to lower than expected demand for Aspire scholarships.
- ▲ *Teacher Trainee Scholarships* – (\$8.788 million decrease) mainly due to lower than expected uptake of voluntary bonding as a result of improved teacher supply situation.

Other expenses

- ▲ *Early Childhood Education* – (\$12.752 million increase) mainly owing to higher than forecast hours entitlement for 20 Hours funding for early childhood education attended during school holidays.
- ▲ *Interest Subsidy for Schools* – (\$0.189 million decrease) due to lower than expected interest rates.
- ▲ *Primary Education* – (\$45.507 million decrease) mainly due to lower than expected teacher numbers, lower than expected student rolls, and lower than expected uptake of some programmes.
- ▲ *Schooling Improvement* – (\$1.565 million decrease) mainly owing to lower than expected demand for some programmes such as statutory interventions and lower than expected costs for some contracts.
- ▲ *Secondary Education* – (\$26.331 million decrease) mainly due to lower than expected demand across several programmes and recovery payments for over-used staffing.
- ▲ *Special Needs Support* – (\$1.783 million increase) due to reimbursement of unused staffing entitlements for special schools, higher than expected costs of the Resource Teachers: Learning and Behaviour service, and costs of surplus staffing provisions related to the closure of health camp schools at the end of 2011 which were not budgeted.
- ▲ *Support for Early Childhood Education Providers* – (\$1.914 million decrease) mainly owing to the allocation of the discretionary fund taking longer than expected. Some of this funding may be transferred to subsequent years.

Capital Expenditure

- ▲ *School Support Project* – (\$1.313 million decrease) due to lower than expected demand.
- ▲ *Schools Furniture and Equipment* – (\$1.278 million decrease) mainly due to a change in the process of inviting schools onto the School Network Upgrade Project which resulted in a delay in capital spending.

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

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

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

For full details of the appropriations that were exceeded refer to the Statement of Unappropriated Expenditure (page 85).

For a brief explanation of key movements in non-departmental appropriations during 2011/12 refer to Vote Education – changes to non-departmental appropriations (page 157).

Vote Tertiary Education

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--|------------------|----------------------------|------------------|------------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Non-departmental output expenses | | | | |
| Adult and Community Education (Note 1) | 62,392 | 65,142 | 64,442 | 69,047 |
| Centres of Research Excellence | 33,716 | 33,716 | 33,716 | 33,339 |
| International Education Programmes | 10,993 | 15,223 | 16,006 | 6,005 |
| Managing the Government's Investment in the Tertiary Education Sector | 35,908 | 35,912 | 35,912 | 36,080 |
| Ownership Monitoring of Tertiary Education Institutions | 2,567 | 2,567 | 2,567 | 2,567 |
| Performance-Based Research Fund (Note 1) | 250,000 | 250,000 | 250,000 | 250,000 |
| Tertiary Education and Training Advice (Note 2) | 3,837 | 3,837 | 3,837 | 4,546 |
| Tertiary Education Grants and Other Funding (Note 1) | 34,408 | 35,754 | 32,999 | 25,974 |
| Tertiary Education: Student Achievement Component (Note 3) | 2,004,622 | 2,011,862 | 2,006,444 | 2,029,185 |
| Training for Designated Groups | 237,792 | 274,164 | 297,358 | 255,544 |
| Total non-departmental output expenses | 2,676,235 | 2,728,177 | 2,743,281 | 2,712,287 |
| Benefits and other unrequited expenses | | | | |
| International Student Scholarship Scheme | 1,600 | 1,600 | 1,600 | 1,757 |
| Study Abroad Awards | 1,042 | 1,290 | 1,290 | 1,041 |
| Tertiary Scholarships and Awards (Note 4) | 12,306 | 14,242 | 14,745 | 14,027 |
| Total benefits and other unrequited expenses | 14,948 | 17,132 | 17,635 | 16,825 |
| Non-departmental other expenses | | | | |
| Auckland University Starpath Project | - | - | 1,000 | 1,210 |
| Support for International Students | 127 | 150 | - | 380 |
| Tertiary Education Institutions Merger Support | - | 1,000 | 2,500 | 5,000 |
| Total non-departmental other expenses | 127 | 1,150 | 3,500 | 6,590 |
| Non-departmental capital expenditure | | | | |
| Quality Reinvestment Programme | - | - | - | 2,696 |
| Redevelopment of Whitireia Community Polytechnic Porirua Campus | - | - | - | 668 |
| Te Whare Wānanga o Awanuiārangī Treaty Settlement | - | - | - | 14,500 |
| Total non-departmental capital expenditure | - | - | - | 17,864 |
| Total non-departmental expenditure and appropriations – Vote Tertiary Education | 2,691,310 | 2,746,459 | 2,764,416 | 2,753,566 |

Notes

1. Some appropriations for Vote Tertiary Education have been reclassified from Non-Departmental Other Expenses to Non-Departmental Output Expenses, including Adult and Community Education, Performance-Based Research Fund and Tertiary Education Grants and Other Funding.
2. Formerly called Tertiary Education and Training Policy Advice.
3. The 2011 actual includes the amount related to Tertiary Education Organisation Component – Capability Fund.
4. The former Benefit and Other Unrequited Expense appropriations Queen Elizabeth II Study Awards, Māori and Pacific Island Scholarships and Bursaries, Targeted Education and Training Grants, Tertiary Scholarships and Tertiary Teaching Awards from Vote Education have been merged into a single Tertiary Scholarships and Awards appropriation.

Reasons for significant variances from the Supplementary Estimates included:

Output expenses

- ▲ *Adult and Community Education* – (\$2.750 million decrease) mainly due to lower than expected demand for the Foundation Learning Pool programme.
- ▲ *International Education Programmes* – (\$4.230 million decrease) mainly due to the delayed start-up of Education New Zealand, with work focused on establishing the new Crown entity and managing the transition of international education functions and activities from the Ministry of Education (departmental output expense: Strategic Leadership in the Tertiary System) and New Zealand Trade and Enterprise (Vote Economic Development). Some of this funding may be transferred to subsequent years.
- ▲ *Tertiary Grants and Other Funding* – (\$1.346 million decrease) due to lower than expected demand.
- ▲ *Tertiary Education: Student Achievement Component* – (\$7.240 million decrease) mainly due to fewer students than expected enrolled in approved courses at tertiary education organisations.
- ▲ *Training for Designated Groups* – (\$36.372 million decrease) mainly due to lower demand for workplace training (due to economic conditions, including the effect of the Canterbury earthquakes), funding recoveries (due to fewer students than expected enrolled in approved courses at tertiary education organisations) and the impact of new funding rules for industry training organisations.

Benefits and other unrequited expenses

- ▲ *Study Abroad Awards* – (\$0.248 million decrease) due to lower than expected number of language immersion awards.
- ▲ *Tertiary Scholarships and Awards* – (\$1.936 million decrease) due to fewer students than expected participating in scholarship schemes and no claims being received for the Science and Mathematics Scholarships and School Achievers Awards.

Other expenses

- ▲ *Tertiary Education Institutions Merger Support* – (\$1 million decrease) due to the completion of the merger of Tairāwhiti Polytechnic and Eastern Institute of Technology being extended to 2012/13. Some of this funding may be transferred to subsequent years.

For a brief explanation of key movements in non-departmental appropriations during 2010/11 refer to Vote Tertiary Education – changes to non-departmental appropriations (page 160).

Schedule of Expenses for the year ended 30 June 2012

The Schedule of Expenses summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Expenditure and Appropriations (pages 141 and 144).

Vote Education

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--|------------------|------------------------------------|------------------|------------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Non-departmental output expenses | 383,502 | 395,692 | 391,637 | 381,444 |
| Benefits and other unrequited expenses | 37,835 | 57,562 | 63,116 | 35,744 |
| Non-departmental other expenses | 6,444,125 | 6,505,235 | 6,539,485 | 6,341,179 |
| Non-departmental capital expenditure | 21,548 | 24,177 | 25,864 | 24,156 |
| Total non-departmental expenses | 6,887,010 | 6,982,666 | 7,020,102 | 6,782,523 |

The capital expenditure recorded in the Schedule of Expenses above (\$21.5 million) comprises the Property Disposal Incentives Scheme, Schools Furniture and Equipment, and School Support Project appropriations.

Vote Tertiary Education

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--|------------------|------------------------------------|------------------|------------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Non-departmental output expenses | 2,676,235 | 2,728,177 | 2,743,281 | 2,712,287 |
| Benefits and other unrequited expenses | 14,948 | 17,132 | 17,635 | 16,825 |
| Non-departmental other expenses | 127 | 1,150 | 3,500 | 6,590 |
| Non-departmental capital expenditure | - | - | - | 17,864 |
| Total non-departmental expenses | 2,691,310 | 2,746,459 | 2,764,416 | 2,753,566 |

Statement of Revenue and Receipts for the year ended 30 June 2012

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

Vote Education

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|---|---------------|------------------------------------|---------------|---------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Operational revenue | | | | |
| Crown entity recoveries | 266 | - | - | - |
| Export education levies | 3,494 | 3,521 | 3,521 | 3,311 |
| Miscellaneous receipts | 211 | 617 | 617 | 1,784 |
| Overseas students' fees | 3,509 | 3,757 | 3,757 | 3,536 |
| Payroll receipts | - | 25 | 25 | - |
| Roll audit and staffing recoveries | - | 110 | 110 | 57 |
| State Sector Retirement Savings Scheme recoveries | 68,567 | 64,330 | 64,647 | 76,264 |
| Total operational revenue | 76,047 | 72,360 | 72,677 | 84,952 |
| Capital revenue | | | | |
| Asset sales | - | - | - | 879 |
| Total capital revenue | - | - | - | 879 |
| Total revenue and receipts | 76,047 | 72,360 | 72,677 | 85,831 |

(All figures are GST exclusive where applicable)

Vote Tertiary Education

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------------------|---------------|------------------------------------|---------------|---------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Operational revenue | | | | |
| Crown entity recoveries | 11,130 | 11,055 | - | 14,441 |
| Total operational revenue | 11,130 | 11,055 | - | 14,441 |
| Interest | | | | |
| Tertiary investments interest | - | 122 | 122 | 41 |
| Total interest | - | 122 | 122 | 41 |
| Total current non-tax revenue | 11,130 | 11,177 | 122 | 14,482 |
| Capital revenue | | | | |
| Asset sales | - | - | - | 675 |
| Total capital revenue | - | - | - | 675 |
| Total revenue and receipts | 11,130 | 11,177 | 122 | 15,157 |

(All figures are GST exclusive where applicable)

Schedule of Assets for the year ended 30 June 2012

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

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|--------------------------------------|----------------|------------------------------------|----------------|----------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Cash and bank balances | 83,484 | 75,784 | 94,794 | 75,702 |
| Accounts receivable | 70,225 | 37,122 | 18,196 | 32,540 |
| Prepayments | 5,235 | 2,971 | 13,578 | 3,363 |
| Physical assets ³² | 11,000 | 11,000 | 16,000 | 11,000 |
| Total non-departmental assets | 169,944 | 126,877 | 142,568 | 122,605 |

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

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

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

³² Physical assets include the former Central Institute of Technology campus at Heretaunga.

Schedule of Liabilities for the year ended 30 June 2012

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

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|---|----------------|------------------------------------|----------------|----------------|
| | Actual | Supplementary Estimates | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Accounts payable | 78,600 | 105,122 | 137,037 | 101,449 |
| Accruals and provisions | 294,656 | 180,869 | 235,508 | 235,940 |
| Provision for teacher entitlements | 210,192 | 210,192 | 204,082 | 199,439 |
| Total non-departmental liabilities | 583,448 | 496,183 | 576,627 | 536,828 |

Statement of Commitments for the year ended 30 June 2012

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.

| | 30/06/2012 | 30/06/2011 |
|--|---------------|----------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Curriculum development projects: | | |
| ▲ Not later than one year | 44,531 | 74,436 |
| ▲ Later than one year and not later than two years | 13,284 | 36,931 |
| ▲ Later than two years and not later than five years | 90 | 9,632 |
| Total commitments | 57,905 | 120,999 |

Statement of Contingent Liabilities for the year ended 30 June 2012

The Statement of Contingent Liabilities discloses situations that exist at 30 June 2012, 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.

| | 30/06/2012 | 30/06/2011 |
|---|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Legal proceedings: | | |
| Personal grievance claims | 2,900 | 3,400 |
| Claims related to Treaty of Waitangi issues | - | 265 |
| Total contingent liabilities | 2,900 | 3,665 |

Personal grievance claims

Personal grievances relate to historical abuse claims.

Claim related to Treaty of Waitangi issues

Costs related to a claim taken to the Waitangi Tribunal by 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 2012

The Statement of Contingent Assets discloses situations that exist at 30 June 2012, 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.

| | 30/06/2012 | 30/06/2011 |
|---|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Suspensory loans – private and integrated schools | 44,990 | 52,985 |
| Total contingent assets | 44,990 | 52,985 |

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 2012

| Account | As at 1/07/2011 | Contribution | Distribution | Revenue | Expenses | As at 30/06/2012 |
|---------------------------|----------------------------|---------------------|---------------------|----------------|-----------------|-----------------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Export Education Levy | 1,924 | - | - | 4,462 | (2,511) | 3,875 |
| UNESCO ASPAC Conference | 2 | - | - | - | - | 2 |
| Total trust monies | 1,926 | - | - | 4,462 | (2,511) | 3,877 |

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 2012

In terms of section 26 of the Public Finance Act 1989, the following expenses were incurred in excess of appropriation for the year ended 30 June 2012 (there was no unappropriated expenditure for the year ended 30 June 2011).

| | 30/06/2012 | 30/06/2012 | 30/06/2012 | 30/06/2011 |
|---|------------------|------------------|----------------------------|----------------------------|
| | Expenditure | Appropriation | Unappropriated expenditure | Unappropriated expenditure |
| | \$000 | \$000 | \$000 | \$000 |
| Non-departmental other expenses: | | | | |
| Early Childhood Education | 1,325,170 | 1,312,418 | 12,752 | - |
| Over expenditure has occurred mainly due to higher than forecast hours entitlement for 20 Hours funding for early childhood education attended during school holidays. The issue with the entitlement hours was not identified until after the 2011/12 Supplementary Estimates were closed. | | | | |
| Special Needs Support | 323,226 | 321,443 | 1,783 | - |
| Over expenditure has occurred mainly due to: | | | | |
| <ul style="list-style-type: none"> ▲ reimbursement of unused staffing entitlements for special schools. Funding for banking staffing was appropriated under Primary Education and Secondary Education but not Special Needs Support ▲ higher than expected costs of the Resource Teachers: Learning and Behaviour service after part of the budget was reprioritised for training but the 2012 funding rates were not reduced ▲ costs of surplus staffing provisions related to the closure of health camp schools at the end of 2011 which were not budgeted. | | | | |
| These additional costs were not known at the time the Supplementary Estimates were closed. | | | | |
| Total unappropriated expenditure | 1,648,396 | 1,633,861 | 14,535 | - |

Notes to the non-departmental financial statements

Note 1 – Statement of accounting policies for the year ended 30 June 2012

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should be made to the Financial Statements of the Government.

Accounting policies

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with relevant Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies have been applied:

Budget figures

The budgeted figures for the year ended 30 June 2012 are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

Foreign exchange

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental income or expenses.

Revenue

Revenue is recognised when it is earned or received.

Grant expenditure

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

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

Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the government financial statements.

Debtors and other receivables

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

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

Property, plant and equipment

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

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

Additions

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

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

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

Disposals

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

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

Subsequent costs

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

Depreciation

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

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

| Useful lives are: | Years |
|--------------------------|--------------|
| Buildings | 50 |

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

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

Revaluation

Land and buildings are recorded at market value as assessed by an independent registered valuer. Valuations are conducted on an annual basis. Additions between valuations are recorded at cost.

All other asset classes are carried at depreciated historical cost.

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

Accounting for revaluations

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

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in net surplus or deficit. Any subsequent increase on revaluation that 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.

Note 2 – Debtors and other receivables

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Accrued revenue | 35,692 | 25,190 |
| Less provision for doubtful debts | (1,440) | (1,598) |
| Other receivables | 33,296 | 6,739 |
| Total debtors and other receivables | 67,548 | 30,331 |
| Represented by: | | |
| Current | 64,188 | 20,731 |
| Non-current | 3,360 | 9,600 |

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

As at 30 June 2012 and 2011, all debtors and other receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

| | 30/06/2012 | | | 30/06/2011 | | |
|-------------------------|---------------|-------------------|---------------|---------------|-------------------|---------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Not past due | 21,133 | - | 21,133 | 20,198 | - | 20,198 |
| Past due 1 - 90 days | 1,551 | - | 1,551 | 253 | - | 253 |
| Past due 90 - 180 days | 471 | - | 471 | 368 | 48 | 320 |
| Past due 180 - 360 days | 706 | 72 | 634 | 658 | 272 | 386 |
| Past due > 360 days | 11,831 | 1,368 | 10,463 | 3,713 | 1,278 | 2,435 |
| Total | 35,692 | 1,440 | 34,252 | 25,190 | 1,598 | 23,592 |

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:

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Balance at 1 July | 1,598 | 1,646 |
| Increase/(release) of provisions during the year | (158) | (48) |
| Balance at 30 June | 1,440 | 1,598 |

Note 3 – Creditors and other payables

| | 30/06/2012 | 30/06/2011 |
|---|----------------|----------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Creditors | 78,600 | 101,449 |
| Accrued expenses | 294,656 | 235,940 |
| Total creditors and other payables | 373,256 | 337,389 |

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

Note 4 – Related party transactions

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

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

- ▲ Te Aute Trust Board, in which a Deputy Secretary's brother-in-law is a Board member. These services cost \$109,351 (2011: \$105,301). No balance was outstanding at year end (2011: \$nil).
- ▲ Educational Leadership Project Ltd, in which a senior manager's sister-in-law is a director of the company. These services cost \$1,194,594 (2011: \$845,515) and were supplied on normal commercial terms. No balance was outstanding at year end (2011: \$nil).

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

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

Note 5 – School Contents Risk Management Scheme

The Ministry's Risk Management Scheme for Schools provides protection both for school contents (Board of Trustees property), and for legal liability issues (including public liability). The Scheme was set up in the early 1990s in response to the private insurance market deeming some schools to be an unattractive risk, which resulted in a number of schools being uninsurable. Due to the continued high risk level of some schools, the Ministry has chosen to retain the Scheme as an alternative option for state and state-integrated schools to the private insurance market.

The cost of membership to the Scheme is based on a school's risk management funding allowance in its operations grant. This per student cost per annum is levied according to a school's roll and deductions are made quarterly.

The Ministry acts as insurer for contents insurance in schools, and contracts the services of Cerno International for loss adjustment of contents claims. Cover is described by a 'Deed' for school contents and the Education (Risk Management Scheme) Regulations 2003 and includes replacement value of contents, refrigerated property, earthquake, subsidence, self-ignition, works of art, and money.

Excess 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 2012.

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 2012 this was \$4,534. The average claim rate was 0.700 claims per day and the average delay was 30 days.
- ▲ The outstanding claims reserve at 30 June 2012 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.

| | 30/06/2012 | 30/06/2011 |
|--|---------------|---------------|
| | Actual | Actual |
| | \$000 | \$000 |
| Opening claims liability | 1,932 | 304 |
| Plus premiums received | 2,090 | 1,979 |
| (Less) re-insurance premiums paid | (1,536) | (1,055) |
| (Less) claims paid | (1,483) | (2,428) |
| Plus/(less) claims liability adjustment from valuation | 1,693 | 3,132 |
| Insurance profit/(loss) | 764 | 1,628 |
| Closing claims liability | 2,696 | 1,932 |

Vote Education – changes to non-departmental appropriations

Non-departmental appropriations for 2011/12 decreased by \$37.4 million (GST exclusive) (refer table on page 158). The major reasons for the decrease were:

Cabinet and other decisions

Specific government decisions resulted in a \$54.3 million increase to appropriations. The major changes included:

- ▲ application of new capital charge rules for Crown entities to the New Zealand Qualifications Authority (\$1.1 million)
- ▲ provision for settlement of the Secondary Teachers', Area School Principals' and Area School Teachers' Collective Agreements (\$41.2 million)
- ▲ increased funding for changes in school classifications, integrations and closures (\$8.3 million).

Revised forecasts and other changes in demand

Revised forecasts and demand changes resulted in a \$85.6 million decrease in appropriations.

Significant forecast changes during the year included:

- ▲ decreased costs of early childhood education mainly owing to a combination of:
 - ▲ lower growth in volume of hours (\$109.3 million)
 - ▲ slower than expected uptake of 20 hours early childhood education by playcentres and kōhanga reo services (\$27.8 million)
 - ▲ increased cost per hour of early childhood education through changes in the proportion of hours for under-twos and over-twos and faster movement towards the Government goal of services having at least 80% of teachers registered (\$55.3 million)
- ▲ decreased costs of schooling across Primary Education and Secondary Education appropriations partly offset by increases under Special Needs Support mainly owing to:
 - ▲ lower than expected full time teacher numbers (\$26.2 million)
 - ▲ lower than expected staffing rolls (\$6.3 million)
 - ▲ higher than expected salary rates (\$23.5 million).

Fiscally neutral adjustments

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

- ▲ a transfer of truancy funding from non-departmental other expenses Primary Education and Secondary Education to non-departmental output expense Curriculum Support for the new Student Attendance and Engagement service (\$2.5 million)
- ▲ transfers from non-departmental other expense Early Childhood Education and non-departmental output expense Supporting Parenting to other expense Support for Early Childhood Education Providers for higher than expected demand assistance (\$2.3 million)
- ▲ a transfer from non-departmental other expense Special Needs Support to non-departmental output expense Professional Development and Support for induction training for new cluster managers and lead schools' principals and boards of trustees for the Resource Teachers: Learning and Behaviour service (\$0.6 million)
- ▲ transfers to Primary Education (\$3.6 million) and Special Needs Support (\$2.1 million) from Secondary Education (\$5.7 million) owing to revised cost allocations.

Expense and capital transfers

Transfers between financial years (from 2010/11 to 2011/12 and from 2011/12 to 2012/13 and subsequent years) resulted in a net increase of \$6.1 million. Significant transfers included:

- ▲ transfers from 2010/11 for the Schools Network Upgrade Project (\$4.7 million)
- ▲ a transfer from 2010/11 to support students to meet literacy and numeracy standards (\$2.4 million)
- ▲ a transfer of funding from 2010/11 for the Early Childhood Education Participation Programme (\$1.8 million)
- ▲ a transfer to subsequent years for the Property Disposal Incentive Scheme owing to changes in the expected timing of property sales (\$3.8 million)
- ▲ a transfer from 2010/11 for Positive Behaviour for Learning (\$905,000).

Other adjustments

Other adjustments resulted in a decrease of \$12.2 million. These changes mainly included:

- ▲ a transfer from benefits and other unrequited expense Teacher Trainee Scholarships to departmental output expense Support and Resources for Education Providers to fund an extension of the existing payroll contract (\$5.3 million)
- ▲ a transfer from non departmental other expense Secondary Education to Vote Tertiary Education (non-departmental output expense Tertiary Education Grants and Other Funding) to reflect higher than predicted enrolments in tertiary-led trade academies (\$2.3 million)
- ▲ a transfer of funding from non departmental other expense Special Needs Support to departmental output expense Interventions for Target Student Groups for the Positive Behaviour for Learning programme (\$3.7 million).

| Non-Departmental Appropriations 2011/12 | Budget 2011 \$000 | Cabinet & Ministerial Decisions \$000 | Demand Changes \$000 | Transfers Between Years \$000 | Fiscally Neutral Adjustments \$000 | Other Changes \$000 | Total \$000 |
|--|-------------------------|--|----------------------------|--|---|---------------------------|----------------|
| Non-departmental output expenses | | | | | | | |
| Curriculum Support | 62,289 | - | - | - | 2,333 | - | 64,622 |
| Education Research Initiatives | 3,008 | - | - | - | - | - | 3,008 |
| Professional Development and Support | 87,617 | 276 | - | - | 168 | (79) | 87,982 |
| Provision of Information and Advisory Services | 22,639 | 1,112 | - | - | - | - | 23,751 |
| Qualifications Support Structures | 6,049 | - | - | - | - | - | 6,049 |
| Quality Assurance | 4,370 | - | - | - | - | - | 4,370 |
| School Transport | 171,511 | - | 238 | - | - | - | 171,749 |
| Secondary School Assessments | 26,480 | - | - | - | - | - | 26,480 |
| Service Academies | 1,950 | 469 | - | - | - | - | 2,419 |
| Supporting Parenting | 5,724 | - | - | 130 | (333) | (259) | 5,262 |
| Total non-departmental output expenses | 391,637 | 1,857 | 238 | 130 | 2,168 | (338) | 395,692 |
| Benefits and other unrequited expenses | | | | | | | |
| Boarding Allowances and Bursaries | 8,069 | - | - | - | (250) | - | 7,819 |
| Home Schooling Allowances | 5,564 | - | - | - | - | - | 5,564 |
| Māpihi Pounamu | 3,250 | - | - | - | 250 | - | 3,500 |
| National Study Awards | 25,707 | 73 | - | - | - | - | 25,780 |
| Scholarships for Students to Attend Private Schools | 3,714 | - | - | - | - | - | 3,714 |
| Teacher Trainee Scholarships | 16,762 | - | - | - | - | (5,627) | 11,135 |
| United World Scholarships | 50 | - | - | - | - | - | 50 |
| Total benefits and other unrequited expenses | 63,116 | 73 | - | - | - | (5,627) | 57,562 |

| Non-Departmental Appropriations 2011/12 | Budget 2011 | Cabinet & Ministerial Decisions | Demand Changes | Transfers Between Years | Fiscally Neutral Adjustments | Other Changes | Total |
|---|------------------|---------------------------------------|-------------------|-------------------------------|------------------------------------|------------------|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Non-departmental other expenses | | | | | | | |
| Early Childhood Education | 1,395,345 | - | (80,945) | - | (1,982) | - | 1,312,418 |
| Integrated Schools Property | 53,437 | 463 | 889 | 2,500 | - | - | 57,289 |
| Interest Subsidy for Schools | 357 | - | - | - | - | - | 357 |
| New Zealand Teachers Council | 178 | - | - | - | - | - | 178 |
| Primary Education | 2,730,145 | 8,334 | (3,094) | 2,400 | 4,009 | - | 2,741,794 |
| Remission of Fees | 1,288 | - | - | - | - | - | 1,288 |
| School Transport Bus Controllers | 807 | - | (53) | - | - | - | 754 |
| Schooling Improvement | 8,964 | - | - | - | - | - | 8,964 |
| Secondary Education | 2,006,499 | 41,457 | (5,484) | - | (8,033) | (2,419) | 2,032,020 |
| Special Needs Support | 317,750 | 2,084 | 2,852 | 1,025 | 1,523 | (3,791) | 321,443 |
| Support for Early Childhood Education Providers | 22,632 | - | - | 1,700 | 2,315 | - | 26,647 |
| UNESCO | 2,083 | - | - | - | - | - | 2,083 |
| Total non-departmental other expenses | 6,539,485 | 52,338 | (85,835) | 7,625 | (2,168) | (6,210) | 6,505,235 |
| Non-departmental capital expenditure | | | | | | | |
| Property Disposal Incentives Scheme | 5,511 | - | - | (3,850) | - | - | 1,661 |
| School Support Project | 1,880 | - | - | - | - | - | 1,880 |
| Schools Furniture and Equipment | 18,473 | - | - | 2,163 | - | - | 20,636 |
| Total non-departmental capital expenditure | 25,864 | - | - | (1,687) | - | - | 24,177 |
| | 7,020,102 | 54,268 | (85,597) | 6,068 | - | (12,175) | 6,982,666 |

Vote Tertiary Education – changes to non-departmental appropriations

Non-departmental appropriations for 2011/12 decreased by \$17.9 million (GST exclusive) (refer table on page 161). The major reasons for the decrease were:

Cabinet and other decisions

Specific government decisions resulted in a \$9.3 million decrease to appropriations. The major changes included:

- ▲ a reallocation from the Industry Training Fund to offset the costs of supporting Skills for Canterbury initiatives under non-departmental output expense Tertiary Education: Student Achievement Component and related student support costs under Vote Social Development and Vote Revenue (\$15.7 million)
- ▲ transferring international education functions from the Ministry of Education (departmental output expense Strategic Leadership in the Tertiary System) and New Zealand Trade and Enterprise (Vote Economic Development) to the new Crown Agent – Education New Zealand (\$3.2 million)
- ▲ additional funding for the new Pacific Trades initiative and other trades allocations to respond to Skills for Canterbury initiatives (\$5.4 million)
- ▲ a transfer from the Industry Training Fund to Vote Social Development to smooth the impact of changes to the Training Opportunities Fund (\$2.3 million).

Expense and capital transfers

Transfers between financial years (from 2010/11 to 2011/12 and from 2011/12 to 2012/13 and subsequent years) resulted in a net decrease of \$1.5 million. Significant transfers included:

- ▲ a transfer of international education promotions funding to subsequent years after the delayed start up of Education New Zealand and the initial focus being on establishing the new agency and managing the transition of its new functions and activities from the agencies previously responsible for them (\$4 million)
- ▲ a transfer of funding to 2012/13 for the Starpath Project at University of Auckland (\$1 million)
- ▲ a transfer of funding to 2012/13 for the merger between Tairāwhiti Polytechnic and the Eastern Institute of Technology which will take until 2013 to fully implement (\$1.5 million)
- ▲ a transfer of funding from 2010/11 for the Youth Guarantee (\$3.7 million)
- ▲ a transfer of workplace literacy funding from 2010/11 (\$0.7 million).

Other adjustments

Other adjustments resulted in a decrease of \$7.1 million. These changes mainly included:

- ▲ a transfer of funding from non-departmental output expense Training for Designated Groups to Tertiary Education: Student Achievement Component over 2012/13 and 2013/14 to manage demand pressures (\$8.9 million)
- ▲ a transfer of Trainee Medical Intern Grant funding to outyears to better match projected costs (\$0.8 million)
- ▲ a transfer from Vote Education non-departmental other expense appropriation Secondary Education for the higher than expected enrolments in tertiary-led trades academies (\$2.4 million)
- ▲ assistance for Christchurch students undertaking tertiary study who are facing serious hardship as a consequence of the earthquakes transferred from Vote Education (\$0.3 million).

| Non-Departmental Appropriations 2011/12 | Budget 2011 | Cabinet & Ministerial Decisions | Transfers Between Years | Other Changes | Total |
|---|------------------|---------------------------------|-------------------------|----------------|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Non-departmental output expenses | | | | | |
| Adult and Community Education | 64,442 | - | 700 | - | 65,142 |
| Centres of Research Excellence | 33,716 | - | - | - | 33,716 |
| International Education Programmes | 16,006 | 3,217 | (4,000) | - | 15,223 |
| Managing the Government's Investment in the Tertiary Education Sector | 35,912 | - | - | - | 35,912 |
| Ownership Monitoring of Tertiary Education Institutions | 2,567 | - | - | - | 2,567 |
| Performance-Based Research Fund | 250,000 | - | - | - | 250,000 |
| Tertiary Education and Training Advice | 3,837 | - | - | - | 3,837 |
| Tertiary Education Grants and Other Funding | 32,999 | - | 400 | 2,355 | 35,754 |
| Tertiary Education: Student Achievement Component | 2,006,444 | 5,418 | - | - | 2,011,862 |
| Training for Designated Groups | 297,358 | (17,982) | 3,700 | (8,912) | 274,164 |
| Total non-departmental output expenses | 2,743,281 | (9,347) | 800 | (6,557) | 2,728,177 |
| Benefits and other unrequited expenses | | | | | |
| International Student Scholarship Scheme | 1,600 | - | - | - | 1,600 |
| Study Abroad Awards | 1,290 | - | - | - | 1,290 |
| Tertiary Scholarships and Awards | 14,745 | - | - | (503) | 14,242 |
| Total benefits and other unrequited expenses | 17,635 | - | - | (503) | 17,132 |
| Non-departmental other expenses | | | | | |
| Auckland University Starpath Project | 1,000 | - | (1,000) | - | - |
| Support for International Students | - | - | 150 | - | 150 |
| Tertiary Education Institutions Merger Support | 2,500 | - | (1,500) | - | 1,000 |
| Total non-departmental other expenses | 3,500 | - | (2,350) | - | 1,150 |
| | 2,764,416 | (9,347) | (1,550) | (7,060) | 2,746,459 |

